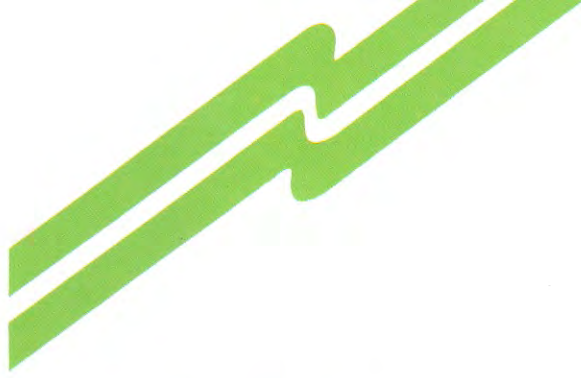


Annual Report 2008



IBL

First IBL Modaraba



Education

Infrastructure



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Corporate Information

MODARBA COMPANY	IBL Modarba Management (Pvt) Ltd.
BOARD OF DIRECTORS	Syed Zafar Haider Chief Executive Dr. Hasan Sohaib Murad Chairman Ale Imran Director Muhammad Iqtidar Director Shaheen Rasheed Director Arsalan Khan Khakwani Director
COMPANY SECRETARY	Noman Ahmed
CFO	Noman Ahmed
AUDIT COMMITTEE	Ale Imran Muhammad Iqtidar Arsalan Khan Khakwani
BANKERS	Askari Bank Limited Arif Habib Bank Limited Dubai Islamic Bank Muslim Commercial Bank The Royal Bank of Scotland
REGISTRAR	Progressive Management Services Pvt. Limited 10th Floor, Mehdi Tower, A-115, S.M.C.H.S., Shahrah-e-Faisal Karachi.
REGISTERED OFFICE	Office # 604, 6th Floor Park Avenue, 24-A, Block 6 P.E.C.H.S., Shahrah-e-Faisal Karachi



Directors' Report

The Board of Directors of IBL Modaraba Management Private Ltd., the Management Company of First IBL Modaraba, has pleasure in presenting to the certificate holders the Annual Report of the Modaraba together with Audited Accounts for the period from July 01, 2007 to June 30, 2008.

Financial Results

Summarized results for the year under report are as under:-

	<u>(Rs. in 000)</u>	
	<u>June 2008</u>	<u>June 2007</u>
Total Operating Income	25,619	17,618
Profit before Management Fee & taxation	5,462	9,049
Management Fee 10%	(546)	(905)
Profit before tax	4,916	8,144
Provision for Taxation	-	-
Net Profit after tax	4,916	8,144

Review of Operations:

The modaraba during the year has succeeded in maintaining a fairly profitable position despite the fact that acute market competition with the Commercial Banks and Leasing Companies has affected the business activities of the Modarabas in general and also volatile nature of the Stock Market and the political and economic situation in the country during the last six months has really slow down the business activities of every sector.

During the period under review, the Modaraba was acquired by the new Management on December 14, 2007 with the approval of the Registrar Modaraba, SECP. At the time of accorded the approval for changed of the management, the SECP has imposed the condition for injecting funds of Rs. 85.00 Million in the equity of the Modaraba by January 31, 2008. The new Management successfully injected the required funds in the equity of the Modaraba before the due date. The Modaraba has issued new certificates of the modaraba against the said injected funds by which the total paid up capital of the modaraba raise up-to Rs.201.875 million.

Total operating income of the modaraba during the year is increased by Rs.8.0 million as compared to the corresponding year ended June 30, 2007.

The main revenue earner of the Modaraba during the year is from the Musharika facility. The Musharika profit during the year was Rs.15.203 Million as compared to the previous period musharika income of Rs. 13.160 million. The modaraba has invested the funds in different sectors and earning a secured return. During the year under review modaraba has also started the leasing facility and booked income of Rs.6.204 million.

Your Modaraba has revalued the investments held for trading and booked a revaluation gain of Rs. 0.833 million which purely increased the profit for the year ended June 30, 2008. The Modaraba is also continuously built statutory reserves out of the profit of each year, which accumulated to Rs.33.568 million as compared to Rs.32.585 Million at the end of preceding year.

Corporate Governance:

The Modaraba has implemented all aspects of Code of Corporate Governance introduced by SECP.

- The financial statements prepared by the Management of Modaraba present fairly its state of affairs, the result of its operations, cash flows and changes in the equity.
- Proper books of accounts of Modaraba have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable to Modarabas in Pakistan, have been followed in preparation of financial statements. During the year 2007 Islamic Financial Accounting Standard (IFAS) - 2 "Ijarah" was issued by the Institute of Chartered Accountants of Pakistan and the same was notified by the Securities and Exchange Commission of Pakistan (SECP) vide an SRO dated 22 May 2007. Under the IFAS 2, the "Ijarah" transactions are required to be accounted for as operating leases. The IFAS is operative for financial statements covering the periods beginning on or after 1 July 2007 and is required to be followed on those Ijarahs which commence on or after 1 July 2007. The Modaraba has not yet adopted the above standard nor IAS-17. The Modaraba Association of Pakistan has approached the SECP for the deferment of this (IFAS -2) standard.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no doubts about Modarabas ability to continue as a going concern.
- There has been no material departure from the best practices and Corporate Governance as detailed in the listing regulations.
- There has been no trading in company shares by Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouses and minor children during the year.

Audit Committee

An audited Committee of the Board has been established to be Chaired by Mr. Ale Imran. The following are the members of the Committee:-

- 1) Mr. Ale Imran
- 2) Mr. Arsalan Khakwani
- 3) Mr. Muhammad Iqtidar
- 4) Mr. Noman Ahmed, Chief Financial Officer and Muhammad Saad Qazi. Internal Auditor also attended the meetings as per requirement of Code. M. Saad Qazi is also the Secretary of the Committee.

Attendance of Board Meetings:

During the year under review, three meetings of the Board of Directors were held which were attended to by the directors as under:-

	Name of Director	Number of Meetings	# of Meeting Attended	Leave of Absence
1)	Mr. Zafar Haider	4	4	0
2)	Dr. Hassan Sohaib Murad	4	4	0
3)	Mr. Ale Imran	4	4	0
4)	Mr. Arsalan Khakwani	4	4	0
5)	Khawaja Muhammad Iqtidar	4	4	0
6)	Mr. Shaheen Rashid	4	4	0



Operating Data for six years:

The operating data of the Modaraba for 6 years is annexed to this report at page 6.

Pattern of Certificate holding:

The pattern of certificate holding as at 30/6/2008 is given below:-

Sr.#	Categories of Certificate holders	Certificate Holder	Certificate holding	Percentage %
1	Individuals	1177	2,207,084	18.8844
2	Joint Stock Companies	11	4,874,818	41.7096
3	Modarabas	1	70	0.000
4	Modaraba Companies	1	1,180,905	10.1040
5	Development Finance Institution	1	2,000	0.02
6	Insurance Companies	4	517,608	4.43
7	Banks	2	5,348	0.05
8	Public Sector Companies & Corporations	1	191	0.00
9	Investment Corporation of Pakistan	1	3,006	0.03
10	National Investment Trust	2	2,896,470	24.78
Total		1,201	11,687,500	100.000

There has been no trading in the shares of the Modaraba by any of its directors, CEO, CFO, Company Secretary or their spouses or minor children.

