

## **First Ibrahim Modaraba Annual Report 1998**

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### **Modaraba Information**

#### **Board of Directors**

Sheikh Mukhtar Ahmed  
(Chairman)  
Sheikh Mohammad Yaseen  
Mr. Mohammad Naeem Mukhtar  
(Chief Executive)  
Mr. Abdul Aziz Khan  
Mr. Anwar-ul-Haque

#### **Auditors of Modaraba**

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

#### **Bankers of Modaraba**

Muslim Commercial Bank Limited  
Askari Commercial Bank Limited  
Emirates Bank International pjsc

#### **Management Company**

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

#### **Auditors of Management Company**

M/s. Saleem Ahsan & Co.  
Chartered Accountants,  
Ahsan Chamber  
8-Syed Mouj Darya (Edward) Road  
Lahore.

#### **Legal Advisor**

M/s. Ch. Khurshid Law Associates  
Advocates  
158, District Courts  
Faisalabad.

#### **Registered Office/**

#### **Certificate Transfer Office**

Ibrahim Centre  
GK-7/59, Bagh-e-Zehra Street  
Kharadar

Karachi.

## Directors' Report to the Certificate Holders

We are pleased to present before you the 6th Annual Review of First Ibrahim Modaraba together with audited accounts for the year ended June 30, 1998.

### Financial Results

The financial results of your modaraba for the year under review are summarized as follows:

	<b>For the Year Ended June 30, 1998 Rupees</b>
Total income	24,247,264
Total expenditures	6,899,487
Profit before management fee	17,347,777
Modaraba company's management fee	1,577,071
Profit before taxation	15,770,706
Provision for taxation	1,971,338
Net profit after taxation	13,799,368
Unappropriated profit brought forward	895,701
Total profit available for appropriation	14,695,069

### Appropriations

Your Directors are pleased to recommend 10% dividend i.e. Rupee 1.00 per modaraba certificate of Rs. 10 each out of profits earned.

Transfer to special reserve	2,759,874
Proposed dividend	11,600,000
Unappropriated profit carried forward	335,195

Inspire of overall slump in economy, the performance of your Modaraba is satisfactory during the year under review and total income increased by 13% when compared with the previous year.

### General Review

The management of your Modaraba concentrated on morabaha and musharika financing during the year and achieved satisfactory operating results. We are happy to report that the modaraba is able to build sound, profitable morabaha and musharika portfolio. Your management exercised a high degree of care in the selection of the clients and kept in view their reputation. Consequently a steady income stream has been generated with no defaults in the recovery. The policy of careful planning and cautious investment continues to dominate the operating strategy of the modaraba alongwith its focus on continued growth and increasing profitability.

### Future Prospects

Economy of country has faced a deep and prolonged recession consequently the financial sector has been effected seriously. However, income tax exemption allowed to modarabas from the income year 1998-99 will be beneficial for the modaraba sector. The management while looking forward with hope and confidence in the coming year will continue its best efforts, skill and prudence to strengthen the base of modaraba and to pass on maximum return to its certificate holders.

### Solution of Year 2000 Problem

The company has assigned the task of year 2000 computer problem to its consultants and by September, 1999 our all applications will be year 2k compliant.

### Auditors

The present auditors, M/s. M. Yousuf Adil Saleem & Co. Chartered Accountants, being due for retirement, have offered themselves for re-appointment for the year ending June 30, 1998. Their appointment has been confirmed by the Board subject to approval by the Registrar Modaraba.

### Acknowledgement

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

On behalf of the Board

Place: Lahore.

**Mohammad Naeem Mukhtar**

Date: November 20, 1998

Chief Executive

**Auditors' Report to the Certificate Holders**

We have audited the annexed balance sheet as at June 30, 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 June 30, 1998 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 (Floatation and Control) Ordinance, 1980 and Modaraba Companies and Modaraba Rules, 1981; and
- b) in our opinion the balance sheet and 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, 1998 and the profit and the changes in financial position for the year ended on that date;
- ii) the business conducted, investment made and expenditure incurred by the Modaraba are in accordance with the objects, terms and conditions of the Madaraba; and
- d) 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.

Place: Lahore.

