

First Ibrahim Modaraba

Annual Report 1999

Modaraba Information

Directors' Report to the Certificate Holders

Auditors' Report to the Certificate Holders :

Balance Sheet

Profit and Loss Account

Statement of Changes in Financial Position

Notes to the Accounts

Pattern of Certificate Holdings

Modaraba Information

Board of Directors

Sheikh Mukhtar Ahmed

(Chairman)

Sheikh Mohammad Yaseen

Mohammad Naeem Mukhtar

(Chief Executive)

Abdul Aziz Khan

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, Pakistan.

Bankers of Modaraba

Al-Baraka Islamic Bank

Askari Commercial Bank Limited

Emirates Bank International pjsc

Muslim Commercial Bank Limited

Management Company

Ibrahim Modaraba (Pvt.) Limited

Ibrahim Centre

GK-7/59, Bagh-e-Zehra Street

Kharadar

Karachi, Pakistan.

Auditors of Management Company

M/s. Saleem Ahsan & Co.

Chartered Accountants,

Ahsan Chamber

8-Syed Mouj Darya (Edward) Road

Lahore, Pakistan.

Legal Advisor

M/s. Ch. Khurshid Law Associates

Advocates

158, District Courts

Faisalabad, Pakistan.

**Registered Office/
Certificate Transfer Office**
Ibrahim Centre
GK-7/59, Bagh-e-Zehra Street
Kharadar
Karachi, Pakistan.

Directors' Report to the Certificate holders

We feel pleasure to present before you the 7th Annual Review of First Ibrahim Modaraba together with audited accounts for the year ended June 30, 1999.

Financial Results

The summarized financial results of your modaraba for the year are furnished hereunder:

	For the Year Ended June 30, 1999 Rupees
Total income	26,213,773
Total expenditures	2,447,198
Profit before management fee	23,766,575
Modaraba company's management fee	2,160,598
Profit before taxation	21,605,977
Provision for taxation (prior year)	679,050
Net profit after taxation	20,926,927
Unappropriated profit brought forward	335,195
Total profit available for appropriation	21,262,122

Appropriations

Your directors are pleased to recommend 13 % dividend i.e. Rs. 1.30 per modaraba certificate of Rs. 10 each out of profits earned.

Proposed dividend	15,080,000
Transfer to special reserve	4,185,385
Unappropriated profit carried forward	1,996,737

Earning per certificate	1.80
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The performance of your Modaraba during the year under review has been satisfactory. The profit after management fee increased by 37% when compared with the previous year despite overall slump in economy.

General Review

The year under review was a difficult one due to overall depressed economic activity. Most of the key indicators registered decline in almost all business sectors. However, your modaraba has kept its progressive growth during the year showing improvements in business volume as well as in profit. The management of your modaraba has continued to maintain its policy of prudent and cautious business of musharaka and morabaha resulting into steady profit generation with no default in the recovery.

Future Prospects

The economic indicators are not very encouraging, however, we expect a positive change in the coming months.

The management of your modaraba will continue its efforts to consolidate the position in current economic situation and will explore all opportunities for its further growth.

Solution of Year 2000 Problem

All the computer systems of your modaraba including hardware and software are fully Y2K complaint.

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, 2000. Their appointment has been confirmed by the Board subject to approval by the Registrar Modaraba.

Acknowledgment

The board expresses its appreciation for continued guidance provided by Securities and Exchange Commission of Pakistan, Registrar Modaraba, support from certificate holders, banks and dedicated efforts made by the staff.

On behalf of the Board

Place: Lahore.

Date: November 15, 1999.

Mohamrnad Naeem Mukhtar

Chief Executive

Auditors' Report to the Certificate Holders

We have audited the annexed balance sheet as at June 30, 1999 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, 1999 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 & loss account have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation 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, 1999 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.

Date: November 15, 1999.