The detailed pattern of certificate holding as on 30/6/2008 is annexed to this report.

a) Statement of Compliance with best practices

The Board feels pleasure in stating that provisions of the Code relevant for the year ended June 30, 2008, have been duly complied with.

b) Status of Compliance with the Code

S. No.	Particulars	Clause
a)	Board of Directors clause.	(i) (b) & (c)
b)	Qualification and eligibility to act as a Director.	(iii), (iv) & (v)
c)	Tenure of office of Directors.	(vi)
d)	Responsibilities, Powers and Functions of Board of Directors.	(vii) (a) (b) (c) (d) (e) (f)
e)	Meeting of the Board of Directors and consideration of significant issues.	(x),(xi),(xii)&(xiii)
f)	Chief Financial Officer/ Company Secretary.	(xv),(xvi),(xvii)&(xviii)
g)	The Directors Report to the Certificate Holders.	(xix)
h)	Frequency of financial reporting.	(xx),(xxi),(xxii)&(xxiii)
i)	Responsibility for financial reporting and Corporate Compliance.	(xxiv),(xxv)
j)	Auditors not to hold shares.	(xxvii)
k)	Audit Committee	(xxx),(xxxi),(xxxii), (xxxiii) & (xxxiv)
l)	Internal Audit	(xxxv), (xxxvi)
m)	Compliance with the Code of Corporate Governance.	(xlv) & (xlv)

Staff Benefit Scheme:

The Modaraba has provident fund scheme for the staff.

Profit distribution:

The Board of Directors has approved the distribution of Profit of Re.0.50 per certificate of Rs.10 each i.e. 5%, for the year ended June 30, 2008.

The Economy and Future prospects:

The Modaraba has planned to enter in the Power Projects in near future. Ground work is complete and very soon the Project will commence with approval of the SECP. The Modaraba will make considerable profit from the Power Projects and this in turn will have a positive impact on the overall profitability of the Modaraba.

The Modaraba is also planning to issue Certificates of Musharika to the individuals in 2009 after getting a good rating from a credit rating agency. The Certificates of Musharika will benefit the Modaraba in the long run and modaraba can earn a high spread by issuing COM.

In recent past, Pakistan has faced severe macroeconomic imbalances, declining economic growth, rising poverty, and poor social indicators. The political situation in the country has been in turmoil since the last one year and the confidence of the investors has badly shaken due to the unfortunate happenings all around. Almost all sectors have been severely affected by the unstable situation in the country. Despite all these problems, the Modaraba has shown a reasonable growth and profit and hopes to do even better in the near future.

The Board of Directors assures the Certificate Holders that they will continue to make all efforts to consolidate its position and to gather opportunities for sustained growth. To ensure profitable utilization of the available resources, your modaraba will take exposure on such borrowers only who have a proven track record of timely payments, good profitability and strong cash flows from their operations. The Management is fully satisfied with the current business strategy and if the political condition settles down your modaraba would achieve the fruitful results for the year ending June 30, 2009.

Auditors

The present auditors M/s.Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants are due for retirement and being eligible have offered themselves for re-appointment. The Board has confirmed their re-appointment for the year ending June 30, 2009 subject to the approval by the Registrar Modaraba.

Acknowledgement:

In the end, Board wishes to thank SECP for their guidance and support.

The Board would also like to thank valued customers and investors for reposing trust and confidence in the Modaraba and to members of Management and staff for their commitment and dedication.

On Behalf of the Board

Dr.Hasan Sohaib Murad
Chairman

October 13, 2008



**FIRST IBL MODARABA
SIX YEARS' FINANCIAL SUMMARY**

BALANCE SHEET SUMMARY

(Rs. in million)

Year Ended June 30,	2003	2004	2005	2006	2007	2008
EQUITY						
Issued, subscribed & paid up capital	116.88	116.88	116.88	116.88	116.88	116.88
Statutory Reserve	19.45	21.73	27.09	30.96	32.58	48.35
Revenue Reserve and Unappropriated profit	28.69	39.41	6.33	12.34	14.97	6.74
Modaraba certificate deposit money	-	-	-	-	-	85.00
Total Equity	165.02	178.02	150.30	160.18	164.43	256.96
LIABILITIES						
Customer Security Deposit	-	-	-	-	-	3.69
Other Deferred Liabilities	-	0.08	0.17	0.34	0.36	-
CURRENT LIABILITIES						
Current Maturity of Long Term Loans	34.13	-	-	-	-	-
Short term Morabaha & Musharakah	-	33.00	33.00	33.00	31.96	-
Unclaimed profit distribution	-	-	-	-	-	2.35
Other Current Liabilities	12.71	13.78	22.83	11.13	10.50	11.52
Total Current Liabilities	46.84	46.78	55.83	44.13	42.46	17.56
Total Liabilities	211.86	224.88	206.30	204.65	207.25	274.52
ASSETS						
Assets Leased Out	-	-	-	-	-	22.80
Assets in own Use	0.06	0.02	1.07	0.80	0.99	4.60
Long Term Morabaha & Musharaka	98.20	88.30	-	-	-	30.00
Other Long Term Assets	0.05	0.10	-	-	12.87	1.41
	98.31	88.42	1.07	0.80	13.86	58.81
CURRENT ASSETS						
Short term Morabaha & Musharaka	64.15	66.53	71.68	42.50	146.79	119.96
Lease rental receivables	-	-	-	-	-	0.49
Short Term Investments	-	52.27	13.26	33.29	20.35	62.50
Other Current Assets	47.69	16.58	77.64	4.45	7.57	10.80
Cash & Bank Balances	1.71	1.08	42.65	123.61	18.68	21.96
Total Current Assets	113.55	136.46	205.23	203.85	193.39	215.71
Total Assets	211.86	224.88	206.30	204.65	207.25	274.52



Income Statement Highlights

(Rs. in million)

Year Ended June 30,	2003	2004	2005	2006	2007	2008
INCOME						
Lease	-	-	-	-	-	6.20
Musharaka & Morabaha	21.00	17.65	13.34	7.00	13.16	16.47
Capital Gain on Investment	1.64	0.33	15.86	6.54	1.66	0.96
Dividend	2.68	1.81	0.67	2.03	2.18	1.59
Other	0.03	0.52	0.65	0.10	0.62	0.39
Total Income	25.35	20.31	30.52	15.67	17.62	25.62
EXPENSES						
Operating	4.66	4.48	6.25	5.50	4.69	13.68
Financial	7.64	6.80	3.56	4.41	4.60	2.97
Amortisation, Depreciation	-	-	-	0.27	0.38	4.34
Provision for Doubtful Receivable	5.69	-	(5.69)	-	-	-
Provision for diminution in value of Investment	-	(1.12)	0.30	(0.47)	(1.10)	(0.83)
Total Expenses	17.99	10.16	4.42	9.71	8.57	20.16
Profit/(Loss) before Management Fee	7.36	10.15	26.10	5.96	9.05	5.46
Less:- Management Fee	0.74	1.02	2.61	0.60	0.90	0.55
Profit before Taxation	6.62	9.13	23.49	5.36	8.14	4.92
Less:- Taxation	-	-	-	(1.89)	-	-
Net Profit	6.62	9.13	23.49	7.25	8.14	4.92
APPROPRIATIONS						
Final Dividend	5.26	6.43	11.69	8.18	9.35	5.84
Statutory Reserves	1.32	2.29	7.05	2.17	1.63	0.98



**STATEMENT OF COMPLIANCE WITH THE
CODE OF CORPORATE GOVERNANCE**

This statement is being presented to comply with the code of corporate governance contained in the listing regulations of the Karachi stock exchange for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

IBL Modaraba Management Pvt Ltd. (Modaraba Company) is not listed; however First IBL Modaraba is listed at Karachi, Lahore, and Islamabad Stock Exchange. The Board of Directors of the Modaraba Company is responsible for management of affairs of the First IBL Modaraba.

