

First UDL Modaraba

Annual Report 1998

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CORPORATE INFORMATION

MODARABA COMPANY

UDL Modaraba Management (Private) Limited

BOARD OF DIRECTORS

Abdul Malik	Chairman
Khalid Malik	Chief Executive
Rashid Abdulla	Director
Tausif Ahmed Hashmi	Director
Farooq Ahmad Bhattu	Director
- Nominee Crescent Investment Bank Limited	

A. W. Rahi **Managing Director**

COMPANY SECRETARY

Zubair Razzak Palwala

AUDITORS

Sidat Hyder Qamar Maqbool & Co.
Chartered Accountants

BANKERS

Muslim Commercial Bank Ltd.
Habib Bank Limited.
Citibank N. A.
ANZ Grindlays Bank Ltd.
Security Investment Bank Ltd.
Crescent Investment Bank Ltd.
Orix Investment Bank Pakistan Ltd.

Al-Faysal Investment Bank Ltd.

REGISTRAR

Gangjees Investment & Finance Consultants
513 Clifton Centre, Khayaban-e-Roomi,
Kehkashan, Block-5 Clifton, Karachi.

REGISTERED OFFICE

N.I.C. Building, 1st Floor, Abbasi Shaheed Road,
Off Shahrah-e-Faisal, Karachi.

DIRECTORS' REPORT

The Directors of UDL Modaraba Management (Private) Limited have pleasure in presenting the seventh annual report of First UDL Modaraba together with the audited accounts for the year ended June 30, 1998.

1. Operating Results

The financial results of the Modaraba for the year under review are as follows:

	Rupees ('000')
- Profit for the year after tax	42,444
- Transferred to statutory reserves	(8,489)

	33,955
- Unappropriated loss brought forward	(15,383)

- Unappropriated profit carried forward	18,572
	=====

2. Review of Operations

Alhamdulillah, your Modaraba continued to make a progressive growth during the year under review despite adverse economic conditions prevailing in the country and various unfavourable factors faced by the sector, as highlighted, in the following paragraphs.

Pursuing diversification plan, the Modaraba concentrated on "Leasing" as its core business activity. An amount of Rs. 131.0 million was disbursed in writing new leases during the year under review. Thus, the aggregate lease portfolio of the Modaraba has increased to Rs. 686.0 million at prime cost while its written-down value amounted to Rs. 430.0 million at the close of the year.

Other business activities of the Modaraba like musharikas and morabahas were carried out at smaller scale. Investment in shares & securities which had already been reduced in the previous years pursuant to diversification plan could not, however, be reduced further during the year due to volatile stock market conditions.

Administrative expenses of the Modaraba have been kept under strict control, rather reduced wherever possible,

pursuant to austerity plans.

As a result of measures taken, you will be pleased to observe that your Modaraba's profitability has significantly improved. A net profit of Rs. 42.4 million was earned during the year as against Rs. 25.3 million posted last year, after providing fully for all the expenses, diminution in the value of short term investments, bad & doubtful debts, taxation and profit payable to International Finance Corporation (IFC) etc. This compares very favourably particularly in view of the fact that a provision of Rs. 10.0 million has been made this year towards diminution in the value of long term investments. Although the effect of the diminution in the value of long term investments is not yet considered permanent, the provision, as above, has been made for prudence sake.

3. Earning per Share

Earning per modaraba certificate works out to be Rs. 1.60 this year as against Re. 0.96 in the preceding year.

4. Future Outlook

In our last annual report, we explained in detail about the country's critical economic conditions and the impact thereof on business climate in general and on modarabas in particular. It was, however, hoped that structural reforms and drastic steps then taken by the government would bring about some respite in the time to come.

However, the hope of revival collapsed very soon owing to subsequent retrograding developments following the Nuclear tests conducted by the Government of Pakistan. Foreign currency controls and economic sanctions by the donor countries have resulted in slowing down the business and contraction of economy. Political uncertainty, law and order situation and conflict between Government and Independent Power Producers (IPPs) have added fuel to the fire in destabilizing the economy.

While the negative factors enumerated above are further deteriorating business conditions, there are certain positive developments too:

- a) Modarabas' long - standing and legitimate demand of tax exemption has been restored except for trading modarabas.
- b) The transfer pricing of leased assets has been resolved to be the residual value as per the lease agreement with the lessee.
- c) Withholding tax on sale & lease back transactions has been waived.
- d) Profit sharing on musharika transactions to be treated as tax deductible.

The above measures taken by the Government should have very positive impact on the modaraba and leasing business, but are largely off-set by worsening economic conditions. The government, particularly the Corporate Law Authority (CLA), has shown increasing indulgence in resolving remaining issues and problems of the modarabas. Changes and modifications in the rules and regulations to smoothly monitor the modarabas and strengthening their position in the market place are being finalised. The Modaraba Association of Pakistan is closely working with CLA for the needful. We look forward to an improved performance of the modaraba sector once the economic conditions improve at macro level.

In the prevailing situation, the management of your Modaraba is fully conscious of the challenges ahead. It will endeavour for the growth with diversification and consolidation with' a view to maintaining the performance and profitability of your Modaraba.

5. Interim Dividend

Directors are pleased to announce an interim distribution of profit @ 10% for the year ending June 30, 1999. This interim distribution notwithstanding uncertain economic conditions is recommended for balancing the interests of certificate-holders.

