

First Ibrahim Modaraba

(Annual Report 1996)

Contents

Modaraba information	2
Chief executive's review	3
Auditors' report to the certificate holders	5
Balance sheet	6
Profit and loss account	8
Statement of changes in financial position	9
Notes to the accounts	11
Pattern of certificate holdings	20

MODARABA INFORMATION

Board of Directors of Management Company

Sheikh Mukhtar Ahmad	Chairman
Sheikh Muhammad Yaseen	Director
Mr. Muhammad Naeem Mukhtar	Director
Mr. Muhammad Waseem Mukhtar	Director
Mr. Abdul Waheed Mian	Chief Executive

Auditors of Modaraba

M/s. M. Yousuf Adil & Co
Chartered Accountants,
A-35, Block 7 & 8
K.C.H.S.U.
Shahrah-e-Faisal
Karachi.

Auditors of Modaraba Management Company

M/s. Patel & Co.
Chartered Accountants
50-A, Lalazar Drive
M.T. Khan Road
Karachi.

Bankers of Modaraba

Muslim Commercial Bank Limited
Askari Commercial Bank Limited
Union Bank Limited
Emirate Bank International Ltd.
Habib Bank AG Zurich

Management Company

Ibrahim Modaraba (Pvt) Limited
Ibrahim Centre
GK 7/59, Bagh-e-Zehra Street
Kharadar
Karachi.

Registered Office/ Certificate Transfer Office

Ibrahim Centre

GK 7/59 Bagh-e-Zehra Street
Kharadar
Karachi.

Legal Advisor

M/s. Ch. Khurshid Law Associates

Advocates
158, District Courts
Faisalabad.

CHIEF EXECUTIVES REVIEW

We are pleased to present before you the 4th Annual Review of First Ibrahim Modaraba together with audited accounts for the year ended June 30, 1996.

FINANCIAL RESULTS

The financial results of First Ibrahim Modaraba for the year ended June 30, 1996 are satisfactory. The trading activity had to be curtailed due to the imposition of withholding tax @ 4% at import stage and 2.5% at the time of sale as final tax liability. The imposition of withholding tax had adversely affected the profitability,

as such the Management had to divert its funds and had invested it in Musharaka and Morabaha Financing.

Your Directors are pleased to declare 11% Cash Dividend i.e. Rs. 1.10 per Modaraba Certificate of Rs. 10/- each out of the profits earned.

The results for the year ended June 30, 1996 are summarized as follows:

	For the Year Ended June 30, 1996 Rupees	For the Six Months Ended June 30, 1995 Rupees
Profit before management fee	16,880,875	8,967,743
Modaraba Company's management fee	1,534,625	815,249
Net profit available for appropriation	15,950,104	8,614,353
Appropriations:		
Transfer to special reserve	3,069,250	1,630,499
Cash dividend @ 11% (1995 @ 5.5%)	12,760,000	6,380,000
	-----	-----
	15,829,250	8,010,499
	-----	-----
Unappropriated profit carried forward	120,854	603,854
	=====	=====

FUTURE PROSPECTS

With the conversion of specific purpose modaraba into general modaraba the management has decided to invest in Musharaka and Morabaha financing. The switchover has been completed in July 1996.

AUDITORS

The present auditors, M/s. M. Yousuf Adil & Co. Chartered Accountants, being due for retirement, have offered themselves for re-appointment for the year ending June 30, 1997. Their appointment has been confirmed by the Board subject to approval by the Registrar Modaraba.

ACKNOWLEDGEMENT

The board expresses its appreciation for hard work and positive efforts made by the staff, guidance provided by Corporate Law Authority, Registrar Modaraba and State Bank of Pakistan and continued support from certificate holders and banks.

On Behalf of the Board

Lahore: ABDUL WAHEED MIAN
Date: 02-12-1996 Chief Executive

AUDITORS REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet as at June 30, 1996 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 June 30, 1996 of First Ibrahim Modaraba, which are Modaraba Company's (Ibrahim Modaraba (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 kept by the Modaraba Company in respect of First Ibrahim Modaraba as required by the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 and Modaraba Companies and Modaraba Rules, 1981; and
- (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 (Flotation

and Control) Ordinance, 1980 and the 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 June 30, 1996 and the profit and the changes in financial position for the year ended on that date;

(ii) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, has been deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that ordinance; 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.

