

First IBL Modaraba Annual Report 1999

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CORPORATE INFORMATION

Modaraba Company IBL Modaraba Management (Private) Limited

Board of Directors

Chief Executive Inayat Ismail
Director Chisty B.S. Mujahid
Director Arshad Abdulla

Company Secretary Masood Anwer Khan

Auditors Daudally, Lalani & Co.
Chartered Accountants

Bankers Muslim Commercial Bank Ltd.
Citibank N.A.
United Bank Ltd.
Crescent Investment Bank Ltd.
Habib Bank Ltd.
Prime Commercial Bank Ltd.
National Bank of Pakistan Ltd.

Registrar Khalid, Majid, Hussain, Rehman
Chartered Accountants
16-K, Block- 6, P.E.C.H.S.,
Near Chanesar Halt Station,
Off. Shakra-e-Faisal, Karachi.

Registered Office First Floor, N.I.C. Building
Abbasi Shaheed Road,
Karachi.

DIRECTORS' REPORT

The Board of Directors of IBL Modaraba Management (Pvt.) Ltd. is pleased to present the Ninth Annual Report of First IBL Modaraba with the audited accounts for the year ended 30th June 1999.

Financial Results:

	<i>Rs. in '000'</i>	
	<i>1999</i>	<i>1998</i>
* Gross revenue	28,965	20,876
* Operating Profit	8,317	9,069
* Net profit for the period	12,751	1,075
* Un-appropriated profit brought forward	1,950	1,090
	14,701	2,165
* Transfer to statutory reserves	2,550	215
* Profit distribution	11,688	--
* Un-appropriated profit carried forward	463	1,950

The Economic Sketch:

The state of economy remained depressed, during the year under review A further impetus to tackle domestic debt burden, is the targeted reduction in the fiscal deficit for the period FY99-FY00. It is slated for reduction from 4.3 percent of GDP in FY99 to 3.3 percent in FY00. This will induce a degree of fiscal discipline that will slow, if not reverse the excessive build-up of domestic debts and keep inflationary pressures in control. The inflationary pressure has been dropped to 6.2 percent, the lowest figure since FY94. Slow growth than expected was witnessed in agricultural and industrial sectors, as well as in export revenues. More specifically, the fall in the export revenue is largely because of the decline in the international cotton yarn price, the recession in Asia and the bearish sentiments in Pakistan's economy.

Review of Operation:

You will be pleased to observe that Modaraba's gross revenue during year amounted to Rs. 28.9 million, which shows 39 percent increase over the last year (1998: Rs. 20.87 million). After tax profit has also enhanced to Rs. 12.751 million as compared to Rs. 1.075 million in last year

Distinct business activities of Modaraba such as Leasing and Morabaha wee carried out on very small scale. The prime focus of your Modaraba was on Musharika investments.

Administrative expenses went down by 20.49 percent over the last year due to stern management control.

Distribution

The Board has approved a final Dividend for the year ended June 30, 1999 at the rate of 10% i.e. Re. 1/- per certificate of Rs. 10/- each.

Future prospects:

Restoration of tax exemption status to Modaraba sector clearly indicates the improvement in performance by enhancing the profitability and dividend distribution. One of major constraint of Modarabas is resource mobilization. State Bank of Pakistan restricts Banks to provide funding facilities to Modarabas We are hopeful that, this restriction will be withdrawn in the near future.

Bailing out effort of present regime from macro economic malaise is also anticipated to be fruitful. This gives your Modaraba management a great degree of confidence to diversify modaraba activities into micro leasing improve the profitability.

Y2K Compliance

The management of your Modaraba is fully aware of upheavals of millennium bug, and has already adopted various measures to protect the software as well as hardware.

Earning per certificate:

Yield on Modaraba certificate is calculated at Rs. 1.09 compared to Rs..09 in the preceding year

Auditors

The present auditors, Messrs. Daudally Lalani & 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 of Directors, subject to the approval of Registrar of Modaraba companies and Modarabas.