6. Millennium Bug

In compliance with Corporate Law Authority's (CLA) requirements, we report that all the necessary steps have been taken by the management of the Modaraba to counter the year 2000 problem known as "Millennium Bug" In fact, the Modaraba is in the process of developing a new computerised system of Accounting and Management reporting.

7. Auditors

The present auditors, M/s. Sidat Hyder Qamar Maqbool & Co., Chartered Accountants, are due for retirement, and being eligible, offer themselves for reappointment for the year 1998-99.

8. Acknowledgment

The Directors wish to place on record their appreciation and thanks to certificate holders for their continued confidence in the Modaraba, to the authorities for their guidance and to all the members of management and staff for their dedication and hard work.

On behalf of the Board

Sd/

KHALID MALIK

Chief Executive

Karachi: October 30, 1998

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet as at 30 June 1998 and the related profit and loss account and statement of changes in financial position, together with the notes to the accounts, for the year ended 30 June 1998 of FIRST UDL MODARABA which are Modaraba company's [UDL Modaraba Management (Private) Limited] representation and we state that we have obtained all the information and explanations which we required and, after due verification thereof, we report that:

a) in our opinion, proper books of account have been keep by the Modaraba company in respect of First UDL Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. and Modaraba Companies and Modaraba Rules, 1981.

b) in our opinion, the balance sheet and the profit and loss account have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Modaraba Companies and Modaraba Rules, 1981; and

c) in our opinion and to the best of our information and according to the explanations given to us:

i) the balance sheet and the related profit and loss account and statement of changes in financial position, which are in agreement with the books of account, exhibit respectively a true and fair view of the state of the Modaraba's affairs as at 30 June 1998; and the profit and the cash flows for the year ended on that date;

ii) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1950: and

iii) the business conducted investments made and expenditure incurred by, the Modaraba are in accordance with the objects, terms and conditions of the Modaraba.

We wish to emphasize that the Modaraba has pursued the currently prevailing practice and form of documenting Morabaha and Musharika transactions. These documents, are in accord with the approval of the Religious Board. The execution of such Morabaha and Musharika transactions need to be brought in greater conformity with the spirit of such documents.

Sd/-

SIDAT HYDER QAMAR MAQBOOL & CO.

Chartered Accountants

Karachi: October 30, 1998

BALANCE SHEET AS AT JUNE 30, 1998

	Note	1998 Rupees	1997 Rupees
Capital and Reserves			
Capital			
Authorised			
50,000,000 (1997: 50,000,000)Modaraba			
Certificates of Rs. 10/- each			
		500,000,000	500,000,000
		=====	=====
Issued, subscribed and paid-up	3	263,865,890	263,865,890
		-----	-----
Statutory reserve	4	36,146,414	27,657,487
Accumulated profit/(loss)		18,572,465	(15,383,245)
		-----	-----
		54,718,879	12,274,242
		-----	-----
		318,584,769	276,140,132
Redeemable capital - Secured	5	343,300,000	362,906,737
Morabaha payable - Secured	6	9,289,003	25,566,677
Security deposits		73,541,528	57,288,606
Current Liabilities			
Short-term Morabaha payable	7	15,303,289	15,240,412
Current portion of long-term Morabaha and Musharika payable - secured	8	30,900,607	-
Creditors, accrued and other liabilities	9	46,753,329	39,945,899
Due to associated companies		5,263,888	2,586,372
Taxation		-	217,143
		-----	-----
		98,221,113	57,989,826
Contingencies	10	-	-
		-----	-----

		842,936,413	779,891,978
		=====	=====
Fixed Assets - Tangible			
Assets in own use	11	3,832,949	4,520,032
Assets leased out		429,147,716	425,541,247
Long-term advances, deposits and deferred costs	13	2,505,886	3,784,904
Long-term investments	14	50,727,649	60,727,649
Current Assets			
Short-term investments	15	6,023,300	8,007,050
Trade debts	16	91,754,168	84,377,843
Musharika and Morabaha receivables	17	39,914,921	21,671,420
Advances, deposits, prepayments and other receivables	18	21,649,688	23,098,126
Cash and bank balances	19	197,380,136	148,163,707
		-----	-----
		356,722,213	285,318,146
		-----	-----
		842,936,413	779,891,978
		=====	=====

Auditors' Report Annexed

The annexed notes form an integral part of these accounts.

KHALID MALIK

Chief Executive

UDL Modaraba Management (Private) Limited

FAROOQ A. BHATTY

Director

UDL Modaraba Management (Private) Limited

A.W. RAHI

Director

UDL Modaraba Management (Private) Limited

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 1998

	Note	1998 Rupees	1997 Rupees
Revenue from:			
Leasing operations	20	206,624,284	160,428,466
Morabahas		-	1,553,475
Musharikas		6,497,796	1,712,085
Investments	21	68,435,262	51,407,950
Other sources	22	6,569,597	1,963,624
		-----	-----
		288,126,939	217,065,600
Expenditure			
Administrative expenses	23	14,645,394	16,400,488