M. Yousuf Adil Saleem & Co.

Chartered Accountants

Balance Sheet

as at June 30, 1999

	Note	1999 Rupees	1998 Rupees
Capital and Reserves			
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	20,881,273	16,695,888
Unappropriated profit		1,996,737	335,195
		-----	-----
		138,878,010	133,031,083
Deferred Liabilities			
Gratuity		--	126,937
Current Liabilities			
Short term loan	4	--	2,500,000
Management fee payable		2,160,598	1,577,071
Accrued expenses		30,000	118,280
Provision for taxation		--	3,973,989
Dividend payable		212,462	105,348
Proposed cash dividend		15,080,000	11,600,000
		-----	-----
		17,483,060	19,874,688
		-----	-----
		156,361,070	153,032,708
		=====	=====
Operating Fixed Assets	5	733,101	756,889
Security Deposits		200,000	--
Current Assets			
Investment in securities	6	7,411,637	13,555,646
Morabaha receivables	7	38,898,000	34,948,606
Musharaka receivables	8	89,000,000	80,000,000
Advances, deposits, prepayments and other receivables	9	17,430,519	21,442,555
Cash and bank balances	10	2,687,813	2,329,012
		-----	-----
		155,427,969	152,275,819
		-----	-----
		156,361,070	153,032,708
		=====	=====

The annexed notes from 1 to 20 form an integral part of these accounts.

Chief Executive

Director

Director

**Profit and Loss Account
for the year ended June 30, 1999**

	Note	1999 Rupees	1998 Rupees
Profit on Morabahas/Musharakas		24,076,150	22,278,366
Operating expenses			
Administrative expenses	11	1,976,658	2,217,997
Financial charges	12	470,540	472,840
		-----	-----
		2,447,198	2,690,837
Operating profit		21,628,952	19,587,529
Other income		2,137,623	1,968,898
		-----	-----
		23,766,575	21,556,427
Other charges	13	--	4,208,650
Profit before modaraba company's management fee		23,766,575	17,347,777
Modaraba company s management fee		2,160,598	1,577,071
		-----	-----
Profit before taxation		21,605,977	15,770,706
Provision for taxation			
Current year		--	1,971,338
Prior year		679,050	--
		-----	-----
		679,050	1,971,338
Net profit after taxation		20,926,927	13,799,368
Unappropriated profit brought forward		335,195	895,701
		-----	-----
Profit available for appropriation		21,262,122	14,695,069
Appropriation:			
Special reserve		4,185,385	2,759,874
Proposed cash dividend @ 13 % (1998: @ 10%)		15,080,000	11,600,000
		-----	-----
		19,265,385	14,359,874
Unappropriated profit carried forward		1,996,737	335,195
		=====	=====
Earning per certificate	1 6	1.8 0	1.19

The annexed notes from 1 to 20 form an integral part of these accounts.

Chief Executive

Director

Director

**Statement of Changers in Financial Position
(Cash Flow Statement) for the year ended June 30,1999**

1999

1998

	Rupees	Rupees
A. Cash flow from operating activities		
Profit before taxation	21,605,977	15,770,706
Adjustments to reconcile profit to net cash provided by operating activities		
Gratuity	-	42,537
Depreciation	82,788	85,763
Amortization	-	361,268
Financial charges	470,540	472,840
	-----	-----
Operating profit before working capital changes	22,159,305	16,733,114
	=====	=====
Changes in working capital (Increase)/decrease in current assets Advances, deposits and prepayments Increase/(decrease) in current liabilities	(623,239)	(307,162)
Management fee	583,527	(25,050)
Creditors, accrued and other liabilities	(88,280)	48,381
	-----	-----
	(127,992)	(283,831)
Cash generated from operations	22,031,313	16,449,283
Financial charges paid	(470,540)	(472,840)
Gratuity paid	(126,937)	-
Income tax paid	(17,764)	(68,738)
	-----	-----
Net cash from operating activities	21,416,072	15,907,705
	=====	=====
B. Cash flow from investing activities		
Investments in securities	6,144,009	2,947,384
Morabaha receivables	(3,949,394)	(5,448,606)
Musharaka receivables	(9,000,000)	(14,000,000)
Addition in Fixed Assets	(59,000)	-
Security deposits	(200,000)	-
Proceeds from disposal of fixed assets	-	127,719
	-----	-----
Net cash used in investing activities	(7,064,385)	(16,373,503)
	-----	-----
C. Cash flow from financing activities		
Dividend paid	(11,492,886)	(10,780,849)
Morabaha finances received	-	2,500,000
Marabaha finance paid	(2,500,000)	-
	-----	-----
Net cash from financing activities	(13,992,886)	(8,280,849)
	-----	-----
Net (decrease)/increase in cash and cash equivalents (A+B+C)	358,801	(8,746,647)
Cash and cash equivalents at the beginning of the year	2,329,012	11,075,659