First IBL Modaraba has applied principles contained in code in the following manner:

1. The Board presently comprises four directors including non-executive directors.
2. The directors have confirmed that none of them is serving as director in more than ten companies.
3. All the directors of the Modaraba Company are registered as tax payers and none of them has defaulted in payments of any loan to a banking company, a DFI or an NBFII or, being a member of a stock exchange, has been declared as defaulter by the stock exchange.
4. During the year the previous management company of the Modaraba is changed with the approval of the securities & exchanged commission of Pakistan (SECP) & new directors of the modaraba company is appointed.
5. The Modaraba has prepared a code of conduct encompassing the Modaraba's principles of ethics and business practices, which has been signed by all directors and has been circulated to all employees of the First IBL Modaraba.
6. The board has developed a vision/Mission statement, overall corporate strategy and significant policies of the First IBL Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions have been taken by the board. The terms of appointment and remuneration package of the Chief Executive Officer of the Modaraba Management Company have been approved by the board of directors of the management company.
8. The meetings of the board were presided over by the chairman whenever present. The board met at least once in every quarter to approve the quarterly accounts of the Modaraba. Written notices of the board meetings including agendas were appropriately circulated before the meeting. The minutes of the meetings were recorded and circulated amongst the directors.



9. The majority of the directors, being members of professional accountancy bodies, are conversant with their duties and responsibilities under the relevant laws applicable to Modaraba and provisions of code of corporate Governance. Nevertheless, an orientation course for all the directors is planned to be conducted shortly to acquaint them with their duties and responsibilities under the relevant laws.
10. The appointment, remuneration and terms and conditions of employment of the chief financial officer & company secretary (both being the same person) and head of internal audit of Modaraba have been determined by the CEO with the approval of the board.
11. The directors' report for this year has been prepared in compliance with the requirements of the code and fully describes the salient matters required to be disclosed.
12. The financial statements of the First IBL Modaraba were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of holding of certificates.
14. The First IBL Modaraba has complied with the corporate and financial reporting requirements of the code.
15. The board has formed an audit committee. It presently comprise of three members majority of whom are non-executive directors including Chairman of the committee.
16. The meeting of the audit committee was held at least once every quarter prior to the approval of interim and final result of the company as required by the code.
17. The Board has setup an effective internal audit functions.
18. The Statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality control review program of the institute of chartered accounts of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the First IBL Modaraba and that the firm and all its partners are in compliance with international federation of accounts (IFAC) guidelines on the code of ethics as adopted by institute of chartered Accountants of Pakistan.
19. The statutory auditors or the person associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the code have been complied with.

On behalf of the Board

October 13, 2008

Dr. Hasan Sohaib Murad
Chairman & Chief Executive



**REVIEW REPORT TO THE CERTIFICATE HOLDERS ON
STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF
CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of IBL Modaraba Management (Private) Limited in respect of First IBL Modaraba, to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Management company personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of the audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Management company's compliance, in all respects with the best practices contained in the Code of Corporate Governance as applicable to the Modaraba for the year ended June 30, 2008.

Karachi
October 13, 2008

KHALIDMAJIDRAHMANSARFARAZ
RAHIMIQBALRAFIQ
Chartered Accountants



AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed Balance Sheet of **First IBL Modaraba** as at **June 30, 2008** and the related Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

These financial statements are the modaraba company's [IBL Modaraba Management (Private) Limited] responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba Company, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:-

- (a) in our opinion, proper books of accounts have been kept by the modaraba company in respect of **First IBL Modaraba** as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and Modaraba Companies and Modaraba Rules, 1981;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981 in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at **June 30, 2008** and of the **profit**, its cash flows and changes in equity for the year then ended; and
- (D) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

KHALID MAJID RAHMAN SARFARAZ
RAHIM IQBAL RAFIQ
(CHARTERED ACCOUNTANTS)

Date: October 13, 2008
Karachi:



**FIRST IBL MODARABA
BALANCE SHEET
AS AT JUNE 30, 2008**

	Note	2008 Rupees	2007 Rupees
ASSETS			
Current assets			
Lease rental receivables		492,970	-
Short term investments	4	62,502,463	20,353,275
Musharika finance	5	119,964,858	146,793,563
Advances, deposits and prepayments	6	1,778,562	363,094
Other receivables	7	9,016,262	7,204,104
Cash and bank balances	8	21,955,965	18,682,736
		215,711,080	193,396,772
Non-current assets			
Tangible fixed assets	9	27,405,355	992,745
Advance against vehicles		-	12,842,000
Long term deposits		1,411,020	25,000
Long term murahaba	10	30,000,000	-
		58,816,375	13,859,745
TOTAL ASSETS		274,527,455	207,256,517
LIABILITIES AND EQUITY			
Current liabilities			
Musharika finance	11	-	31,960,000
Short term finances - secured	12	-	-
Accrued and other liabilities	13	10,951,180	5,086,192
Due to management company		569,951	3,298,157
Unclaimed profit distribution		2,352,287	2,113,843
		13,873,418	42,458,192
Non-current liabilities			
Deferred liabilities-gratuity		-	361,274
Lease key money		3,694,483	-
		3,694,483	361,274
TOTAL LIABILITIES		17,567,901	42,819,466
Certificate holders' equity			
Certificate capital		116,875,000	116,875,000
Reserves		48,348,990	35,409,496
Unappropriated profit		6,735,564	12,152,555
		171,959,555	164,437,051
Modaraba certificates deposit money	15	85,000,000	-
Contingencies and commitments	16	-	-
TOTAL LIABILITIES AND EQUITY		274,527,455	207,256,517

The attached notes 1 to 30 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR



**FIRST IBL MODARABA
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2008**

	Note	2008 Rupees	2007 Rupees
OPERATING INCOME			
Musharika profit	17	15,203,623	13,160,141
Murabaha profit		1,267,241	-
Ijarah income		6,203,804	-
Investments income	18	1,594,797	2,177,979
Gain on sale of investment - net		961,199	1,661,976
Other income	19	388,556	618,362
		25,619,220	17,618,458
OPERATING EXPENSES			
Administrative expenses	20	13,680,621	5,067,837
Amortization of assets leased out	9	4,335,863	-
Finance cost	21	2,973,388	4,602,889
		20,989,872	9,670,726
OPERATING PROFIT		4,629,348	7,947,732
Revaluation gain on investment - at fair value through profit and loss		833,165	1,101,337
		5,462,513	9,049,069
Modaraba company's management fee		(546,251)	(904,907)
Profit for the year before tax		4,916,262	8,144,162
Taxation	22	-	-
Profit for the year after tax		4,916,262	8,144,162
Earning per certificate	23	0.42	0.70

The attached notes 1 to 30 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR



**FIRST IBL MODARABA
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008**

	Note	2008 Rupees	2007 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		4,916,262	8,144,162
Adjustments for non-cash charges and other items:			
Depreciation on fixed assets in own use		1,154,242	378,408
Depreciation on fixed assets Leased		4,335,863	-
Provision for gratuity		-	13,548
Finance cost		2,956,208	4,584,204
Loss / (Gain) on sale of fixed asset		95,175	(201,860)
Profit before working capital changes		13,457,750	12,918,462
Effect on cash flows due to working capital changes:			
(Increase)/decrease in current assets			
Short term investments		(30,192,946)	17,233,483
Lease rental receivable		(492,970)	-
Musharika receivable		26,828,705	(104,293,563)
Advance and prepayments		(1,380,009)	(54,991)
Other receivables		(1,812,158)	(3,068,710)
		(7,049,378)	(90,183,781)
Increase/(decrease) in current liabilities			
Musharika arrangement		(31,960,000)	(1,040,000)
Accrued and other liabilities		5,864,988	(16,396)
Due to management company		(2,728,206)	(994,765)
		(28,823,218)	(2,051,161)
Cash used in operations		(22,414,846)	(79,316,480)
Taxes paid		(35,459)	(15,772)
Staff gratuity paid		(361,274)	-
Finance cost paid		(2,956,208)	(4,360,000)
		(3,352,941)	(4,375,772)
Net cash used in operating activities		(25,767,787)	(83,692,252)
CASH FLOW FROM INVESTING ACTIVITIES			
Long term deposits		(1,386,020)	-
Long term murahaba		(30,000,000)	-
Lease key money		3,694,483	-
Advance against vehicles		12,842,000	(12,842,000)
Disposal of leased assets		12,915,266	-
Fixed capital expenditure - leased out		(40,055,997)	-
Fixed capital expenditure - own use		(5,750,594)	(600,000)
Proceeds from sales of fixed assets		893,435	230,000
Net cash used in investing activities		(46,847,427)	(13,212,000)
CASH FLOW FROM FINANCING ACTIVITIES			
Modaraba certificates deposit money		85,000,000	-
Profit distribution paid		(9,111,556)	(8,024,628)
Net cash from / (used in) financing activities		75,888,444	(8,024,628)
Net (decrease)/ increase in cash and cash equivalents		3,273,230	(104,928,880)
Cash and bank balances opening		18,682,736	123,611,616
Cash and bank balances closing	8	21,955,965	18,682,736