Amortization on assets leased out	12	123,714,797	86,115,949
Financial charges	24	87,545,715	68,156,803
		-----	-----
		225,905,906	170,673,240
		-----	-----
		62,221,033	46,392,360
Provision for:			
Diminution in the value of investments		(12,011,932)	(7,430,110)
Doubtful debts			- (10,000,000)
		-----	-----
		(12,011,932)	(17,430,110)
		-----	-----
		50,209,101	28,962,250
Modaraba Company's management fee		(4,564,464)	(2,632,932)
		-----	-----
Profit before taxation		45,644,637	26,329,318
Taxation		(3,200,000)	(1,000,000)
		-----	-----
Profit after taxation		42,444,637	25,329,318
Transferred to statutory reserve		(8,488,927)	(5,065,864)
		-----	-----
		33,955,710	20,263,454
Unappropriated loss brought forward		(15,383,245)	(35,646,699)
		-----	-----
Accumulated profit/(loss) carried forward		18,572,465	(15,383,245)
		=====	=====

The annexed notes form an integral part of these accounts.

KHALID MALIK

Chief Executive

UDL Modaraba Management

(Private) Limited

FAROOQ A. BHATTY

Director

UDL Modaraba Management

(Private) Limited

A.W. RAHI

Director

UDL Modaraba Management

(Private) Limited

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1998**

	1998	1997
	Rupees	Rupees
Cash Flow From Operating Activities		
Profit before taxation	45,644,637	26,329,318
Adjustment of non cash items:		
Depreciation on own assets	1,507,097	1,512,707
Amortization on:		
- assets leased out	123,714,797	86,115,949

- deferred costs	1,254,719	1,473,636
(Gain)/loss on sale of fixed assets		
- own assets	(210,084)	(226,062)
- assets leased out	150,057	78,918
Dividend income	(1,801,160)	(1,705,394)
	-----	-----
	170,260,063	113,579,072

(Increase)/decrease in operating assets

Trade debts	(7,376,325)	(9,728,198)
Musharika receivables	(18,243,501)	(14,358,910)
Short-term investments	1,983,750	33,584,856
Advances, deposits, prepayments and other receivables	(2,103,329)	(499,755)
	-----	-----
	(25,739,405)	8,997,993

Increase/(decrease) in current liabilities

Short-term Musharika and Morabaha	62,875	(13,617,361)
Current portion of long-term Morabaha and Musharika-secured	30,900,607	-
Creditors, accrued and other liabilities	6,807,430	7,955,703
Due to associated companies	2,677,516	(1,597,418)
	-----	-----
	40,448,430	(7,259,076)

Net cash flow from operating activities

Income tax paid		(1,922,142)
	-----	-----
Net cash flow from operating activities after tax	184,969,088	113,395,847

CASH FLOW FROM INVESTING ACTIVITIES

Purchase of fixed assets		
- own assets	(1,428,498)	(1,883,589)
- assets leased out	(131,715,767)	(203,222,468)
Venture capital	-	2,700,000
Long-term deposits	24,300	(124,097)
Long-term investments	10,000,000	82,391,553
Proceeds from sale of fixed assets		
- own assets	818,568	1,119,000
- assets leased out	4,244,444	660,000
Dividend received	1,935,783	1,654,826
	-----	-----
Net cash flow from investing activities	(116,121,170)	(116,704,775)

CASH FLOW FROM FINANCING ACTIVITIES

Redeemable capital	(19,606,737)	53,600,000
Proceeds/(repayment) of Morabaha	(16,277,674)	-
Long-term security deposits	16,252,922	13,790,312
	-----	-----
Net cash flow from financing activities	(19,631,489)	67,390,312

Net cash flow after financing activities	49,216,429	64,081,384
Cash and bank at the beginning of the year	148,163,707	84,082,323
Cash and bank at the end of the year	197,380,136	148,163,707

KHALID MALIK
Chief Executive
UDL Modaraba Management
(Private) Limited

FAROOQ A. BHATTY
Director
UDL Modaraba Management
(Private) Limited

A.W. RAHI
Director
UDL Modaraba Management
(Private) Limited

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 1998**

1. LEGAL STATUS AND NATURE OF BUSINESS

First UDL Modaraba was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder and is managed by UDL Modaraba Management (Private) Limited. It is a perpetual, multipurpose and multidimensional Modaraba and is engaged in providing finance on Morabaha and Musharika arrangements, leasing, commodity trading and trading in listed and non-interest bearing securities.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Overall valuation policy

These accounts have been prepared on the basis of historical cost 'convention'.

2.2 Staff retirement benefits

The Modaraba operates approved Provident Fund Scheme covering all its employees who are eligible under the scheme. Equal monthly contributions are made by the Modaraba and the employees to the Fund.

2.3 Fixed assets

2.3.1 Assets in own use and depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to income applying the straight line method whereby the cost of an asset is written-off over its estimated useful life. Full year's depreciation is charged on additions while no depreciation is charged on assets disposed off during the year.

Maintenance and normal repairs are charged to income as and when incurred. Gains and losses on disposal of fixed assets are included in income currently.

2.3.2 Assets leased out and amortization

Leased assets are stated at cost less accumulated amortization. Amortization is charged to income applying the annuity method whereby the depreciable values of assets are amortized over the lease period.

Profit or loss on disposal of leased assets is included in income currently.

2.4 Deferred costs

Expenses incurred in connection with incorporation and floatation of Modaraba, issue of certificates and increase in authorised capital are being written-off over a period of five years, commencing from the year in which they are incurred.