Lahore
Date: 02-12-1996

M. YOUSUF ADIL & CO.,
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1996

	Note	1996 Rupees	1995 Rupees
CAPITAL AND RESERVES			
Certificate Capital			
Authorised			
20,000,000 Modaraba Certificates			
of Rs. 10/- each			
		200,000,000	200,000,000
Issued, subscribed and paid up	2	116,000,000	116,000,000
Special reserve	3	11,132,302	8,063,052
Unappropriated profit		120,854	603,854
		-----	-----
		127,253,156	124,666,906
LIABILITIES AGAINST ASSETS			
SUBJECT TO FINANCE LEASE			
	4	--	10,878
CURRENT LIABILITIES			
Short term morabaha finances			
		--	7,273,702
Current portion of lease			
liabilities			
		10,878	121,819
Management fee payable			
		1,534,625	815,249
Creditors, accrued and			
other liabilities			
	5	198,085	509,764,555
Proposed cash dividend			
		12,760,000	6,380,000
Cash dividend payable			
		354,199	25,520,000
		14,857,787	549,875,325
COMMITMENTS			
	6	--	--
		-----	-----
		142,110,943	674,553,109
		=====	=====

The annexed notes from 1 to 22 form an integral part of these accounts.

FIXED ASSETS - Tangible	7	1,101,947	1,138,754
DEPOSITS AND DEFERRED COSTS	8	1,116,806	1,839,344
CURRENT ASSETS			
Stock in trade		--	643,143,081
Investments in securities	9	11,503,028	13,655,206
Morabaha receivables	10	20,000,000	--
Musharaka receivables	11	40,000,000	--
Advances, deposits, prepayments and other receivables	12	20,924,215	4,458,792
Cash and bank balances	13	47,464,947	10,317,932
		-----	-----
		139,892,190	671,575,011
		-----	-----
		142,110,943	674,553,109
		=====	=====

PROFIT AND LOSS ACCOUNT

	Note	For the Year Ended June 30, 1996 Rupees	For the Six Months Ended June 30, 1995 Rupees
Sales	14	961,850,311	855,744,701
Cost of goods sold	15	937,376,517	834,408,683
		-----	-----
Trading profit		24,473,794	21,336,018
Profit on Morabahas/Musharakas		1,920,001	--
		-----	-----
		26,393,795	21,336,018
Operating expenses	16	1,950,885	1,275,580
Financial charges	17	4,241,844	2,006,589
		-----	-----
		6,192,729	3,282,169
		-----	-----
Operating profit		20,201,066	18,053,849
Other income		4,610	--
		-----	-----
		20,205,676	18,053,849
Other Charges'	18	3,324,801	9,086,106
		-----	-----
Profit before modaraba company's management fee		16,880,875	8,967,743
Modaraba company's management fee		1,534,625	815,249
		-----	-----
Net profit for the year		15,346,250	8,152,494
Unappropriated profit brought forward		603,854	461,859
		-----	-----
Profit available for appropriation		15,950,104	8,614,353
Appropriation:			
Special reserve (Refer Note 3)		3,069,250	1,630,499
Proposed cash dividend @ 11% (1995: @ 5.5%)		12,760,000	6,380,000
		-----	-----
		15,829,250	8,010,499
		-----	-----

Unappropriated profit carried forward	120,854	603,854
	=====	=====

The annexed notes from 1 to 22 form an integral part of these accounts.

	For the Year Ended June 30, 1996 Rupees	For the Six Months Ended June 30, 1995 Rupees
--	---	---

A. CASH FLOW FROM OPERATING ACTIVITIES

Profit before taxation	15,346,250	8,152,494
Adjustment for		
Depreciation	147,761	75,741
Amortization	722,538	361,269
Provision for diminution in value of investments	2,602,263	8,724,837
Profit on disposal of fixed assets	(4,610)	--
Financial Charges	4,241,844	2,006,589
	-----	-----

Operating profit before working capital changes	23,056,046	19,320,930
	-----	-----

Changes in working capital

(Increase)/decrease in current assets

Stock in trade	643,143,081	(236,237,037)
Advances, deposits and prepayments	(16,465,424)	3,909,689

Increase/(decrease) in current liabilities

Management fee	719,376	(2,401,027)
Creditors, accrued and other liabilities	(509,308,292)	229,770,047
	-----	-----

	118,088,741	(4,958,328)
	-----	-----

Cash generated from operations	141,144,787	14,362,602
Financial charges paid	(4,500,021)	(1,928,914)
	-----	-----