Cash and cash equivalents at the end of the year	----- 2,687,813	----- 2,329,012
	=====	=====
Chief Executive	Director	Director

Notes to the Accounts for the year ended June 30, 1999

1.1 Legal status and nature of business

First Ibrahim Modaraba is a multi purpose, perpetual modaraba formed under the Modaraba Companies and Modaraba (Floatation 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 Modaraba under the Modaraba Companies and Modaraba (Floatation 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 Marketable securities

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

1.2.6 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.

1999	1998
Rupees	Rupees

2. Certificate capital - issued, subscribed and paid-up

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

5. Operating fixed assets

P a r t i c u l a r s	C O S T			D E P R E C I A T I O N			R a t e (%)
	As at July 01, 1998	Additions/ (Deletion)	As at June 30, 1999	Book Value as at June 30, 1999	Accumulated as at June 30, 1999	Charge for the year	
Furniture and fixture	970,871	--	970,871	516,303	454,568	57,367	10
Office equipment	283,613	59,000	342,613	207,206	135,407	23,023	10
Vehicles	40,265	--	40,265	9,592	30,673	2,398	20
-----	-----	-----	-----	-----	-----	-----	-----
1999- Rupees	1,294,749	59,000	1,353,749	733,101	620,648	82,788	
=====	=====	=====	=====	=====	=====	=====	=====
1998.- Rupees	1,641,209	(346,460)	1,294,749	756,889	537,860	85,763	
=====	=====	=====	=====	=====	=====	=====	=====

6. Investment in securities

	1999		1998	
	Cost Rupees	Market Value Rupees	Cost Rupees	Market Value Rupees
Shares of quoted companies (6.1)	11,052,943	9,529,980	16,952,943	13,349,570
Other quoted certificates (6.2)	206,076	232,180	450,085	206,076
-----	-----	-----	-----	-----
	11,259,019	9,762,160	17,403,028	13,555,646
Less: Provision for diminution in value of investments	3,847,382	--	3,847,382	--
-----	-----	-----	-----	-----
	7,411,637	9,762,160	13,555,646	13,555,646
=====	=====	=====	=====	=====
6.1 Shares of quoted companies Associated companies Muslim Commercial Bank Ltd. 127,999 fully paid ordinary shares of Rs. 10/- each	4,735,963	2,566,380	4,735,963	2,380,781
Ibrahim Fibres Ltd. 994,800 fully paid ordinary shares of Rs. 10/each	6,316,980	6,963,600	6,316,980	4,824,780

Others

IBL Modaraba	--	--	500,000	300,000
100,000 fully paid ordinary shares of Rs. 10/each				
Taj Textile Mills Ltd.	--	--	100,000	82,354
29,412 fully paid ordinary shares of Rs. 10/each				
Highnoon Laboratories Ltd.	--	--	5,000,000	5,461,655
319,395 fully paid ordinary shares of Rs. 10/each				
Pakistan Engineering Co. Ltd.	--	--	300,000	300,000
66,667 fully paid ordinary shares of Rs. 10/each				

-----	-----	-----	-----
11,052,943	9,529,980	16,952,943	13,349,570
=====	=====	=====	=====

6.2 Other quoted certificates

National Investment Trust Ltd.				
30,555 fully paid ordinary units of Rs. 10/each				
	206,076	232,180	450,085	206,076
	-----	-----	-----	-----
	206,076	232,180	450,085	206,076
	=====	=====	=====	=====

7. 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.