The attached notes 1 to 30 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

FIRST IBL MODARABA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2008

Particulars	R u p e e s						
	Certificate capital	Statutory reserve	Accumulated Profit	Net unrealized (loss)/gain on investment available for sale	Sub Total	Total Reserve	TOTAL EQUITY
Balance as at June 30, 2006	116,875,000	30,956,199	13,818,475	(1,472,191)	12,346,284	43,302,483	160,177,483
Profit distributed for the year ended June 2006 @ Rs0.7per certificate	-	-	(8,181,250)	-	(8,181,250)	(8,181,250)	(8,181,250)
Reversal of deficit on disposal of shares	-	-	-	4,640,515	4,640,515	4,640,515	4,640,515
Profit for the year	-	-	8,144,162	-	8,144,162	8,144,162	8,144,162
Net unrealized gain/(loss) on investments - available for sale	-	-	-	(343,859)	(343,859)	(343,859)	(343,859)
Transfer from profit and loss account @20%	-	1,628,832	(1,628,832)	-	(1,628,832)	-	-
Balance as at June 30, 2007	116,875,000	32,585,031	12,152,555	2,824,465	14,977,020	47,562,051	164,437,051
Profit distributed for the year ended June 2007 @ Rs0.8per certificate	-	-	(9,350,000)	-	(9,350,000)	(9,350,000)	(9,350,000)
Reversal of deficit on disposal of shares	-	-	-	-	-	-	-
Profit for the year	-	-	4,916,262	-	4,916,262	4,916,262	4,916,262
Net unrealized gain/(loss) on investments - available for sale	-	-	-	11,956,242	11,956,242	11,956,242	11,956,242
Transfer from profit and loss account @20%	-	983,252	(983,252)	-	(983,252)	-	-
Balance as at June 30, 2008	116,875,000	33,568,283	6,735,564	14,780,707	21,516,271	55,084,555	171,959,555

The attached notes 1 to 30 notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR



**FIRST IBL MODARABA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

1 LEGAL STATUS AND NATURE OF BUSINESS

First IBL Modaraba (the Modaraba) is registered under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the rules framed there under, having its registered office at 6th Floor, Suite # 604, Park Avenue, 24-A, Block-6, PECHS, Shahr-e-Faisal, Karachi and is managed by IBL Modaraba Management (Private) Limited, a company incorporated in Pakistan. The Modaraba is perpetual and multipurpose, engaged in the business of morabaha, operating lease, musharika, trading, investment in marketable securities and other related business. The Modaraba is listed on Karachi, Lahore and Islamabad stock exchanges.

2 STATEMENT OF COMPLIANCE

- 2.1** These financial statements have been prepared in accordance with the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981, Prudential Regulations and directives issued by Securities and Exchange Commission of Pakistan (SECP) [the Modaraba Regulations] together with approved accounting standards as applicable in Pakistan to Modarabas. Approved accounting standards comprise of such International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984 and made applicable to Modarabas under the Modaraba Regulations. Wherever the requirements of the Modaraba Regulations differ from the requirements of these standards, the requirements of the Modaraba Regulations take precedence.

The SECP vide Circular No. 10 of 2004 dated 13 February 2004 has deferred, till further orders, the applicability of the IAS 17 Leases with effect from 01 July 2003. Accordingly, this IAS has not been taken into consideration for the purposes of preparation of these financial statements.

Securities and Exchange Commission of Pakistan vide S.R.O. 865(1)/2005 dated 24 August 2005 has notified for adoption the Islamic Financial Accounting Standard 1(IFAS 1) issued by Institute of Chartered Accountants of Pakistan relating to accounting for Murabaha Transactions for financial periods beginning on or after 1 January 2006. This standard has not been adopted by the Modaraba on the basis that SECP has not issued any circular for its applicability on Modarabas and the IFAS itself mentions the applicability on Financial Statement of Banks.

2.2 Initial application of a standard or an interpretation

During the year, amendments to International Accounting Standards (IAS)1, Presentation of Financial Statements relating to capital disclosures became effective and have resulted in an additional disclosure. International Financial Reporting Standard (IFRS)2 - Exploration for and Extraction of Mineral Resources, IFRIC 8 - Share Based Payment and IFRIC 10 -Interim Financial Reporting and Impairment became effective during the year. The application of these standards and interpretations did not have any material effect on the Modaraba's financial statements.

2.3 New accounting standards and IFRIC interpretation that are not yet effective

Following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning on or after 1 July 2008 and are not relevant to the Modaraba:

- Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009). The objective of revising IAS 1 is to aggregate information in the financial statements on the basis of shared characteristics.
- IAS 29 - Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 1 July 2008).
- IAS 23 Borrowing costs (effective from 1 January 2009). Amendments relating to mandatory capitalization of borrowing cost relating to qualifying assets.



- IAS 32 (amendment) - Financial instruments: Presentation and consequential amendment to IAS-1 Presentation of Financial Statements (effective for annual period beginning on or after 1 January 2009). IAS 32 amended classification of Financial Instruments.
- IFRS 2 (amendment) - Share-based payments (effective for annual periods beginning on or after 1 January 2009). IFRS 2 clarifies the vesting conditions and cancellation in the share based payment arrangement.
- IFRS 3 (amendments) - Business Combinations and consequential amendments to IAS 27-Consolidated and separate financial statements, IAS 28-Investment in associates and IAS 31- Interest in Joint Ventures (effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009).
- IFRS 5 Non-Current Assets-Held for Sale and Discontinued Operations.
- IFRS 6 Exploration for and evaluation of mineral resources
- IFRS 7 Applying the Reinstatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economy.
- IFRS 8 Operating Segment
- IFRIC 7, Applying the Reinstatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
- IFRIC 8, Scope of IFRS 2 Share-based payments
- IFRIC 9, Reassessment of Embedded Derivatives.
- IFRIC 10, Interim Financial Reporting and Impairment.
- IFRIC 11, Group and treasury share transactions
- IFRIC 12, Services concession arrangement (effective for annual period beginning on or after 1 January 2008).
- IFRIC 13, Customer Loyalty Programmes (effective for annual period beginning on or after 1 July 2008).
- IFRIC 14, IAS 19, The limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual period beginning on or after 1 January 2008).
- IFRIC 15, Agreements for the construction of Real Estate (effective for annual period beginning on or after 1 January 2009).
- IFRIC 16, Hedge of Net Investment in a foreign Operation (effective for annual period beginning on or after 1 October 2008).

An IFAS 2 - Ijarah was issued by the Institute of Chartered Accountants of Pakistan and promulgated by the Securities and Exchange Commission of Pakistan (SECP) vide an SRO dated: 22 May 2007. The IFAS is operative for financial statements covering the period beginning on or after 1 July 2007. As per the SRO, this IFAS has to be followed for the purpose of the preparation of the financial statements of the Modarabas while accounting for Ijarah (lease) transactions. Ijarah has been defined in the above IFAS as 'a contract whereby the owner of an asset other than consumable, transfers its usufruct to another person for an agreed period for an agreed consideration'. These transactions have to comply with the shariah essentials in order to qualify as an Ijarah arrangement. However, the Modaraba has neither adopted the above standard nor IAS-17. The Modaraba Association of Pakistan has approached the SECP for the deferment of the above IFAS.