2.5 Trading stock

These are stated at lower of cost and net realisable value determined on FIFO basis, except for goods in transit which are stated at invoice value in addition to other charges paid thereon.

2.6 Investments

Short-term investments are carried at lower of average cost and market value determined on aggregate portfolio basis. In case of long-term investments the effect of permanent diminution, if any, in the value of investments are taken to profit and loss account.

2.7 Provision for doubtful debts and written-off

The Provision for doubtful debts is maintained at a level which, in the judgement of management, is adequate to provide for potential losses on lease, Musharika and Morabaha receivable respectively, that can be reasonably anticipated. The provision is increased by charging the same to income and is decreased by charge offs net of recoveries.

2.8 Taxation

2.8.1 Current

Provision for current taxation is based on taxable income at current tax rates after taking into account tax rebates and tax credit available, if any.

2.8.2 Deferred

The Modaraba accounts for deferred taxation on all major timing differences using the liability method but does not account for deleted tax debits.

2.9 Revenue recognition

2.9.1 Profit on Morabaha transaction is recognised immediately after the consummation of the respective transaction.

2.9.2 Profit on Musharika receivable is recognised on accrual basis, based on time proportion.

2.9.3 Gain or loss on sale of investments is accounted for in the year in which it arises.

2.9.4 Rental income is recognized on a systematic basis over the lease period.

2.9.5 Profit on sale of goods is recognised on despatch of goods to customers which usually coincides with the physical delivery and acceptance.

2.9.6 Dividend income is recognised when right is established which usually coincide with the date of book closure of the Company declaring the dividend.

2.10 Foreign exchange transactions

Transactions in foreign currencies are converted into rupees at the rate of exchange prevailing on the date

of transaction. Assets and liabilities in foreign currencies are translated into rupees at the rate of Exchange prevailing at the balance sheet date except for transactions hedged for exchange risk (notes 5.1 and 6.2).

Exchange gain and losses are included in income currently.

2.11 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Modaraba has the legal enforceable right to setoff the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Fully paid Modaraba Certificates of Rs. 10/- each

Number of Certificates		1998	1997
1998	1997	Rupees	Rupees
17,668,885	17,668,885	176,688,850	176,688,850
8,717,704	8,717,704	87,177,040	87,177,040
-----	-----	-----	-----
26,386,589	26,386,589	263,865,890	263,865,890
=====	=====	=====	=====

4. STATUTORY RESERVE

Opening balance	27,657,487	22,591,623
During the period	8,488,927	5,065,864
	-----	-----
	36,146,414	27,657,487
	=====	=====

Represent profits set aside to the extent 20 percent to comply with regulatory requirement.

	Note	1998	1997
		Rupees	Rupees
5. REDEEMABLE CAPITAL - Secured			
Commercial bank		-	19,606,737
International Finance Corporation	5.1	343,300,000	343,300,000
		-----	-----
		343,300,000	362,906,737
		=====	=====

5.1 The Modaraba has entered into an Income Notes Agreement (the Agreement) with International Finance Corporation (IFC) dated 25 July 1995 under which IFC has provided US\$ 10 million (against total commitment of US\$ 17.5 million) by way of subscription to Income Notes issued by the Modaraba. The Agreement inter alia stipulates:

5.1.1 The Proceeds of Income Notes are exclusively to be used for leasing business of the Modaraba.

5.1.2 The maturity period of the Income Notes is ten years with a grace period of seven years.

5.1.3 The Income Notes holders have the right, linked with the rights of the holders of the Modaraba Certificates, to participate in the profits of the Modaraba for each financial year.

5.1.4 IFC has got the right to convert the Income Notes into Modaraba Certificates at a price equal to the book value per Modaraba Certificate upto twenty percent of the full initial face value of each Income Note subscribed by IFC.

5.1.5 The above arrangement is secured by:

(i) A first ranking security interest by way of hypothecation of the assets covered by each Income Note Lease and the assignment of all Income Notes Lease receivable in favour of the Trustee for the exclusive benefit of the IFC and/or any subsequent Income Notes holders.

(ii) A retention account, secured by a first ranking fixed charge in favour of the Trustee for the exclusive benefit of the IFC and/or the other Income Notes holders into which Income Notes lease receivables will be deposited.

6. MORABAHA PAYABLE - Secured

Morabaha payable	6.1	352,589,003	397,783,479
In foreign currency certificate of investments	6.2	(343,300,000)	(372,216,802)
		-----	-----
		9,289,003	25,566,677
		=====	=====

6.1 This financial arrangement is secured against the placement of Foreign Currency Certificate of Investment with an investment bank (note 2.11), charge on lease assets and lease rental receivable of Modaraba and any additional security that may be required from time to time.

Represents placement of US\$ 10 million received from IFC in an investment scheme on profit sharing basis. Such placement is for a period commensurating with the maturity of Income Notes as referred in note 5.1.

	Note	1998 Rupees	1997 Rupees
7. SHORT-TERM MORABAHA PAYABLE			
Morabaha payable		15,303,289	15,240,412
		=====	=====

7.1 These are secured by pledge of shares of quoted companies, hypothecation of leased assets and personal guarantees of directors.