Acknowledgment

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

On behalf of Board

Karachi: December 09, 1999

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 (Cash Flow Statement), together with the notes to the accounts, for the year ended June 30, 1999 of **FIRST IBL MODARABA** which are modaraba Company's [IBL Modaraba Management (Private) Limited] representation and we state that we have obtained all the information and explanations which we required and, after due verification thereof, we report that:

a) in our opinion, proper books of account have been kept by the Modaraba Company in respect of First IBL Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980; and Modaraba Companies and Modaraba Rules, 1981;

b) in our opinion, the Balance Sheet and the Profit and Loss Account have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Modaraba Companies and Modaraba Rules, 1981; and

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

i) the Balance Sheet and the related Profit and Loss Account and Statement Of Changes in Financial Position (Cash Flow Statement), which are in agreement with the books of account, exhibit respectively a true and fair view of the state of Modaraba's affairs as at June 30, 1999 and the Profit and changes in financial position (cash flows) for the year then ended;

ii) in our opinion no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980; and

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

Karachi: December 09, 1999

Daudally Lalani & Co.
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1999

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
Capital and Reserves			
CAPITAL			
Authorised Fund			
20,000,000 Modaraba Certificates of Rs. 10/- each		200,000,000	200,000,000
		=====	=====
Issued, Subscribed and paid - up fund			
11,687,500 Modaraba Certificates of Rs. 10/- each	3	116,875,000	116,875,000
Reserves	3	13,276,128	12,213,040
		-----	-----
		130,151,128	129,088,040
SECURITY DEPOSITS		258,720	656,086
CURRENT LIABILITIES			
Due to management company		1,500,928	5,407,332
Creditors, Accrued and other Liabilities	4	10,888,265	5,964,967
Musharika Arrangements	5	55,827,600	30,680,905
Unclaimed Dividend		567,836	761,016
Profit distribution payable		11,687,500	--
Provision for Taxation		2,161,530	6,752,637
		-----	-----
		82,633,659	49,566,857
		-----	-----
		213,043,507	179,310,983
		=====	=====
FIXED ASSETS- Tangible at book value			
Assets in own use	6	361,221	2,258,299
Assets leased out	7	368,378	1,904,889
LONG TERM DEPOSITS		71,900	223,759
LONG TERM MORABAHA ARRANGEMENT	8	3,898,932	--
CURRENT ASSETS			
Trade debtors - Unsecured, Considered good		46,325,674	58,269,066
Marketable Securities of quoted companies & Modarabas	9	9,060,039	8,116,486
Short term Morabaha arrangement		--	18,591,636
Current Maturity of long term Morabaha arrangement	8	15,309,564	--
Musharika arrangement	10	77,016,117	11,488,789
Accrued Profit	11	23,952,694	10,591,003
Advances, deposits and prepayments	12	345,563	1,203,740
Other receivables	13	7,559,253	4,328,060
Cash and bank balances	14	28,774,172	62,335,256
		-----	-----
		208,343,076	174,924,036

-----	-----
213,043,507	179,310,983
=====	=====

The annexed notes form an integral part of these accounts.

Inayat Ismail
(Chief Executive)
IBL Modaraba Management
(Private) Limited

Chishty B. S. Mujahid
(Director)
IBL Modaraba Management
(Private) Limited

Arshad Abdulla
(Director)
IBL Modaraba Management
(Private) Limited

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 1999

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
OPERATING INCOME / (LOSS)			
Trading Income	15	--	3,421,472
Morabaha Profit		863,014	4,276.50
(Loss) on sale of Marketable Securities		(5,862,120)	(4,102,658)
Dividend income		1,316,236	236,302
Musharika profit		17,266,272	1,797,320
Lease rentals		1,249,596	2,341.69
Other income	16	14,132,393	12,905,649
		-----	-----
		28,965,391	20,876,277
OPERATING EXPENSES			
Administrative	17	4,211,423	5,296,992
Financial charges	18	15,298,250	4,732,867
Amortization of leased assets		1,139,145	1,777,646
		-----	-----
		20,648,818	11,807,505
Operating Profit		-----	-----
		8,316,573	9,068,772
Profit/(Loss) due to adjustment in the value of investments	9	6,207,451	(4,072,457)
Provision for doubtful rentals		(498,377)	(142,845)
		-----	-----
		5,709,074	(4,215,302)
		-----	-----
		14,025,647	4,853,470
Modaraba Management fee		1,275,059	441,225
		-----	-----
Profit Before Taxation		12,750,588	4,412,245
Taxation	19	--	3,337,614
		-----	-----
Profit After Taxation		12,750,588	1,074,631
Unappropriated profit brought forward		1,950,185	1,090,480
		-----	-----
		14,700,773	2,165,111
APPROPRIATION			
Profit distribution 10% (1998: Nil)		11,687,500	--
Transfer to statutory reserve		2,550,117	214,926
		-----	-----
Unappropriated profit carried forward		463,156	1,950,185
		=====	=====
Earning per Certificate - Basic and diluted	20	1.09	0.09
		=====	=====

The annexed notes form an integral part of these accounts.