Under the IFAS 2 - Ijarah, the transaction shall be accounted for in the following manner in the books of the Modaraba (Muj'ir (lessor)):



Muj'ir shall present the assets subject to Ijarah in their balance sheet according to the nature of the assets, distinguishing from the assets in own use.

Cost including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income shall be recognized as an expense.

Ijarah income shall be recognized in income on an accrual basis as and when the rental becomes due, unless another systematic basis is more representative of the time pattern in which the benefit of the use derived from the leased asset is diminished.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except that investments at fair value through profit and loss and available for sale, if any, are measured at fair values.

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 27.

3.2 Tangible fixed assets

Assets in own use

These are stated at cost less accumulated depreciation and impairments, if any. Depreciation is charged to income using Straight line method so as to write off the historical cost of an asset over its estimated useful life at the following rates:

	Rate in %age
Equipment	20%
Furniture and fixture	20%
Vehicles	20%

Normal repairs and maintenance are charged to income as and when incurred. Major improvements and modifications are capitalized and the assets so replaced, if any, are retired. Profit or loss on disposal of operating fixed assets represented by the difference between the sale proceeds and the carrying amount of the asset is included in income.

Assets leased out

All lease agreements are accounted for as operating lease. Assets leased out are stated at cost less accumulated amortization. Amortization is charged to income applying the annuity method whereby the depreciable value of assets is amortized over the lease period. In respect of additions and transfers during the year, amortization is charged proportionately to the period of lease.

The assets residual values and useful lives are reviewed at each financial year end, and adjusted if impact on depreciation is significant.



3.3 Impairment

The carrying amounts of the Modarabas assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and impairment losses are recognized.

3.4 Investments

Available for sale

Investment classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value, unless the fair value can not be reliably measured. The fair value of publicly traded securities is based on quoted market price. Other investments for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology. Unrealized gains and losses arising from the changes in the fair value are included in fair value reserve in the period in which they arise.

All purchases and sales of investments are recognized on the trade date which is the date that the Modaraba commits to purchase or sell the investment. Cost of purchase includes transaction cost.

At each reporting date, the Modaraba reviews the carrying amounts of the investments to assess whether there is an indication that such investments have suffered an impairment loss. If any such indication exists the recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognized as expense. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount but limited to the extent of initial cost of the investment. A reversal in impairment is recognized in income. The recoverable amount is the higher of an assets fair value less costs to sell and value in use.

At fair value through profit and loss

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking, are classified as investment at fair value through profit and loss.

These are stated at fair values with any resulting gains or losses recognized directly in the profit and loss account. The fair value of such investments representing listed equity are determined on the basis of prevailing market prices.

3.5 Other receivables

Debts considered irrecoverable are written off and provision is made against those considered doubtful of recovery in accordance with prudential regulations issued by Securities and Exchange Commission of Pakistan.

3.6 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash with banks in current and deposit accounts and short term placements with banks / financial institutions.

3.7 Financial Instruments

Recognition and derecognizing

All the financial assets and financial liabilities are recognized at the time when the Modaraba becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the Modaraba loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognizing of the financial assets and financial liabilities is taken to income currently.



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 legally enforceable right to setoff the recognized amount and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.8 Provisions

Provisions are recorded when the Modaraba has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

3.9 Staff retirement benefit

Defined benefit plan

The Modaraba operates an un-funded scheme for its employees. Gratuity is payable on retirement / resignation after the qualifying period of ten years with modaraba. Gratuity is payable at the rate of three fourth of one month gross salary for each completed years of service or part there of exceeding ten years.

3.10 Profit distribution and appropriations

Profit distribution and appropriations to reserve are recognized as liability in the financial statements in the period in which these are approved. Transfer to statutory reserve and any of the mandatory appropriations, as may be required by law, are recognized in the period to which these relate.

3.11 Taxation

Current

The income of non-trading modarabas is exempt from tax provided that not less than 90% of their profits after transfer to Statutory Reserve are distributed to the certificate holders. The Modaraba has decided to continue availing the tax exemption and hence no provision has been made in these financial statements for tax liability for the current year.

Deferred

The Modaraba accounts for deferred taxation using the liability method arising between the amounts attributed to assets and liabilities for financial reporting purposes and financial statements used for taxation purposes. However, deferred tax liability has not been provided in these accounts as the management believes that the timing differences will not reverse in the foreseeable future due to the fact that the Modaraba intends to continue availing the tax exemption.

Deferred tax liability or asset is not recognized if the management expects to continue to distribute at least 90% of its profit in future years (due to which no tax would be payable as explained above).

3.12 Revenue recognition

Revenue is recognized on the following basis:-

- Profit on finances under musharaka arrangements is recognized on accrual basis and additional profit, if any, is recognized on declaration by the investee company in accordance with the terms of issue.
- Profit on finances under murabaha arrangements is recognized on accrual basis and additional profit, if any, is recognized on declaration by the investee company in accordance with the terms of issue.
- Ijarah income is recognized on accrual basis
- Dividend income is recognized when the right to receive dividend is established.
- Return on deposits with bank is recognized on accrual basis.



3.13 Lease rentals, Murabaha and Musharika Finances

Lease rentals, Murabaha and Musharika finances are stated net of provision. Provision is recognized for lease rentals, Murabaha and Musharika finances receivables in accordance with the prudential regulations for Modaraba's issued by the Security and Exchange Commission of Pakistan. Bad debts are written off when identified.

4 INVESTMENTS

QUOTED COMPANIES AND MODARABAS

Unless otherwise stated, holdings are in ordinary certificates / shares of Rupees 10 each.

		2008 Rupees	2007 Rupees
Available for sale	4.1	59,879,753	18,112,974
At fair value through profit & loss	4.2	2,622,710	2,240,301
		<u>62,502,463</u>	<u>20,353,275</u>

4.1 Available for sale

2008	2007	Name of entity	2008 Rupees	2007 Rupees
No. of shares/ Certificates				
1,379,500	1,379,500	First UDL Modaraba	6,580,215	7,725,200
233,967	212,697	Searle Pakistan Ltd (note 4.1.1)	21,417,339	8,135,660
346,429	346,429	United Distributors Pakistan Ltd	8,918,369	2,252,114
3,000	-	Jahangir Siddiqui & Co. Ltd.	1,590,450	-
14,000	-	Engro Chemical Pak Ltd	3,931,340	-
16,000	-	Pakistan State Oil	6,675,840	-
400,000	-	PCCL Cement	2,720,000	-
10,000	-	Packages Ltd	2,518,900	-
200,000	-	NIB Bank Ltd	2,274,000	-
15,000	-	Tri Pack Films	2,583,300	-
50,000	-	Bosicor Pakistan Limited	670,000	-
			<u>59,879,753</u>	<u>18,112,974</u>



4.1.1 The ratio of investment to equity of the modaraba slightly exceeded limit of 5% laid down in regulation 7(1) and 20% in 7(8) of Part II of Prudential Regulation partly due to rise in their market rates and receipt of bonus shares. The management expects to prudently dispose off same share in the manner best suited during ordinary course of business to remain within the prescribed limit given in the Regulation. In addition to this, the Modaraba has also intimated to Registrar Modaraba through letter dated 24 July 2008 reference nil about this breach.