8. CURRENT PORTION OF LONG-TERM MORABAHA AND MUSHARIKA PAYABLE - Secured

Morabaha payable		11,293,870	-
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Musharika payable	8.1	19,606,737	-
		-----	-----
		30,900,607	-
		=====	=====

8.1 Represents long-term Musharika arrangement between Modaraba and commercial bank with the capital investment ratio of 5:95, for the period of five years. It carries expected pre-tax profit at the projected rate of 17.52 percent per annum. The above arrangement is secured against hypothecation of moveable assets of Modaraba and personal guarantees of the directors.

9. CREDITORS, ACCRUED AND OTHER LIABILITIES

Trade creditors	14,175	14,175
Profit payable on redeemable capital	15,590,314	16,281,424
Profit payable on IFC income notes	23,460,000	12,704,440
Accrued expenses	1,409,238	1,688,078
Unclaimed dividend	157,499	157,499
Advance lease rental	3,617,499	6,459,774
Security deposit	2,246,070	2,436,783
Others	258,534	203,726
	-----	-----
	46,753,329	39,945,899
	=====	=====

10. CONTINGENCIES

The Modaraba commenced its business operations in may 1991 and with the permission of Corporate Law Authority (CLA), its first financial period of fourteen months ended on June 30, 1992. The Modaraba was exempt from tax for first three assessment years of its operations and liable to pay tax at the rate of 12.5 percent for next two years and thereafter at the rate of 25 percent. The Deputy Commissioner of Income Tax (DCIT) has re-opened the assessment of the Modaraba for the year 1994-95 claiming that the said assessment was not covered under exemption period as DCIT treated the two months period ended 30 June 1991 as first year of Modaraba's operation. The Modaraba has filed an appeal before the Income Tax Appellate Tribunal against the decision of the DCIT. The management anticipates a favourable outcome of the appeal, hence no additional tax liability is provided in these accounts. However, in case of unfavourable outcome, the Modaraba will have to pay additional tax of approximately Rs. 10.8 million.

11. FIXED ASSETS - OWN USE

	COST			DEPRECIATION			Book value at 30 June 1998	Dep. Rate %
	At 1 July 1997	Additions/ (deletions)	At 30 June 1998	At 1 July 1997	Charge for the year	At 30 June 1998		
Office equipment	498,360	324,137 (44,500)	777,997	234,026	77,800 (17,800)	294,026	483,971	10
Furniture and fixtures	2,162,436	304,600	2,467,036	648,534	246,703	895,237	1,571,799	10
Computer Equipment	3,111,527	193,825	3,305,352	1,688,201	478,870	2,167,071	1,138,281	20
Motor vehicles	3,658,491	605,936 (745,809)	3,518,618	2,340,021	703,724 (164,025)	2,879,720	638,898	20

Rupees	9,430,814	1,428,498 (790,309)	10,069,003	4,910,782	1,507,097 (181,825)	6,236,054	3,832,949
1997 - Rupees	8,936,771	1,883,589 (1,389,546)	9,430,814	3,731,082	1,512,708 (333,008)	4,910,782	4,520,032

11.1 Deletion from fixed assets - own use

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/(Loss) on disposal	Mode of disposal	Particulars of purchaser
Motor vehicle	174,423	34,885	139,538	265,000	125,462	Negotiation	IBL (Private) Limited
Motor vehicle	175,000	105,000	70,000	97,000	27,000	Negotiation	Mr. M. Munaf
Motor vehicle	212,096	-	212,096	277,000	64,904	Negotiation	Searle Pakistan Ltd.
Motor cycles	120,700	24,140	96,560	91,278	(5,282)	Insurance	Adamjee Insurance Co.
Mobile Phone	44,500	17,800	26,700	24,700	(2,000)	Insurance	Royal Exchange Assu.
Motor cycle	63,590	-	63,590	63,590	-	Insurance	Adamjee Insurance Co.
Rupees	790,309	181,825	608,484	818,568	210,084		

12. FIXED ASSETS - LEASED OUT

	COST			AMORTIZATION			Book value at 30 June 1998
	At 1 July 1997	Additions/ (deletions)	At 30 June 1998	At 1 July 1997	Charge for the year	At 30 June 1998	
Plant and Machinery	540,117,663	119,426,788 (7,974,651)	651,569,800	122,176,579	120,707,408 (4,314,788)	238,569,199	413,000,601
Furniture and fixtures	554,540	-	554,540	397,333	89,851	487,184	67,356
Computer equipment	5,663,587	3,253,910 (354,089)	8,563,408	2,982,605	831,209 (249,812)	3,564,002	4,999,406
Motor vehicles	17,801,448	9,035,069 (958,875)	25,877,642	13,039,474	2,086,329 (328,514)	14,797,289	11,080,353
Rupees	564,137,238	131,715,767 (9,287,615)	686,565,390	138,595,991	123,714,797 (4,893,114)	257,417,674	429,147,716
1997 - Rupees	363,271,270	203,222,468 (2,356,500)	564,137,238	54,570,542	86,115,949 (2,090,500)	138,595,991	425,541,247

12.1 Deletion from fixed assets - leased out

Description	Cost	Accumulated Amortization	Book value	Sale proceeds	Gain/(Loss) on disposal	Mode of disposal	Particulars of purchaser
Motor vehicle	498,875	181,991	316,884	443,876	126,992	Negotiation	Mr. Robinton M. Patel
Plant, Mach & Equip.	53,000	37,361	15,639	10,600	(5,039)	Negotiation	Articom
Computer Equip.	354,089	249,812	104,277	67,353	(36,924)	Negotiation	Articom
Motor vehicle	460,000	146,523	313,477	155,296	(158,181)	Negotiation	Sareta Pakistan (Pvt) Ltd.
Plant, Mach. & Equip.	7,921,651	4,277,427	3,644,224	3,567,319	(76,905)	Negotiation	AI-Shifa International.