**M. Yousuf Adil Saleem & Co.**

Date: November 20, 1998

Chartered Accountants

**Balance Sheet****as at June 30, 1998**

	Note	1998 Rupees	1997 Rupees
<b>Capital and Reserves</b>			
Certificate capital			
Authorized			
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	16,695,888	13,936,014
Unappropriated profit		335,195	895,701
		-----	-----
		133,031,083	130,831,715
<b>Deferred Liabilities</b>			
Gratuity		126,937	84,400
<b>Current Liabilities</b>			
Short term loan	4	2,500,000	-
Management fee payable		1,577,071	1,602,121
Accrued expenses		118,280	69,899

Provision for taxation		3,973,989	2,002,651
Dividend payable		105,348	446,197
Proposed cash dividend		11,600,000	10,440,000
		-----	-----
		19,874,688	14,560,868
		-----	-----
		153,032,708	145,476,983
		=====	=====
<b>Operating Fixed Assets</b>	5	756,889	970,371
<b>Deposits and Deferred Cost</b>	6	-	361,268
<b>Current Assets</b>			
Investment in securities	7	13,555,646	16,503,030
Morabaha receivables	8	34,948,606	29,500,000
Musharika receivables	9	80,000,000	66,000,000
Advances, deposits, prepayments and other receivables	10	21,442,555	21,066,655
Cash and bank balances	11	2,329,012	11,075,659
		-----	-----
		152,275,819	144,145,344
		-----	-----
		153,032,708	145,476,983
		=====	=====

The annexed notes from 1 to 18 form an integral part of these accounts.

**Chief Executive**

**Director**

**Director**

**Profit and Loss Account  
for the year ended June 30, 1998**

	<b>Note</b>	<b>1998 Rupees</b>	<b>1997 Rupees</b>
<b>Profit on Morabahas/Musharakas</b>		22,278,366	20,852,369
<b>Operating expenses</b>			
Administrative expenses	12	2,217,997	2,389,900
Financial charges	13	472,840	693,738
		-----	-----
		2,690,837	3,083,638
		-----	-----
<b>Operating profit</b>		19,587,529	17,798,731
Other income		1,968,898	547,138
		-----	-----
		21,556,427	18,345,869
Other charges	14	4,208,650	722,538
		-----	-----
<b>Profit before modaraba company's management fee</b>		17,347,777	17,623,331
Modaraba company's management fee		1,577,071	1,602,121
		-----	-----
<b>Profit before taxation</b>		15,770,706	16,021,210
Provision for taxation		1,971,338	2,002,651
		-----	-----
<b>Net profit after taxation</b>		13,799,368	14,018,559
Unappropriated profit brought forward		895,701	120,854
		-----	-----
<b>Profit available for appropriation</b>		14,695,069	14,139,413
<b>Appropriation:</b>			
Special reserve		2,759,874	2,803,712
Proposed cash dividend @10 % (1997: @ 9%)		11,600,000	10,440,000
		-----	-----
		14,359,874	13,243,712

Unappropriated profit carried forward	335,195	895,701
	=====	=====

The annexed notes from 1 to 18 form an integral part of these accounts.

Chief Executive

Director

Director

**Statement of Changes in Financial Position  
(Cash Flow Statement) for the year ended June 30, 1998**

	1998 Rupees	1997 Rupees
<b>A. Cash flow from operating activities</b>		
Profit before taxation	15,770,706	16,021,210
Adjustments to reconcile profit to net cash provided by operating activities		
Gratuity	42,537	84,400
Depreciation	85,763	127,639
Amortization	361,268	722,538
Fixed assets written off	-	3,937
Financial charges	472,840	693,738
	-----	-----
Operating profit before working capital changes	16,733,114	17,653,462
Changes in working capital		
(Increase)/decrease in current assets		
Advances, deposits and prepayments	(307,162)	(103,143)
Increase/(decrease) in current liabilities		
Management fee	(25,050)	67,496
Creditors, accrued and other liabilities	48,381	(128,186)
	-----	-----
	(283,831)	(163,833)
	-----	-----
Cash generated from operations	16,449,283	17,489,629
Financial charges paid	(472,840)	(693,738)
Tax paid	(68,738)	(39,297)
	-----	-----
Net cash from operating activities	15,907,705	16,756,594
	-----	-----
<b>B. Cash flow from investing activities</b>		
Lease deposit	-	33,000
Investments in securities	2,947,384	(5,000,002)
Morabaha receivables	(5,448,606)	(9,500,000)
Musharika receivables	(14,000,000)	(26,000,000)
Proceeds from disposal of fixed assets	127,719	-
	-----	-----
Net cash used in investing activities	(16,373,503)	(40,467,002)
	-----	-----
<b>C. Cash flow from financing activities</b>		
Payment of lease liability	-	(10,878)
Dividend paid	(10,780,849)	(12,668,002)
Morabaha finance received	2,500,000	-
	-----	-----
Net cash from financing activities	(8,280,849)	(12,678,880)
	-----	-----
<b>Net (decrease)/increase in</b>		

<b>cash and cash equivalents (A+B+C)</b>	<b>(8,746,647) (36,389,288)</b>	
<b>Cash and cash equivalents at the beginning of the year</b>	<b>11,075,659</b>	<b>47,464,947</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>2,329,012</b>	<b>11,075,659</b>
	<b>=====</b>	<b>=====</b>
<b>Chief Executive</b>	<b>Director</b>	<b>Director</b>

## **Notes to the Accounts for the year ended June 30, 1998**

### **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 (Pvt.) 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 Karachi, Lahore and Islamabad.