4.2 At fair value through profit and loss

2008	2007	Name of entity	2008 Rupees	2007 Rupees
No. of shares/ Certificates				
863	863	Crescent Leasing Corporation Ltd-al zamin	3,193	6,904
-	7,975	Fazal Textile Mills Ltd	-	2,221,038
770	274	Saif Textile Mills Ltd	7,692	12,359
1,000	-	Attock Refinery Ltd	249,880	-
6,000	-	Nishat Mills Ltd	515,820	-
100,000	-	First Punjab Modaraba	730,000	-
1,500	-	Dost Steel Ltd	32,760	-
5,000	-	Pace	141,700	-
4,000	-	Honda Atlas Cars	150,520	-
5,000	-	Dewan Cement	61,300	-
16,000	-	Fauji Fertilizer Bin Qasim	575,520	-
2,500	-	Crescent Steel & Allied Prod.	154,325	-
			<u>2,622,710</u>	<u>2,240,301</u>

5 MUSHARIKA FINANCE - SECURED (CONSIDERED GOOD)

Musharika receivables	5.1	119,964,858	146,793,563
Provision for doubtful receivable		-	-
		<u>119,964,858</u>	<u>146,793,563</u>

5.1 This represents musharika finance provided to customers for business activities for a maximum period of twelve months. The provisional rate of profit on these finances ranges from 12% to 19% (2007:12% to 19%) per annum and secured by way of hypothecation of goods and book debts.

6 ADVANCES, DEPOSIT AND PREPAYMENTS - CONSIDERED GOOD

Advance income tax	320,124	284,665
Advance to staff	157,500	55,000
Prepayments	940,938	23,429
Advance against expense	360,000	-
	<u>1,778,562</u>	<u>363,094</u>

7 OTHER RECEIVABLES

Considered good

Accrued profit on musharika	4,024,279	5,908,878
Receivable against sale of shares	262,500	966,554
CEO salary receivable from management	908,106	-
Receivable against legal expenses	250,000	-
Others	3,571,377	328,672
	<u>9,016,262</u>	<u>7,204,104</u>

7.1 This includes rent of the office premises of the Karachi and Lahore office receivable from management company.



	2008	2007
	Rupees	Rupees
Considered doubtful		
Accrued profit on musharika	4,376,659	2,030,245
Others	49,088	49,088
Provision for doubtful on others	(49,088)	(49,088)
Provision for non performing assets	<u>(4,376,659)</u>	<u>(2,030,245)</u>
	<u>9,016,262</u>	<u>7,204,104</u>
	2008	2007
	Rupees	Rupees

8 CASH AND BANK BALANCES

Cash in hand	14,354	-
Cash at bank		
In current accounts	<u>1,293,453</u>	888,124
In deposit account	<u>20,648,158</u>	17,794,612
	<u>21,955,965</u>	<u>18,682,736</u>

9 TANGIBLE FIXED ASSETS

Assets in own use	9.1	4,600,487	992,745
Assets leased out	9.2	<u>22,804,868</u>	-
		<u>27,405,355</u>	<u>992,745</u>

9.1 Assets in own use

PARTICULARS	2008							
	COST			DEPRECIATION			Book Value	Rate %
	As At 01-Jul-2007	Additions / (Deletion)	As At 30-Jun-2008	As At 01-Jul-2007	For the year	As At 30-Jun-2008	As At 30-Jun-2008	
Equipments	754,921	2,029,294 (74,000)	2,710,215	721,182	405,859 (44,396)	1,082,645	1,627,570	20
Furniture & fixture	646,291	3,620,320	4,266,611	646,291	728,187	1,374,478	2,892,133	20
Vehicles	1,861,500	100,980 (1,797,500)	164,980	902,494	20,196 (838,494)	84,196	80,784	20
		5,750,594 (1,871,500)			1,154,242 (882,890)			
Rupees	3,262,712	3,879,094	7,141,806	2,269,967	271,352	2,541,319	4,600,487	

PARTICULARS	2007							
	COST			DEPRECIATION			Book Value	Rate %
	As At 01-Jul-2007	Additions / (Deletion)	As At 30-Jun-2008	As At 01-Jul-2007	For the year	As At 30-Jun-2008	As At 30-Jun-2008	
Equipments	754,921	-	754,921	702,270	18,912	721,182	33,739	20
Furniture & Fixtures	646,291	-	646,291	646,291	-	646,291	-	20
Vehicles	1,308,400	600,000 (46,900)	1,861,500	561,758	359,496 (18,760)	902,494	959,006	20
		600,000 (46,900)			378,408 (18,760)			
Rupees	2,709,612	553,100	3,262,712	1,910,319	359,648	2,269,967	992,745	

DISPOSAL OF FIXED ASSETS

Assets	Cost	Accumulated Depreciation	Net book value	Sale proceeds	Loss on disposal	Mode of disposal	Particulars of
							buyer
Honda Car	1,197,500	718,494	479,006	420,000	59,006	Negotiation	UDL Modaraba
Cultus	600,000	120,000	480,000	450,000	30,000	Negotiation	UDL Modaraba
Computer	74,000	44,396	29,604	23,435	6,169	Negotiation	UDL Modaraba
Rupees	1,871,500	882,890	988,610	893,435	95,175		

Assets	Cost	Accumulated Depreciation	Net book value	Sale proceeds	Gain on disposal	Mode of disposal	Particulars of
							buyer
Alto VXR	46,900	(18,794)	28,106	230,000	201,894	Negotiation	Zaman Khan
Rupees	46,900	(18,794)	28,106	230,000	201,894		

9.2 Assets leased out

PARTICULARS	2008						
	COST			DEPRECIATION			Book Value
	As At 01-Jul-2007	Additions / (Deletion)	As At 30-Jun-2008	As At 01-Jul-2007	For the year	As At 30-Jun-2008	As At 30-Jun-2008
Equipments	-	5,266,880	5,266,880	-	334,134	334,134	4,932,746
Plant & Machinery	-	8,536,775	8,536,775	-	538,687	538,687	7,998,088
Vehicles	-	26,252,342 (14,534,000)	11,718,342	-	3,463,042 (1,618,734)	1,844,308	9,874,034
	-	40,055,997			4,335,863	2,717,129	
	-	(14,534,000)			(1,618,734)		
Rupees	-	25,521,997	25,521,997	-	2,717,129	2,717,129	22,804,868

10 LONG TERM MURAHABA

During the year modaraba has provided morahaba facility amounting to Rs. 30 million @ 10.5% for the year. Principal will be repaid at maturity whereas profit will be paid on monthly basis.

11 MUSHARIKA FINANCE

- 31,960,000

These were arranged for the purpose of normal business activities of the Modaraba from a modaraba. The maximum period of the arrangements is twelve months. The provisional rates of profit payable were from 13% to 15% per annum. The arrangements were secured against pledge of marketable securities and hypothecation of books debts.

12 SHORT TERM RUNNING FINANCE - SECURED

The Modaraba obtained the facility for one year on June 10, 2008 of short term running finance from Arif Habib Bank Limited of limit amounting Rs40mn. Pricing is 3-months KIBOR ask average rate plus 3%pa with margin of 30% minimum. Secured by marketable securities of KSE-30 index publicly quoted companies under Bank's pledge at Central Depository Company Limited with a minimum margin of 30% (as per Bank's approved list) on overall exposure. The purpose of the facility is to meet working capital requirement / short term investment requirement of the Modaraba.

13 ACCRUED AND OTHER LIABILITIES

Accrued expenses		621,455	298,000
Musharika profit payable		-	4,101,601
Other liabilities	12.1	<u>10,329,725</u>	<u>686,591</u>
		<u>10,951,180</u>	<u>5,086,192</u>

13.1 This includes current account balance of Rs. 4.3 million and Rs. 5.3 million with Dossllani and Fairway Brokers respectively against trading of the Investments.