Net cash from operating activities	136,644,766	12,433,688
	=====	=====

B. CASH FROM INVESTING ACTIVITIES

Insurance claim received	47,000	--
Capital expenditure	(153,344)	(165,613)
Investments in securities	(450,085)	(14,397,750)
Morabaha receivables	(20,000,000)	--
Musharaka receivables	(40,000,000)	--
	-----	-----

Net cash used in investing activities	(60,556,429)	(14,563,363)
---------------------------------------	--------------	--------------

C. CASH FROM FINANCING ACTIVITIES

Payment of lease liability	(121,819)	(55,259)
Dividend paid	(31,545,801)	--
Increase/(decrease) in short term morabaha finances	(7,273,702)	1,185,154
	-----	-----

Net cash from (used in) financing activities	(38,941,322)	1,129,895
	=====	=====

NET (DECREASE)/INCREASE IN CASH AND BANK BALANCES (A+B+C)		37,147,015 (999,780)
CASH AND BANK BALANCES AT THE BEGINNING OF THE YEAR	10,317,932	11,317,712
	-----	-----
CASH AND BANK BALANCES AT THE END OF THE YEAR	47,464,947	10,317,932
	=====	=====

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 1996

1.1 LEGAL STATUS AND NATURE OF BUSINESS

First Ibrahim Modaraba is a multi purpose, perpetual modaraba formed under the Modaraba Companies and Modaraba (Flotation and Control) Ordinance 1980 and rules framed thereunder and is managed by Ibrahim Modaraba (Private) Limited, a company incorporated in Pakistan under the Companies Ordinance 1984 and registered with Registrar of Modaraba Companies and Modarabas under the Modaraba companies and Modaraba (Flotation and Control) Ordinance, 1980. The Modaraba is listed on stock exchanges in Pakistan.

1.2 SIGNIFICANT ACCOUNTING POLICIES

1.2.1 Accounting Convention

These accounts have been prepared on the basis of "Historical Cost Convention".

1.2.2 Taxation

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.

1.2.3 Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to income on the reducing balance method at the rates specified in operating assets note.

Depreciation on additions during the year is charged on the basis of whole year while no depreciation is charged on deletions during the year.

1.2.4 Deferred cost

These are amortized to income over a maximum period of five years.

1.2.5 Accounting for lease

The Modaraba accounts for assets acquired under finance lease by recording the assets and related liability. Finance charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Assets are amortized over the period of their useful life at the rates specified in the fixed assets note.

1.2.6 Stock in trade

These are stated at the lower of cost, determined on specific lot basis, and net realisable value. Net realisable signifies the selling price in the ordinary course of business less cost necessarily to be incurred in order to make the sale. Goods in transit are stated at invoice value plus other charges incurred thereon.

1.2.7 Marketable securities

Investment in quoted shares are stated at lower of cost or market value determined on an aggregate portfolio basis.

1.2.8 Revenue recognition

Sales are recognised on despatch of goods to customers.

	As At June 30, 1996 Rupees	As At June 30, 1995 Rupees
Modaraba certificates of Rs. 10/- each		
10,000,000 Certificates fully paid in cash	100,000,000	100,000,000
1,600,000 Issued as fully paid bonus certificates	16,000,000	16,000,000
-----	-----	-----
11,600,000	116,000,000	116,000,000
=====	=====	=====

3. SPECIAL RESERVE

This represents provision @ 20% of profit after tax as per the rules for Non-Banking Financial Institution of the State Bank of Pakistan.

**4. LIABILITIES AGAINST ASSETS
SUBJECT TO FINANCE LEASE**

Balance at the beginning of the period	132,697	187,956
Less: Paid during the period	121,819	55,259
	-----	-----
	10,878	132,697
Payable within one year shown under current liabilities	(10,878)	(121,819)
	-----	-----
	-	10,878
	=====	=====

Other significant terms of financing are as under:

Number of monthly instalment	36
Rupees each	10,997
Date of first instalment	August 01, 1993
Finance charges (Rs.)	65,892
Residue value (Rs.)	33,000
Applicable rate of finance	13%

The future minimum lease payments to which the Modaraba is committed as at

June 30, 1997	Rupees 10,997
Financial charges allocated to future period	(119)

	10,878
	=====

	As At June 30, 1996 Rupees	As At June 30, 1995 Rupees
5. CREDITORS, ACCRUED AND OTHER LIABILITIES		
Advance from customers	--	168,468
Creditors	168,085	--
Bills payable for goods purchased	--	499,052,739