8. 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.

	1999	1998
	Rupees	Rupees

9. Advances, deposits, prepayments and other receivables

Advance income tax	13,264,680	17,899,954
Accrued income		
Morabaha	991,459	1,222,884
Musharaka	3,155,000	2,301,234
Prepayments	19,380	18,483

-----	-----
17,430,519	21,442,555
=====	=====

10. Cash and bank balances

Cash in hand	5,968	3,730
Cash at bank		
In current accounts	64,732	633,630
In deposit accounts	2,617,113	1,691,652

-----	-----
2,681,845	2,325,282
-----	-----
2,687,813	2,329,012
=====	=====

11. Administrative expenses

Salaries and benefits	(11.1)	205,364	416,737
Postage and telephone		138,103	133,057
Electricity		249,987	203,251
Office rent		60,000	60,000
Vehicle running and maintenance		15,092	33,561
Printing and stationery		103,218	421,385
Travelling and conveyance		6,760	1,224
Fee, subscriptions and periodicals		184,406	155,539
Entertainment		146,728	248,176
Legal and professional charges		350,300	63,050
Repair and maintenance		142,963	167,765
Auditors' remuneration	(11.2)	30,000	30,000
Depreciation		82,788	85,763
Other		260,949	198,489
		-----	-----
		1,976,658	2,217,997
		=====	=====

11.1 Number of employees:

The employees of First Ibrahim Modaraba were transferred to Management company Ibrahim Modaraba (Pvt.) Ltd. in December 1998. (1998 04 employees).

11.2 Auditors's remuneration:

Audit fee		30,000	30,000
		-----	-----
		30,000	30,000
		=====	=====

12. Financial charges

Profit on short term morabaha finances		400,432	369,418
Mark-up on bills payable		-	15,276
Zakat		32,000	-
Bank charges		38,108	88,146
		-----	-----
		470,540	472,840
		=====	=====

13. Other charges

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

14. Financial Instruments and Related Disclosures**14.1 Credit Risk**

The modaraba's credit risk disclosure is not significantly different from that reflected in the financial statements. The management monitors and limits modaraba's exposure to credit risk through monitoring of client's credit exposure, reviews and conservatives estimates of provisions for doubtful receivables, if any, and through the prudent use of collateral policy. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in organizatic)ns of sound financial standing covering various financial sectors and segments.

14.2 Fair Value of Financial Instruments

The estimated fair value of financial instruments are not significantly different from their book values as shown in these financial statements.

14.3 Exposure to Mark-up (Profit) Rate Risk

The modaraba's exposure to risk associated with mark-up (Profit) rates on its financial assets and liabilities are summarized as follows:

Notes	Mark-up (Profit) Bearing		Non Mark-up (Profit) Bearing		Total (Rupees)
	One year to five year's (Rupees)	One year to five year's (Rupees)	Within Total (Rupees)	One year to five year's (Rupees)	
Financial Assets					
Morabaha finance	7	38,898,000	--	--	38,898,000
Musharaka investment	8	89,000,000	--	--	89,000,000
Investment in securities					
Advances, deposits & pre-payments	9	--	17,430,519	--	17,430,519
Cash and bank balances	10	--	2,687,813	--	2,687,813
		-----	-----	-----	-----
		127,898,000	--	20,118,332	148,016,332
Financial Liabilities					
Accrued and other liabilities		--	2,190,598	--	2,190,598
Unclaimed dividend		--	212,462	--	212,462
		-----	-----	-----	-----
		--	2,403,060	--	2,403,060
		=====	=====	=====	=====
Net financial assets/(liabilities)		127,898,000	--	17,715,272	145,613,272
		=====	=====	=====	=====