14 CERTIFICATE CAPITAL

Authorized:

2008	2007		2008	2007
No. of certificates			Rupees	Rupees
<u>50,000,000</u>	<u>20,000,000</u>	Modaraba certificates of Rs10 each	<u>500,000,000</u>	<u>200,000,000</u>

Issued, subscribed and paid up:

10,000,000	10,000,000	Ordinary modaraba certificates of Rupees10 each issued as fully paid in cash.	100,000,000	100,000,000
1,687,500	1,687,500	Ordinary modaraba certificates of Rs10 each issued as fully paid bonus certificates.	16,875,000	16,875,000
<u>11,687,500</u>	<u>11,687,500</u>		<u>116,875,000</u>	<u>116,875,000</u>

15 MODARABA CERTIFICATES DEPOSIT MONEY

The SECP vide letter No. SC/M/RW/IBLM/2007-579 dated Dec 14, 2007 has imposed the condition on the new management of the IBL Modaraba Management Company to inject Rs. 85 million to raise the paid up capital to Rs. 201 million. The balance is shown as deposit money as on June 30, 2008 which has been converted into equity subsequent to the year end.

16 CONTINGENCIES AND COMMITMENTS

There were no known contingencies as at June 30, 2008 (2007: Nil).

	2008	2007
	Rupees	Rupees
17 MUSHARIKA PROFIT		
Profit under musharika arrangement	19,580,282	15,190,386
Suspended income	<u>(4,376,659)</u>	<u>(2,030,245)</u>
	<u>15,203,623</u>	<u>13,160,141</u>
18 INVESTMENT INCOME		
Dividend Income	<u>1,594,797</u>	<u>2,177,979</u>
19 OTHER INCOME		
Profit on bank deposits	268,280	127,845
Other Income	215,451	288,657
(Loss) / Gain on disposal of own assets	<u>(95,175)</u>	<u>201,860</u>
	<u>388,556</u>	<u>618,362</u>

20 ADMINISTRATIVE EXPENSES		2008 Rupees	2007 Rupees
Salaries, wages and other benefits	20.1	5,686,400	1,916,329
Corporate expenses	20.2	900,000	1,800,000
Rent rates and taxes		9,500	20,600
Traveling and conveyance		284,127	20,222
Entertainment		95,026	14,369
Repair and maintenance		73,750	8,300
Registrar services		120,000	120,000
Printing and stationery		202,326	119,187
Fee and subscription		576,028	194,914
Legal and professional		3,372,245	70,000
Auditors' remuneration	20.3	225,000	212,300
Insurance		32,136	37,964
Postage		86,237	89,142
Telephone		279,641	9,157
Depreciation on fixed assets - owned	9	1,154,242	378,408
Motor vehicle running and maintenance		90,139	13,465
Stamp paper and revenue stamps		13,879	12,550
Advertisement		324,718	30,930
Miscellaneous		155,227	-
		<u>13,680,621</u>	<u>5,067,837</u>

20.1 Remuneration of Officers

Remuneration	4,828,990	1,852,520
Bonus	325,777	-
Employer's contribution to provident fund	109,261	17,873
Gratuity	-	13,548
Others	422,372	32,388
	<u>5,686,400</u>	<u>1,916,329</u>
Number of persons	<u>16</u>	<u>3</u>

Officers are also provided with free use of modaraba's vehicles.

20.2 Corporate expenses represent aggregate monthly charges @Rs150,000pm (2007: Rs150,000pm) on account of utility, maintenance and other common facilities availed by the Modaraba in the rent free accommodation provided to it by a related party.

20.3 Auditors' remuneration

Audit fee	220,000	180,000
Out-of-pocket expenses	5,000	32,300
	<u>225,000</u>	<u>212,300</u>

21 FINANCE COST

Musharika profit	2,956,208	4,584,204
Bank charges	17,180	18,685
	<u>2,973,388</u>	<u>4,602,889</u>



22 TAXATION

Assessments of the Modaraba upto Tax Year 2007 is deemed to be finalized under Section 120 (1) of Income Tax Ordinance, 2001.

23 EARNINGS PER CERTIFICATE

	2008 Rupees	2007 Rupees
Profit for the year	<u>4,916,262</u>	<u>8,144,162</u>
Weighted average number of modaraba certificates outstanding during the year	<u>11,687,500</u>	<u>11,687,500</u>
Earnings per certificate	<u>0.42</u>	<u>0.70</u>

24 FINANCIAL INSTRUMENT

The Modarabas exposure to profit rate risk and effective rates on its financial assets and financial liabilities are summarized as follows:

Particulars	Total Rupees	2008					
		Profit bearing			Non profit bearing		
		Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
FINANCIAL ASSETS							
Marketable securities of quoted companies and modaraba	62,502,463	62,502,463	-	62,502,463	-	-	-
Musharika arrangement	119,964,858	119,964,858	-	119,964,858	-	-	-
Murabaha arrangement	30,000,000	-	30,000,000	30,000,000	-	-	-
Advances	157,500	-	-	-	157,500	-	157,500
Other receivables	9,016,262	-	-	-	9,016,262	-	9,016,262
Long term deposits	1,411,020	-	-	-	1,411,020	-	1,411,020
Bank balances	21,941,611	20,648,158	-	20,648,158	1,293,453	-	1,293,453
	<u>244,993,714</u>	<u>203,115,479</u>	<u>30,000,000</u>	<u>233,115,479</u>	<u>11,878,235</u>	<u>-</u>	<u>11,878,235</u>
FINANCIAL LIABILITIES							
Accrued and other liabilities	10,951,180	-	-	-	10,951,180	-	10,951,180
Due to management company	569,951	-	-	-	569,951	-	569,951
Unclaimed dividend	2,352,287	-	-	-	2,352,287	-	2,352,287
	<u>13,873,418</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,873,418</u>	<u>-</u>	<u>13,873,418</u>
	<u>231,120,296</u>	<u>203,115,479</u>	<u>30,000,000</u>	<u>233,115,479</u>	<u>(1,995,183)</u>	<u>-</u>	<u>(1,995,183)</u>
2007							
Particulars	Total Rupees	2007					
		Profit bearing			Non profit bearing		
		Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
FINANCIAL ASSETS							
Marketable securities of quoted companies and modaraba	20,353,275	-	20,353,275	20,353,275	-	-	-
Musharika arrangement	146,793,563	-	146,793,563	146,793,563	-	-	-
Advances	55,000	-	-	-	157,500	-	157,500
Other receivables	7,204,104	-	-	-	9,016,262	-	9,016,262
Bank balances	18,682,736	-	17,794,611	17,794,611	-	888,125	888,125
	<u>193,088,678</u>	<u>-</u>	<u>184,941,449</u>	<u>184,941,449</u>	<u>-</u>	<u>10,061,887</u>	<u>10,061,887</u>
FINANCIAL LIABILITIES							
Musharika arrangement	31,960,000	-	31,960,000	31,960,000	-	-	-
Accrued and other liabilities	5,086,192	-	-	-	5,086,192	-	5,086,192
Due to management company	3,298,157	-	-	-	3,298,157	-	3,298,157
Unclaimed dividend	2,113,843	-	-	-	2,113,843	-	2,113,843
	<u>40,344,349</u>	<u>-</u>	<u>31,960,000</u>	<u>31,960,000</u>	<u>-</u>	<u>8,384,349</u>	<u>8,384,349</u>
	<u>152,744,329</u>	<u>-</u>	<u>152,981,449</u>	<u>152,981,449</u>	<u>-</u>	<u>1,677,538</u>	<u>1,677,538</u>
	<u>78,375,967</u>	<u>203,115,479</u>	<u>(122,981,449)</u>	<u>80,134,030</u>	<u>(1,995,183)</u>	<u>(1,677,538)</u>	<u>(3,672,721)</u>



24.1 Fair value of assets and liabilities

The carrying value of financial assets and financial liabilities approximates their fair values as reflected in the financial statements.

24.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The management attempts to control credit risk through monitoring credit exposures, limiting transactions.