### **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 Staff retirement benefits**

The company operates an unfunded gratuity scheme covering all its employees. Provision is made annually to cover the liability under the scheme.

#### **1.2.3 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.

#### **1.2.4 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.

#### **1.2.5 Deferred cost**

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

#### **1.2.6 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.

#### **1.2.7 Stock in trade**

These are stated at the lower of cost, determined on specific lot basis, and net realizable value. Net realizable 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.

#### **1.2.8 Marketable securities**

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

#### **1.2.9 Revenue recognition**

Sales are recognized on despatch of goods to customers.

Profit from Morabaha transaction is recognized on pro-rata accrual basis, calculated on number of days funds were utilized.

Profit on Musharaka investments and finance is accounted for on the basis of the projected rate of profit. The effect of adjustments, if any, between actual rate and projected rate of profit is accounted for at the time of determination of the actual rate.

	1998 Rupees	1997 Rupees
<b>2. Certificate capital - issued, subscribed and paid-up</b>		
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 the amount set aside out of profit after tax in accordance with State Bank of Pakistan NBF1 Circular No. 1 dated December 05, 1991 under this circular 20% of profits after tax are to be transferred to a special reserve till such time that this reserve is equal to paid up capital.

### 4. Short term loan

It is a Morabaha facility received from First Hajveri Modaraba secured against hypothecation of stocks & assets, promissory note and personal guarantee of directors of the company. Mark-up is charged @ 23% per annum.

### 5. Operating fixed assets

Particulars	COST			Book Value as at June 30, 1998	DEPRECIATION		
	As at July 01, 1997	Additions/ (Deletion)	As at June 30, 1998		Accumulated as at June 30, 1998	Charge for the year	Rate (%)
	Furniture and fixture	970,871	-		970,871	573,670	397,201
Office equipment	283,613	-	283,613	171,229	112,384	19,025	10
Vehicles	386,725	(346,460)	40,265	11,990	28,275	2,997	20
Rupees	1,641,209	(346,460)	1,294,749	756,889	537,860	85,763	
1997- Rupees	1,647,854	(6,645)	1,641,209	970,371	670,838	127,639	

#### 5.1 Detail of fixed assets sold during the year

Particulars	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Profit/ (Loss)	Particulars of purchaser & mode of sale
Suzuki Margalla LOR-297	346,460	218,741	127,719	127,719		- The vehicle was sold to Mrs. Iffat Wahid Via Negotiation
	346,460	218,741	127,719	127,719	-	

	1998 Rupees	1997 Rupees
<b>6. Deposits and deferred cost</b>		
Deferred costs (6.1)	-	361,268
	-	361,268
	=====	=====

**6.1 Deferred costs**

Modaraba floatation expenses	3,612,689	3,612,689
Amortization to date	(3,612,689)	(3,251,421)
	-	361,268
	=====	=====

**7. Investment in securities**

	1998		1997	
	Cost Rupees	Market Value Rupees	Cost Rupees	Market Value Rupees
Shares of quoted companies (7.1)	16,952,943	13,349,570	16,052,945	16,848,955
Other quoted certificates (7.2)	450,085	206,076	450,085	418,535
	17,403,028	13,555,646	16,503,030	17,267,490
Less: Provision for diminution in value of investments	3,847,382	-	-	-
	13,555,646	13,555,646	16,503,030	17,267,490
	=====	=====	=====	=====

**7.1 Shares of quoted companies****Associated companies**

Muslim Commercial Bank Ltd.

127,999 fully paid ordinary  
shares of Rs. 10/- each

4,735,963	2,380,781	4,735,963	4,191,967
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Ibrahim Fibres Ltd.

994,800 fully paid ordinary  
shares of Rs. 10/each

6,316,980	4,824,780	6,316,980	7,788,565
-----------	-----------	-----------	-----------

**Others****PICIC**Nil: (1997: 526,316) fully paid  
ordinary shares of Rs. 10/each

-	-	5,000,002	4,868,423
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**IBL Modaraba**100,000 fully paid ordinary  
shares of Rs. 10/each

500,000	300,000	-	-
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**Taj Textile Mills Ltd.**29,412 fully paid ordinary  
shares of Rs. 10/each

100,000	82,354	-	-
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**Highnoon Laboratories Ltd.**319,395 fully paid ordinary  
shares of Rs. 10/each

5,000,000	5,461,655	-	-
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**Pakistan Engineering Co. Ltd.**66,667 fully paid ordinary  
shares of Rs. 10/each

300,000	300,000	-	-
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16,952,943	13,349,570	16,052,945	16,848,955
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**7.2 Other quoted certificates****National Investment Trust Ltd.**30,555 fully paid ordinary  
units of Rs. 10/each