14.4 Effective Mark-up (Profit) rate

The effective mark-up (Profit) rates of the Modaraba financial assets are as follows:

Financial assets

Morabaha finance	18.5% - 24%
Musharaka investment	18.5% - 18.75%

15. Statement of Changes in Equity

	Share Capital (Rupees)	Special Reserve (Rupees)	Profit for the year and appropriations (Rupees)	Total (Rupees)
Balances as at				
July 01, 1997	116,000,000	13,936,014	895,701	130,831,715
Net profit for the year	--	--	13,799,368	13,799,368
Appropriations:				
Special Reserve	--	2,759,874	(2,759,874)	--
Proposed dividend	--	--	(11,600,000)	(11,600,000)
	-----	-----	-----	-----
Balance as at June 30, 19	116,000,000	16,695,888	335,195	133,031,083
Net profit for the year			20,926,927	20,926,927
Appropriations:				
Special Reserve	--	4,185,385	(4,185,385)	--
Proposed dividend	--	--	(15,080,000)	(15,080,000)

Balance as at June 30, 19	116,000,000	20,881,273	1,996,737	138,878,010
---------------------------	-------------	------------	-----------	-------------

1999 **1998**

16. Earning Per Certificate

There is no dilutive effect on the basic earning per certificate of the Modaraba, which is based on:

Profit after taxation (Rupees)	20,926,927	13,799,368
Weighted average number of ordinary certificates	11,600,000	11,600,000
Earning per certificate (Rupees)	1.80	1.19

17. Remuneration of Executive

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	Rupees	Rupees
Basic salary	-	117,720
House rent allowance	-	52,920
Utility allowance	-	11,760
	-	182,400
Number of persons	-	1

18. Transactions with Associated Undertakings

There have been no transactions with the associated undertakings (1998: Nil).

19. Taxation

Income tax assessments have been completed upto assessment year 1998-99.
There is no tax payable as the Modaraba proposes to distribute 90% of its profit.

20. 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, 1999**

No. of Certificate Holders	Having Certificates		Certificates Held	Percentage
	From	To		
850	1	100	57,720	0.50
580	101	500	223,748	1.93
1015	501	1000	662,864	5.71
6.30	1001	5000	1,455,300	12.55
120	5001	10000	868,216	7.48
53	10001	15000	725,428	6.25
11	15001	20000	199,220	1.72
12	20001	25000	270,156	2.33
5	25001	30000	145,800	1.26
3	30001	35000	102,000	0.88

3	40001	45000	121,736	1.05
2	45001	50000	94,656	0.82
2	50001	55000	106,700	0.92
2	65001	70000	135,000	1.16
1	70001	75000	70,760	0.61
3	75001	80000	228,356	1.97
2	85001	90000	177,100	1.53
1	95001	100000	100,000	0.86
1	105001	110000	109,000	0.94
2	115001	120000	231,500	2.00
1	140001	145000	143,260	1.24
1	365001	370000	367,500	3.17
1	370001	375000	373,280	3.22
1	505001	510000	505,400	4.36
1	585001	590000	585,800	5.05
1	1215001	1220000	1,219,500	10.51
1	2315001	2320000	2,320,000	20.00

3305			11,600,000	100.00
=====				

Categories of Certificate Holders

Particulars	Certificate Holders	Certificate holding	Percentage
Individuals	3276	6117608	52.7380
Investment Companies / Banks	8	233016	2.0088
Insurance Companies	5	91016	0.7846
Mutual Funds	4	47260	0.4074
Financial Institutions	6	2755700	23.7560
Modaraba / Leasing Companies	6	2355400	20.3052

	3305	11600000	100.0000
=====			