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STATEMENT OF CHANGES IN FINANCIAL POSITION
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 1999

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
Cash Flow from operating activities		
Profit before taxation	12,750,588	4,412,245
Adjustment for non cash items:		
Depreciation on owned and leased assets	434,970	832,143
Amortization on assets leased out	1,139,145	1,777,646
Deferred cost	--	65,248
(Profit)/loss due to adjustment in Value of Investments	(6,207,451)	4,072,457
Provision For Doubtful rentals	498,377	142,845
Loss on sale of marketable securities	5,862,120	4,102,658
Gain on sale of fixed assets	(137,065)	(61,977)
	-----	-----
	(1,590,096)	10,931,020
Adjustment for separate consideration		
Dividend Income	(1,316,236)	(236,302)
Financial charges	15,298,250	4,732,867
	-----	-----
Cash from operating activities before working capital changes	28,322,698	19,839,830
(Increase) / Decrease in Current Assets		
Stock -in - trade	--	60,595,224
Other receivables	(3,988,173)	12,579,883
Trade debtors	11,943,392	(55,616,815)
Musharika arrangements	(65,527,328)	(3,263,789)
Advances, Deposits and Prepayments	(11,715)	59,676
Morabaha arrangements	18,591,636	112,740
Accrued profit	(13,361,691)	(6,692,097)
	-----	-----
	(52,353,879)	7,774,822
Increase / (Decrease) in Current liabilities		
Musharika arrangements	25,146,695	30,680,905
Morabaha arrangements	--	18,428,475)
Creditors, accrued & other liabilities	(132,028)	(126,168)
Due to management company	(3,906,404)	423,725
	-----	-----
	21,108,263	12,549,987
Cash from operating activities after working capital changes	(2,922,918)	40,164,639
Income tax paid	(3,721,215)	(1,084,043)
Financial charges paid	(8,490,351)	(2,630,868)
Long term morabaha arrangement	(19,208,496)	--
	-----	-----
Net cash (used in) / generated from operating activities	(34,342,980)	36,449,728
	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
Cash Flow from investing activities		
Purchase of assets in own use	(147,000)	(1,902,485)
Investment in Marketable Securities	(4,598,222)	(76,771,260)
Proceeds from sale of Marketable Securities	4,000,000	68,275,978
Proceeds from sale of fixed Assets	2,143,539	521,872
Long Term Deposits	151,859	(143,039)
Dividend received	1,574,839	236,302
	-----	-----
Net cash generated from / (used)in investing activities	3,125,015	(9,782,632)

Cash flow from financing activities

Arrangement under finance lease	--	1,829,385
Paid back obligation under finance lease	(1,752,573)	(475,249)
Security deposit	(397,366)	--
Profit Distribution Paid	(193,180)	(11,532,368)
	-----	-----
Net cash (used)in financing activities	(2,343,119)	(10,178,232)
	-----	-----
Net (decrease) / increase in cash and cash equivalents	(33,561,084)	16,488,864
Cash & cash equivalents at the beginning of the year	62,335,256	45,846,392
	-----	-----
Cash & cash equivalents at the end of the year	28,774,172	62,335,256
	=====	=====

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1999

1. LEGAL STATUS AND NATURE OF BUSINESS

First IBL Modaraba is registered under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the rules framed there under and is managed by IBL Modaraba Management (Private) Limited. The Modaraba is perpetual and multi - purpose engaged in the business of Morabaha, Operating Lease, Musharika, Trading, Investment in marketable securities and other related business.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis for preparation of the accounts

These financial statements have been prepared in compliance with the requirements of International Accounting Standards as adopted by the Institute Of Chartered Accountants of Pakistan which are applicable to the modaraba.

b) Overall valuation policy

The accounts have been prepared under the historical cost convention.

c) Fixed assets and depreciation.