Accrued expenses	30,000	10,206,262
Profit payable on short term morabaha finances	--	258,177
Income tax payable	--	4,998
Other	--	73,911
	-----	-----
	198,085	509,764,555
	=====	=====

6. COMMITMENTS

Letters of credit for goods	--	98,770,707
	=====	=====

7. FIXED ASSETS - Tangible

Particulars	Cost At 1/7/1995	Additions/ (Deletion)	Cost at 30-06-96	Accumulated depreciation At 30-06-96	Written down value At 30-06-96	Depreciation for the year	Rate %
Company owned:							
Furniture and fixture	817,527	153,344	970,871	262,636	708,235	78,693	10
Office equipment	283,613	--	283,613	72,220	211,393	23,488	10
Vehicles	94,010	(47,100)	46,910	24,240	22,670	5,668	20
	-----	-----	-----	-----	-----	-----	-----
	1,195,150	106,244	1,301,394	359,096	942,298	107,849	
Under Lease Vehicle	346,460	--	346,460	186,811	159,649	39,912	20
	-----	-----	-----	-----	-----	-----	-----
Rupees	1,541,610	106,244	1,647,854	545,907	1,101,947	147,761	
	-----	-----	-----	-----	-----	-----	-----
1995-Rupees	1,375,997	165,613	1,541,610	402,856	1,138,754	75,741	
	=====	=====	=====	=====	=====	=====	=====

7.1 Disposal of Fixed Assets

Description	Cost Rupees	Accumulated Depreciation Rupees	Book Value Rupees	Proceeds from Disposal Rupees	Mode of Disposal	Buyer
Motor cycle	471,110	4,710	42,390	47,000	Insurance Claim	Premier Insurance Company, Lahore

As At June 30, 1996 Rupees As At June 30, 1995 Rupees

8. DEPOSITS AND DEFERRED COSTS

Lease Deposit		33,000	33,000
Deferred costs	(8.1)	1,083,806	1,806,344
		-----	-----
		1,116,806	1,839,344
		=====	=====

8.1 Deferred costs

Modaraba flotation expenses	3,612,689	3,612,689
Amortisation to date		
Opening balance	1,806,345	1,445,076

For the year	722,538	361,269
	-----	-----
	(2,528,883)	(1,806,345)
	-----	-----
	1,083,806	1,806,344
	=====	=====

9. INVESTMENT IN SECURITIES

Listed securities

Associated undertaking (9.1)	11,052,943	13,655,206
Others (9.2)	450,085	--
	-----	-----
	11,503,028	13,655,206
	=====	=====

9.1 Investments in Associated Undertakings:

1996 Number	1995 Number		1996 Rupees	1995 Rupees
		Muslim Commercial		
127,999	106,666	Bank Limited	4,453,306	6,463,243
994,800	994,800	Ibrahim Fibres Limited	9,201,900	15,916,800
			-----	-----
			13,655,206	22,380,043
		Provision for diminution in value of investments	(2,602,263)	(8,724,837)
			-----	-----
			11,052,943	13,655,206

9.2 Others

30,550	--National Investment Trust Limited - NIT units	450,085	--
		-----	-----
		11,503,028	13,655,206
		=====	=====

The aggregate market value as at June 30, 1996 of these Investments amounted to Rs. 11,503,028/- (1995: Rs. 13,655,206/-)

10. MORABAHA RECEIVABLES

These arise from sales on deferred payment basis at specific profit margins. The outstanding sums are secured and considered good.

11. MUSHARAKA RECEIVABLES

These are funds provided on musharaka basis whereby the modaraba participates in the profit and loss in agreed proportions. The outstanding sums are secured and considered good.

12. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances - considered good

Employees	9,000	--
Suppliers	65,000	35,000
Income tax	17,791,919	35,352
Letters of credit for goods	--	775,754
Accrued income		
Morabaha	733,152	--
Musharaka	1,186,849	--
Transit pass deposits	--	3,376,429
Prepayments	22,743	236,257
Other receivables	1,115,552	--
	-----	-----