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic.

The Modaraba manages its credit risk through colletrals, bank guarantees, promissory notes and personal guarantees of the borrowers.

24.3 Liquidity risk

Liquidity risk is the risk that the Modaraba will encounter difficulties in raising funds to meet commitments associated with financial instruments. Modaraba has diversified its funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities.

24.4 Profit rate risk

Profit rate risk is the risk that value of a financial instrument will fluctuate in amounts due to changes in market profit rates. Changes in profit rates can adversely affect the rates charged on profit bearing liabilities. This can result an increase in profit expense relative to financial borrowings or vice versa. The Modaraba manages its risk by maintaining a fair balance between profit rates, financial assets and financial

Effective Profit rate

Financial Assets

Profit under musharika arrangement

Cash & Bank Balance

Financial Liability

Musharika finance

Effective Profit	
2008	2007

12% to 19%	13% to 19%
3% to 11%	2.25% to 11%

13% to 15%	13% to 15%
------------	------------

25 SEGMENT ANALYSIS

Business segments

The Modarabas asset are employed and its income is derived in Pakistan.

	2008			2007		
	Ijara	Morabaha	Rupees	Ijara	Morabaha	Rupees
Investment companies/ banks	-	-	-	-	-	48,000,000
Modarabas	-	-	-	-	-	50,000,000
Sugar and allied	-	-	-	-	-	20,000,000
Trading / distribution	-	30,000,000	66,964,856	-	-	19,500,000
Miscellaneous	22,804,868	-	53,000,000	-	-	9,293,562
	22,804,868	30,000,000	119,964,856	-	-	146,793,562



26 TRANSACTIONS WITH RELATED PARTY

The related parties of the Modaraba comprise associated companies, management company, staff retirement funds, directors and key management personnel. Transactions with related parties are as follows:

	2008 Rupees	2007 Rupees
Modaraba company's management fee	546,251	1,510,733
Corporate expenses	900,000	1,800,000

These transactions are based on a transfer pricing policy under which all transactions are carried out on arm's length basis.

27 ACCOUNTING ESTIMATES AND JUDGMENTS

27.1 Provision against non-performing loans and advances

The Modaraba reviews its portfolio to assess amount of non-performing contracts and provision required there against on a quarterly basis. The provision is made in accordance with the prudential regulations issued by SECP.

27.2 Income taxes

No provision has been made in these financial statements for income taxes as the Modaraba plans to distribute at least 90% of its profits to certificate-holders.

27.3 Investments stated at fair value

Management has determined fair value of certain investments by using quotations from active market. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matter of judgment (e.g. valuation, markup rates etc.) and therefore cannot be determined with precision.

28 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the management company have approved dividend at the rate of Rs. 0.50 per certificate for the year ended 30 June 2008, resulting in a total distribution of profit amounting to Rs 5,843,750 in their meeting held on October 13, 2008 which is more than 90% of the net profit for the year ended 30 June 2008.

29 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on October 13, 2008 by the board of directors of the Modaraba Management Company.

30 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR



FIRST IBL MODARABA
PATTERN OF HOLDING OF CERTIFICATE HELD BY THE CERTIFICATE HOLDERS
AS AT JUNE 30,2008

No of Certificate Holders	Certificate Holding		Total Certificates Held
	From	To	
333	1	100	16,523
337	101	500	93,472
219	501	1,000	155,681
251	1,001	5,000	502,978
31	5,001	10,000	208,833
5	10,001	15,000	66,333
3	15,001	20,000	58,500
2	20,001	25,000	45,312
1	25,001	30,000	26,500
2	30,001	35,000	67,500
1	35,001	40,000	36,000
1	40,001	45,000	43,000
3	50,001	55,000	160,087
1	60,001	65,000	63,000
1	70,001	75,000	71,648
1	90,001	95,000	92,700
1	95,001	100,000	100,000
1	120,001	125,000	125,000
1	130,001	135,000	135,000
1	235,001	240,000	235,068
1	505,001	510,000	509,990
3	1,100,001	1,600,000	4,077,375
1	4,600,001	5,100,000	4,797,000
1201			11,687,500

FIRST IBL MODARABA
CATEGORIES OF CERTIFICATE HOLDERS
AS AT JUNE 30,2008

CATEGORIES OF CERTIFICATE HOLDERS	NUMBER	CERTIFICATE HELD	PERCENTAGE
Individuals	1177	2,207,084	18.88
Joint Stock Companies	11	4,874,818	41.71
Management Company	1	1,180,905	10.1
Modarabas	1	70	0.00
Insurance Companies	4	517,608	4.43
Development Finance Institution	1	2,000	0.02
Banks	2	5,348	0.05
Public Sector companies and Corporations	1	191	0.00
Investment Corporation Of Pakistan	1	3,006	0.03
National Investment Trust	2	2,896,470	24.78
	1,201	11,687,500	100



FIRST IBL MODARABA
 DETAIL OF CATEGORIES OF CERTIFICATE HOLDERS
 AS AT JUNE 30,2008

CATEGORIES OF CERTIFICATE HOLDERS	NUMBER OF CERTIFICATE HOLDERS	CERTIFICATE HELD
NATIONAL INVESTMENT TRUST		
National Bank of Pakistan Trustee Deptt.		1,426,774
NBP Trustee -NI(U)T (LOC) Fund		1,469,696
	2	2,896,470
INVESTMENT CORPORATION OF PAKISTAN		
INVESTMENT CORPORATION OF PAKISTAN		3,006
	1	3,006
PUBLIC SECTOR COMPANIES AND CORPORATIONS		
M/S Nafees Cotton Mills LTD		191
	1	191
BANKS		
M/S Crescent Investment Bank Limited.		4,348
The Bank of Punjab		1,000
	2	5,348
DEVELOPMENT FINANCE INSTITUTIONS		
National Development Finance Corporation Investor		2,000
	1	2,000
INSURANCE COMPANIES		
M/s Asia Insurance		5,843
M/s Gulf Insurance Company Ltd.		1,200
M/s Silver Star Ins.Co.Ltd		575
State Life Insurance Corp of Pakistan		509,990
	4	517,608
MODARABAS		
First Tri-Star Modaraba		70
	1	70
JOINT STOCK COMPANIES		
Awj Securities(Smc-Private) Limited		584
Baba Equities (pvt) Ltd.		402
Clicktrade Limited		500
Darson Securities(private) Limited		168
Dossiani's Securities (pvt) Limited		4,797,000
M/S D.S Corporation Pvt Ltd		11,687
NH Securities (Pvt) Ltd.		165
Pyramid Investment (Pvt) Ltd		800
Rs Holdings (private) Limited		63,000
Sarfraz Mehmood (Private) Ltd		12
Time Securities (pvt) Ltd		500
	11	4,874,818
ASSOCIATED COMPANIES,UNDERTAKINGS AND RELATED PARTIES		
IBL Modaraba Management (Private) Limited		1,180,905
	1	1,180,905
CATEGORIES TOTAL	24	9,480,416
INDIVIDUALS	1177	2,207,084
GRAND TOTAL	1201	11,687,500

FIRST IBL MODARABA
 DETAIL OF CERTIFICATE HOLDERS HOLDING 10% OR MORE VOTING INTEREST IN THE COMPANY
 AS AT JUNE 30,2008

	CERTIFICATE HELD	PERCENTAGE
JOINT STOCK COMPANIES		
Dossiani's Securities (pvt) Limited	4,797,000	41.04
NATIONAL INVESTMENT TRUST		
National Bank of Pakistan Trustee Deptt	2,896,470	24.78
ASSOCIATED COMPANIES,UNDERTAKINGS AND RELATED PARTIES		
IBL MODARABA MANAGEMENT (PRIVATE) LIMITED	1,180,905	10.1



First IBL Modaraba

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