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

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

(ii) Assets leased out and amortization

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

Gain or loss on disposal of assets leased out is included in income currently

(iii) Leased Assets

Assets acquired under finance lease are included in fixed assets at present value of minimum lease payments.

Financial charges are calculated at the markup rate implicit in the lease and charged to profit and loss account.

Depreciation is charged at the same rate as Modaraba's owned and leased out assets.

d) Rates of exchange

Transaction in foreign currencies are converted into rupees at the rates of exchange ruling on the date of transactions. Assets and liabilities in foreign currencies are translated into rupees.

In case of bills payable against import under - at the contracted rates by forward exchange.

covered contracts

In case of other assets and liabilities - at the rate of exchange ruling at the balance sheet date.

Exchange gains and losses are included in income currently

e) Trade Debts and Other Receivables

Debts considered irrecoverable are written off and provision is made against those considered doubtful of recovery in accordance with NBFIs regulation issued by State Bank Of Pakistan.

f) Trading Stock

i. Trading stock is valued at lower of cost or market value. Effective July 01, 1996 cost is determined on FIFO basis which previously was determined on moving - average basis. The change has been made to align the stock valuation with its physical movement. However; there is no significant effect of this change in accounting policy on these financial statements or on those of the prior year

ii. Goods - in - transit are stated at invoice value plus other charges paid thereon.

g) Investment

i. Long term investments are valued at cost.

ii. Marketable securities are valued at lower of average cost or market value on an aggregate portfolio basis and the resulting diminution in value, if any, is charged to profit and loss account. The provision for diminution in value is reversed to the extent of subsequent improvement in the value of marketable securities.

iii. Profit or loss on sale of investment is accounted for in the year in which it arises.

iv. Full provision is made against permanent diminution in the value of long term investments.

h) Revenue recognition

i. Profit on sale of goods is recognized on despatch of goods to customers.

ii. Dividend income is recognized when right is established which usually coincide with the, date of book closure of the company declaring the dividends.

iii. Profit on Morabaha and Musharika arrangements are recognised on the accrual basis, based on period of arrangement.

iv. Rental income is recognized as and when rentals become due on a systematic basis over the lease period.

i) Taxation

Current

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account tax credit if any.

Deferred

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

3. STATEMENT OF CHANGES IN EQUITY

*** ISSUED, SUBSCRIBED AND PAID- UP FUND**

Fully paid modaraba certificates of Rs. 10 each

		<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
<i>1998</i> <i>Number</i>	<i>1999</i> <i>Number</i>		
10,000,000	10,000,000 Issued for cash	100,000,000	100,000,000
1,687,500	1,687,500 Issued as bonus certificates	16,875,000	16,875,000
-----	-----	-----	-----
11,687,500	11,687,500	116,875,000	116,875,000
=====	=====	=====	=====

***RESERVE**

<i>Statutory</i> <i>Reserve</i> <i>Rupees</i>	<i>Unappropriated</i> <i>Profit</i> <i>Rupees</i>
---	---

Opening balance	10,262,855	1,950,185	12,213,040	11,138,409
Transfer from Profit & Loss account	2,550,117	10,200,471	12,750,588	1,074,631
Profit distribution	--	(11,687,500)	(11,687,500)	--
	-----	-----	-----	-----
	12,812,972	463,156	13,276,128	12,213,040
	=====	=====	=====	=====

In accordance with State Bank of Pakistan Regulations for Non - Banking Financial Institutions, the Modaraba is required to transfer 20% of its profit after tax to statutory reserve until the reserve equals its paid-up capital and there after 5% of its profit are required to be transferred to reserve. The reserve is not available for profit distribution.

4. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	489,141	619,915
Accrued expenses	192,035	511,953
Obligation under finance lease	--	1,752,573
Musharika Profit	8,909,898	2,101,999
Advance morabaha profit	1,000,264	--
Others	296,927	978,527
	-----	-----
	10,888,265	5,964,967
	=====	=====

5. MUSHARIKA ARRANGEMENTS

55,827,600	30,680,905
=====	=====

These are arranged for the purpose of normal business activities of the modaraba. The maximum period of these arrangements is twelve months. The provisional rate of profit payable is ranging between 20% to 22% p.a. The arrangement is secured against pledge of marketable securities and hypothecation of book debts. At the end of the arrangements any excess/short profit paid by modaraba shall be settled through participation reserve of the Modaraba, created only for the purpose of debiting or crediting any excess/short profit under these arrangements. However, such settlement may be waived by way of mutual consent between the parties.