Rupees	9,287,615	4,893,114	4,394,501	4,244,444	(150,057)		
=====							

	1998	1997
Note	Rupees	Rupees

13. LONG-TERM ADVANCE, DEPOSITS AND DEFERRED COSTS

Long-term advance		15,000	-
Long-term deposits		190,187	229,486
Deferred costs	13.1	2,300,699	3,555,418
		-----	-----
		2,505,886	3,784,904
		=====	=====

13.1 Deferred costs

At the beginning of the year		10,011,004	9,976,843
Incurred during the year for Income Notes Agreement with IFC		-	34,161
		-----	-----
		10,011,004	10,011,004
Less: Amortization			
- at the beginning of the year		6,455,586	4,981,950
- for the year		1,254,719	1,473,636
		-----	-----
		7,710,305	6,455,586
		-----	-----
		2,300,699	3,555,418
		=====	=====

14. LONG-TERM INVESTMENTS

In quoted companies	14.1	54,834,582	54,834,582
In Modarabas	14.2	5,893,067	5,893,067
		-----	-----
		60,727,649	60,727,649

Provision for diminution in value of investments	(10,000,000)	-
	-----	-----
	50,727,649	60,727,649
	=====	=====

The percentage of holding in any of the investee companies does not exceed 10 percent of their total equity.

The aggregate market value of the investment portfolio of quoted companies and Modarabas (cost Rs. 60,727,649/-) was Rs. 23,900,941/- (1997: Rs. 39,529,298/-)

A provision of Rs. 10 million for diminution in the value of long-term investments is made in view of the persistent fall in the capital market.

14.1 Investment in Quoted Companies

Number of Shares		1998	1997
1998	1997	Rupees	Rupees
Sector and Name of Company			
Ordinary Shares of Rs. 10/- each			
Chemical and Pharmaceuticals			
Associated undertaking			
635,263	552,403	Searle Pakistan Limited	33,033,300 33,033,300
Miscellaneous			
Associated undertaking			
278,000	278,000	Gillette Pakistan Limited	11,317,480 11,317,480
328,600	328,600	United Distributors Pakistan Limited	8,124,780 8,124,780
Others			
98,750	98,750	Treet Corporation Limited	2,359,022 2,359,022

			21,801,282 21,801,282

			54,834,582 54,834,582
			=====

14.2 Investment In Modarabas

Number of Certificates		1998	1997
1998	1997		
Modaraba Certificate of Rs. 10/- each			
492,900	492,900	First IBL Modaraba	5,893,067 5,893,067
			=====

The above Modaraba is managed by IBL Modaraba Management (Private) Limited.

	Note	1998 Rupees	1997 Rupees
15. SHORT-TERM INVESTMENTS			
In quoted companies	15.1	14,491,774	14,463,592
In Modarabas	15.2	1,217,141	1,217,141
		-----	-----
		15,708,915	15,680,733
Provision for diminution in value of investments		(11,685,615)	(9,673,683)
		-----	-----
		4,023,300	6,007,050
In unquoted companies	15.3	2,000,000	2,000,000
		-----	-----
		6,023,300	8,007,050
		=====	=====

The percentage of holding in any of the investee companies does not exceed 10 percent of their total equity.

The aggregate market value of the investment portfolio of quoted companies and Modarabas (cost Rs. 15,708,915/-) was Rs. 4,023,300/- (1997: 6,007,050/-).

15.1 Investment in quoted companies

Number of Shares

1998	1997	Sector and Name of Company		
Ordinary Shares of Rs. 10/- each				
Mutual fund				
225	225	KASB Premier Fund	2,250	2,250
Leasing Companies				
93,500	93,500	Crescent Leasing Company Limited	2,762,370	2,762,370
Investment Companies & Banks				
866	825	Askari Bank Limited	24,695	24,695
100	100	Jehangir Siddiqui Limited	5,732	5,732
56,000	56,000	Citi Corp. Investment Bank Limited	3,689,416	3,689,416
5,000	5,000	J.O.V. & Company Limited	321,700	321,700
			-----	-----
			4,041,543	4,041,543
Textile Spinning and Weaving				
30,000	30,000	Hajra Textile Mills Limited	245,007	245,007
1,000	1,000	M.F.M.Y. Industries Limited	44,100	44,100
24,720	24,720	Saif Textile Mills Limited	899,792	899,792

1,516	1,516	Umer Fabrics Limited	15,160	15,160
98,000	98,000	Kohinoor Raiwind	723,000	723,000
348	348	Mohib Exports Limited	5,649	5,649

 1,932,708 1,932,708

Number of Shares
 1998 1997

1998 1997
Rupees Rupees

Textile Composite

21,513	20,489	Crescent Textile Mills Limited	546,957	546,957
28,750	28,750	Kohinoor Textile Mills Limited	1,326,800	1,326,800
1,735	1,735	Mohammad Farooq Textile Mills Limited	49,564	49,564
16,022	16,022	Nishat Mills Limited	684,965	684,965