	20,924,215	4,458,792
	=====	=====
13. CASH AND BANK BALANCES		
Cash in hand	3,730	35,266
Cash at bank		
In current accounts	44,417,519	10,282,666
In deposit accounts	3,043,698	--
	-----	-----
	47,461,217	10,282,666
	-----	-----
	47,464,947	10,317,932
	=====	=====
14. SALES		
Sales-local	961,856,086	855,959,212
Less: Commission	5,775	214,511
	-----	-----
	961,850,311	855,744,701
	=====	=====
15. COST OF SALES		
Opening stock	345,936,854	334,283,882
Purchases	591,439,663	846,061,655
	937,376,517	1,180,345,537
Closing stock	-- (345,936,854)	
	-----	-----
	937,376,517	834,408,683
	=====	=====
16. OPERATING EXPENSES		
Salaries and benefits	380,128	333,798
Postage and telephone	67,566	56,972
Electricity	152,748	63,522
Vehicle running and maintenance	96,881	37,011
Printing and stationery	310,610	215,636
Computerisation expenses	9,000	6,500
Travelling and conveyance	45,966	28,484
Fee, subscriptions and periodicals	115,950	54,115
Entertainment	113,437	32,004
Legal and professional charges	81,865	91,257
Repairs and maintenance	146,179	38,206
Auditors' remuneration (16.1)	65,000	70,000
Insurance	28,746	21,374
Depreciation	147,761	75,741
Other	189,048	150,960
	-----	-----
	1,950,885	1,275,580
	=====	=====
16.1 Auditors' remuneration:		
Audit fee	30,000	20,000
Special Audit fee	35,000	--
Consultancy charges	--	50,000
	-----	-----
	65,000	70,000
	=====	=====
17. FINANCIAL CHARGES		
Profit on short term	436,283	521,278
morabaha finances	3,754,519	1,426,772
Mark-up on bills payable	10,145	10,723
Finance charges on lease	40,897	47,816
Bank charges	-----	-----
	4,241,844	2,006,589

=====

18. OTHER CHARGES

Amortization of deferred cost	722,538	361,269
Provision for diminution in market value of short term investments	2,602,263	8,724,837
	-----	-----
	3,324,801	9,086,106
	=====	=====

19. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amount charged in the accounts for the period for remuneration, including certain benefits to the executives of the modaraba is as follows:

Executives

Basic salary	148,800	173,040
House rent allowance	66,960	77,760
Utility allowance	7,440	7,200
	-----	-----
	223,200	258,000
	=====	=====
Number of persons	2	2

20. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Cash sales of goods	961,850,311	835,576,711
---------------------	-------------	-------------

21. TAXATION

The Modaraba is exempt from income tax for a period of three assessment years 1994-95 and 1995-96 and 1996-97, if 90% of the profit after creating 20% compulsory special reserve is distributed to certificate holders.

22. FIGURES

-- Of prior year have been rearranged wherever necessary for the purpose Of comparison.A668

-- Have been rounded off to nearest rupees.

PATTERN OF CERTIFICATE HOLDINGS AS AT JUNE 30, 1996

No. of Certificate holders	Having Certificates		Percentage held	
	From	To		
812	1	100	54252	0.4677
553	101	500	202288	1.7439
1170	501	1000	742172	6.3980
614	1001	5000	1375728	11.8597
123	5001	10000	866996	7.4741
47	10001	15000	563024	4.8537
13	15001	20000	229684	1.9800
11	20001	25000	251940	2.1719
2	25001	30000	60000	0.5172
3	30001	35000	103600	0.8931
1	35001	40000	37200	0.3207
3	40001	45000	128500	1.1078
2	45001	50000	94656	0.8160
1	50001	55000	52200	0.4500

1	55001	60000	58000	0.5000
1	65001	70000	65608	0.5656
1	70001	75000	70760	0.6100
1	75001	80000	78636	0.6779
1	95001	100000	100000	0.8621
1	100001	105000	103300	0.8905
1	125001	130000	130000	1.1207
2	140001	145000	286360	2.4686
1	185001	190000	187960	1.6203
1	285001	290000	286356	2.4686
1	310001	315000	312500	2.6940
1	585001	590000	585800	5.0500
1	1030001	1035000	1034480	8.9179
1	1215001	1220000	1218000	10.5000
1	2315001	2320000	2320000	20.0000
-----			-----	-----
3371			11600000	100.0000

Categories of Certificate Holders

Particulars	Certificate holders	Certificate holding	Percentage
Individuals	3344	5415628	46.6864
Investment Companies	12	2172816	18.7312
Insurance Companies	7	1349496	11.6336
Joints Stock Companies	2	45040	0.3883
Financial Institutions	3	258820	2.2312
Modaraba	2	2357200	20.3207
Other	1	1000	0.0086
	-----	-----	-----
	3371	11600000	100.0000