450,085	206,076	450,085	418,535
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450,085	206,076	450,085	418,535
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**8. Morabaha receivables**

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

**9. 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.

	1998 Rupees	1997 Rupees
<b>10. Advances, deposits, prepayments and other receivables</b>		
Advances - considered good		
Employees	-	10,660
Suppliers	-	5,000
Income tax	17,899,954	17,831,216
Accrued income		
Morabaha	1,222,884	1,238,726
Musharaka	2,301,234	1,958,218
Prepayments	18,483	22,835
	-----	-----
	21,442,555	21,066,655
	=====	=====
<b>11. Cash and bank balances</b>		
Cash in hand	3,730	17,176
Cash at bank		
In current accounts	633,630	569,391
In deposit accounts	1,691,652	10,489,092
	-----	-----
	2,325,282	11,058,483
	-----	-----
	2,329,012	11,075,659
	=====	=====
<b>12. Administrative expenses</b>		
Salaries and benefits	416,737	457,120
Postage and telephone	133,057	127,638
Electricity	203,251	151,025
Office rent	60,000	60,000
Vehicle running and maintenance	33,561	108,922
Printing and stationery	421,385	336,910
Travelling and conveyance	1,224	67,169
Fee, subscriptions and periodicals	155,539	136,985
Entertainment	248,176	150,497
Legal and professional charges	63,050	295,150
Repair and maintenance	167,765	142,194
Auditors' remuneration (12.1)	30,000	65,000
Depreciation	85,763	127,639
Fixed assets written off	-	3,937
Other	198,489	159,714
	-----	-----
	2,217,997	2,389,900
	=====	=====
<b>12.1 Auditors' remuneration:</b>		
Audit fee	30,000	30,000
Special audit fee	-	35,000
	-----	-----
	30,000	65,000
	=====	=====
<b>13. Financial charges</b>		

Profit on short term		
morabaha finances	369,418	-
Mark-up on bills payable	15,276	-
Finance charges on lease	-	38,119
Excise duty	-	633,335
Bank charges	88,146	22,284
	-----	-----
	472,840	693,738
	=====	=====

**14. Other charges**

Amortization of deferred cost	361,268	722,538
Provision for diminution in value of short term investments	3,847,382	-
	-----	-----
	4,208,650	722,538
	=====	=====

**15. Remuneration of executive**

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

**Executive**

Basic salary	117,720	98,400
House rent allowance	52,920	44,220
Utility allowance	11,760	9,780
	-----	-----
	182,400	152,400
	=====	=====
Number of persons	1	1

**16. Transactions with associated undertakings**

There have been no transactions with the associated undertakings (1997: Nil).

**17. Taxation**

Income tax assessments have been completed upto assessment year 1997-98. Provision for taxation on current year income is made in accordance with the Income Tax laws.

**Figures**

- Of the prior year have been rearranged wherever necessary for the purpose of comparison.
- Have been rounded off to nearest rupee.

Chief Executive

Director

Director

**PATTERN OF CERTIFICATE HOLDINGS****AS AT JUNE 30, 1998**

No. of Certificate Holders	Having Certificates		Certificates Held	Percentage
	From	To		
813	1	100	54820	0.4725
596	101	500	231632	1.9968
1096	501	1000	709824	6.1191
645	1001	5000	1465796	12.6361
127	5001	10000	927504	7.9957
55	10001	15000	676400	5.8310
11	15001	20000	200120	1.7251
13	20001	25000	299756	2.5841

7	25001	30000	204000	1.7586
6	30001	35000	203500	1.7543
2	40001	45000	84500	0.7284
3	45001	50000	143156	1.2341
3	50001	55000	160636	1.3847
1	65001	70000	65500	0.5646
2	70001	75000	145760	1.2565
1	85001	90000	88000	0.7586
1	95001	100000	100000	0.8620
1	115001	120000	116500	1.0043
1	135001	140000	139356	1.2013
1	140001	145000	143260	1.2350
1	365001	370000	367500	3.1681
1	585001	590000	585800	5.0500
1	945001	950000	948680	8.1782
1	1215001	1220000	1218000	10.5000
1	2315001	2320000	2320000	20.0000
-----			-----	-----
3390			11600000	100.0000
=====			=====	=====

### Categories of Certificate Holders

Particulars	Certificate Holders	Certificate holding	Percentage
Individuals	3364	5958488	51.3662
Investment Companies & Banks	5	115636	0.9968
Foreign Investment	1	1000	0.0086
Insurance Companies	5	154016	1.3277
Mutual Funds	4	129580	1.1170
Financial Institutions	5	2824200	24.3465
Modaraba/Leasing Companies	5	2417000	20.8362
Others	1	80	0.0006
-----	-----	-----	-----
	3390	11600000	100.0000
=====	=====	=====	=====