 2,608,286 2,608,286

Synthetic and Rayon

56,000	56,000	Ibrahim Fibres	960,123	960,123
19,000	19,000	Pakistan Synthetic Limited	807,360	807,360

 1,767,483 1,767,483

Fuel and Energy

160	160	Nishat Tek Limited	7,695	7,695
7,844	7,844	Sui Northern Gas Pipelines Ltd.	257,685	231,885

 265,380 239,580

Auto and Allied Engineering

10,000	10,000	Indus Motors	148,500	148,500
--------	--------	--------------	---------	---------

Transport and Communications

4,000	4,000	P.T.C. Vouchers (of 100 shares each)	126,237	123,918
-------	-------	--------------------------------------	---------	---------

Ordinary Shares of Rs. 5/- each

Mutual Fund

30,000	30,000	Growth Mutual Fund	279,425	279,425
--------	--------	--------------------	---------	---------

Leasing Companies

14,700	14,000	National Development Leasing Corp. Ltd.	557,592	557,529
--------	--------	---	---------	---------

 14,491,774 14,463,592
 =====

Number of Shares
 1998 1997

Note

1998 1997
Rupees Rupees

15.2 Investment in Modarabas

Modaraba Certificates of Rs. 10/- each			
13,983	13,983	First Interfund Modaraba	241,983 241,983
95,500	95,500	Financial Link Modaraba	955,000 955,000
100	100	Unicap Modaraba	1,035 1,035
Modaraba Certificates of Rs. 5/- each			
2,538	2,538	LTV Capital Modaraba	19,123 19,123

			1,217,141 1,217,141
			=====

The above Modarabas are respectively managed by the following Modaraba companies:

Universal Management Services (Private) Limited
 Financial Link Limited
 Chartered Management Services (Private) Limited
 National Technology Development (Private) Limited

15.3 Investment in Unquoted Companies

Ordinary Shares of Rs. 10/- each

200,000	200,000	LTV Housing Finance Limited	2,000,000 2,000,000
			=====

- Break-up value of shares is Rs. 8.92 per share (based on the audited accounts as on June 30, 1998).
- Name of Chief Executive - Mr. Abdul Rasheed.

16. TRADE DEBTS

Secured

Considered good			
Lease rent receivable		72,299,546	45,489,845
Considered doubtful			
Lease rent receivable		16,635,584	11,571,652
Less: Provision for doubtful debts		16,635,584	11,571,652
		-----	-----
		-	-

Unsecured, considered good

Against sale of investment		3,025,000	38,665,256
Associated company	16.1	16,429,622	-
Others		-	222,742
		-----	-----
		91,754,168	84,377,843
		=====	=====

16.1 Maximum aggregate balances outstanding at the end of any month during the year was Rs. 16,429,622/- (1997. Rs. 22,233,295/-)

	Note	1998 Rupees	1997 Rupees
17. MUSHARIKA AND MORABAHA RECEIVABLE			
Secured			
Considered good			
Morabaha receivable		-	18,428,475
Musharika receivable	17.1	31,435,935	3,242,945
		-----	-----
		31,435,935	21,671,420
Considered doubtful			
Musharika receivable		3,647,515	8,711,447
Less: Provision for doubtful debts		3,647,515	8,711,447
		-----	-----
		-	-
Associated company		8,478,986	-
		-----	-----
		39,914,921	21,671,420
		=====	=====

17.1 These are secured by pledge of shares and stocks.

18. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances to employees - unsecured, considered good	18.1	136,263	219,205
Advance against expenses		27,816	27,000
Advance income tax		1,295,576	-
Advance against leases		2,193,673	1,690,000
Prepayments		488,823	330,547
Profit on deposits		16,058,527	19,468,291
Dividend receivable		65,377	200,000
Insurance claim receivable		63,590	552,750
CED receivable		241,911	258,577
Other receivable		1,078,130	351,756
		-----	-----
		21,649,686	23,098,126
		=====	=====

18.1 Maximum aggregate balance at the end of any month during the year was Rs. 323,319/- (1997- Rs. 305,131/-). It is payable within twelve months from the balance sheet date.

19. CASH AND BANK BALANCES

With banks on:

- deposit account		197,350,541	145,135,655
-------------------	--	-------------	-------------

- current account		29,595	28,019
		-----	-----
		197,380,136	145,163,707
		=====	=====
20. INCOME FROM LEASING OPERATIONS			
Lease rentals		200,787,278	155,585,640
Front-end fee		1,334,688	1,837,908
Arrangement fee		4,652,375	3,083,836
Gain on disposal of fixed assets - net		(150,057)	(78,918)
		-----	-----
		206,624,284	160,428,466
		=====	=====
21. INVESTMENT INCOME - Net			
Dividend income		1,801,160	1,705,394
Gain on sale of securities		784,641	-
Profit on deposits with banks		65,849,461	49,702,556
		-----	-----
		68,435,262	51,407,950
		=====	=====
22. OTHER SOURCES			
Documentation charges		89,172	1,130,114
Gain on disposal of fixed assets - own		210,084	226,062
Exchange gain		6,209,422	243,000
Miscellaneous		60,919	364,448
		-----	-----
		6,569,597	1,963,624
		=====	=====
23. ADMINISTRATIVE EXPENSES			
Salaries, wages and allowances	23.1	3,350,113	4,473,688
Travelling and conveyance		109,186	157,028
Vehicle upkeep		351,420	444,832
Communication		257,337	264,940
Printing and stationery		201,627	253,714
Rent, rates and taxes		69,079	120,252
Repairs and maintenance		173,161	123,717
Legal, Professional and Registrar charges		1,466,300	1,234,984
Share custody charges		89,334	53,952
Insurance		271,115	369,881
Fee and subscriptions		720,358	929,557
Lease rentals		472,345	692,092
Auditors' remuneration	23.2	116,632	164,870

Advertisement		22,908	54,967
Office refreshment and entertainment		83,267	77,380
Depreciation on own assets	11	1,507,097	1,512,708
Amortization of deferred costs	13.1	1,254,719	1,473,636
Corporate expenses	23.3	3,600,000	3,600,000
Arrangement fee		285,000	347,621
Seminar and Conference		241,309	36,312
Donation		-	5,500
Miscellaneous		3,087	8,857
		-----	-----
		14,645,394	16,400,488
		=====	=====

23.1 Remuneration of Officers and other Employees

The aggregate amount charged in the accounts for remuneration, including all benefits to officers and other employees of the Modaraba were as follows:

	OFFICERS		OTHER EMPLOYEES	
	1998 Rupees	1997 Rupees	1998 Rupees	1997 Rupees
Basic	775,678	1,304,150	956,229	824,748
Allowances	431,249	720,850	551,268	573,661
Bonus	72,325	155,613	93,471	111,061
Provident fund contribution	80,054	130,415	59,767	72,609
Others	173,184	143,780	156,888	436,801
	-----	-----	-----	-----
	1,532,490	2,454,808	1,817,623	2,018,880
	=====	=====	=====	=====
Number of employees	5	8	13	16
	=====	=====	=====	=====

	1998	1997
	Rupees	Rupees

23.2 Auditors' Remuneration

Audit fee	50,000	50,000
Consultancy and tax services	55,342	100,135
Out of pocket expenses	11,290	14,735
	-----	-----
	116,632	164,870
	=====	=====

23.3 Corporate expenses represent charges on account of utilities, common services and other facilities availed by Modaraba.

24. FINANCIAL CHARGES

Morabaha profits	61,446,833	50,728,016
Profit on redeemable capital	2,308,890	4,580,135
Musharika profits	-	122,740
Profit on IFC Income Notes	23,460,000	12,704,440
Bank charges	329,992	21,472
	-----	-----
	87,545,715	68,156,803
	=====	=====

25. LEASE RENTALS RECEIVABLE WITHIN ONE YEAR

Current maturity of lease rentals receivable in subsequent financial year i.e., June 30, 1999 amounts to approximately Rs.203 million (1998: Rs. 194 million).

26. CORRESPONDING FIGURES

Certain prior year's figures have been re-arranged wherever necessary for the purpose of comparison.

KHALID MALIK
Chief Executive
UDL Modaraba Management
(Private) Limited

FAROOQ A. BHATTY
Director
UDL Modaraba Management
(Private) Limited

A.W. RAHI
Director
UDL Modaraba Management
(Private) Limited

**PATTERN OF HOLDING OF CERTIFICATES
HELD BY THE CERTIFICATE HOLDERS
AS AT JUNE 30, 1998**

No. of Certificate Holders	Certificate Holding		Total Certificates Held
	From	To	
544	1	100	27,060
813	101	500	189,849
934	501	1000	713,165
1,469	1001	5000	2,970,398
231	5001	10000	1,597,552
90	10001	15000	1,126,834
43	15001	20000	720,854
17	20001	25000	385,113
17	25001	30000	451,343
14	30001	35000	452,469
8	35001	40000	304,021
3	40001	45000	131,817
4	45001	50000	188,528
3	50001	55000	161,480
6	55001	60000	349,186
1	60001	65000	61,700
1	65001	70000	65,107

3	70001	75000	219,780
1	85001	90000	89,264
2	90001	95000	184,704
3	95001	100000	290,086
1	100001	105000	103,025
1	110001	115000	114,285
1	120001	125000	121,904
7	160001	165000	1,136,851
1	180001	185000	184,699
1	205001	210000	207,699
1	210001	215000	213,721
1	230001	235000	230,799
1	305001	310000	308,985
1	330001	335000	331,386
2	345001	350000	694,971
1	395001	400000	396,000
1	860001	865000	861,584
1	1015001	1020000	1,017,648
1	2120001	2125000	2,122,634
1	3455001	3460000	3,458,072
1	4200001	4205000	4,202,016
-----			-----
4,231			26,386,589
=====			=====

**CATEGORIES OF CERTIFICATE HOLDERS
AS AT JUNE 30, 1998**

S. No.	Categories of Certificate Holders	Number	Certificates Held	Percentage
1.	Individuals	4179	11,785,492	44.66
2.	Investment Companies	7	4,105,055	15.56
3.	Insurance Companies	3	342,186	1.30
4.	Joint Stock Companies	25	7,262,582	27.52
5.	Financial Institutions	7	2,389,947	9.06
6.	Modaraba Companies	10	501,327	1.90
		-----	-----	-----
		4231	26,386,589	