6. ASSETS IN OWN USE

<i>PARTICULARS</i>	<i>COST AS AT JULY 01, 1998</i>	<i>ADDITIONS/ (TRANSFER & DISPOSAL)</i>	<i>COST AS AT JUNE 30, 1999</i>	<i>RATE %</i>	<i>DEPRECIATION FOR THE PERIOD</i>	<i>ADJUSTMENT ON DISPOSAL/ TRANSFER</i>	<i>ACCUMULATED DEPRECIATION UPTO JUNE 30, 1999</i>	<i>WRITTEN DOWN VALUE AS AT JUNE 30, 1999</i>
OWNED								
Computer Equipments	631,225	86,000 (68,000)	649,225	20	129,845	(40,800)	509,700	139,525
Furniture & fixtures	646,291	--	646,291	20	129,264	--	581,509	64,782
Office Equipments	11,096	--	11,096	20	2,220	--	8,863	2,233
Motor Vehicles	634,500	469,204 (235,500)	868,204	20	173,641	203,182 (117,100)	713,523	154,681
LEASED:								
Motor Vehicles	2,237,589	(2,237,589)	--	20	--	(569,059)	--	--
1999: Rupees	4,160,701	555,204 (2,541,089)	2,174,816		434,970	(523,777)	1,813,595	361,221
1998: Rupees	2,258,216	1,902,485	4,160,701		832,143		1,902,402	2,258,299

6.1 The addition in owned motor vehicles include Rs. 408,204/= representing transfer from leased motor vehicles on expiry of lease term.

6.2 Deletion from fixed assets-own use

<i>Particulars</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Book Value</i>	<i>Sale Proceeds</i>	<i>Gain/ (Loss)</i>	<i>Mode of Disposal</i>	<i>Particulars of purchaser</i>
Motor Vehicle	1,829,385	365,877	1,463,508	1,564,530	101,022	Negotiation	IBL Modaraba Management (Pvt) Ltd. First floor NIC Building, Karachi.
Motor Vehicle	60,500	12,100	48,400	60,500	12,100	Insurance	EFU General Insurance Co. Ltd.

Motor Vehicle	175,000	105,000	70,000	106,000	36,000	Negotiation	Mrs Farida T.P. 8, Block-8 Mall Square. D.H.A., Karachi
Computers	68,000	40,800	27,200	15,143	(12,057)	Negotiation	Standard Computers 188/1-A. BL-2, PECHS, Karachi.
	2,132,885	523,777	1,609,108	1,746,173	137,065		

7. ASSETS LEASED OUT

<i>PARTICULARS</i>	<i>COST AS AT JULY 01, 1998</i>	<i>ADDITIONS / (SALE)</i>	<i>COST AS AT JUNE 30, 1999</i>	<i>AMORTIZATION FOR THE PERIOD</i>	<i>ADJUSTMENT ON SALE</i>	<i>ACCUMULATED AMORTIZATION UPTO JUNE 30, 1999</i>	<i>WRITTEN DOWN VALUE AS AT JUNE 30, 1999</i>
Office equipments	1,345,495	(758,295)	587,200	303,892	(682,465)	528,480	58,720
Plant & machinery	1,674,800	(1,175,000)	499,800	356,339	(987,500)	449,800	50,000
Motor vehicle	1,851,127	(1,340,358)	510,769	478,914	(1,206,322)	251,111	259,658
1999: Rupees	4,871,422	(3,273,653)	1,597,769	1,139,145	(2,876,287)	1,229,391	368,378
1998: Rupees	6,563,422	(1,692,000)	4,871,422	1,777,646	(858,205)	2,966,533	1,904,889

7.1 Deletion from fixed assets - Leased out

<i>Particulars</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Book Value</i>	<i>Sale Proceeds</i>	<i>Gain/ (Loss)</i>	<i>Mode of Disposal</i>	<i>Particulars of purchaser</i>
Plant & Machinery	350,000	245,000	105,000	105,000	--	Negotiation	M.M. Corporation 804,805, Chapal Plaza, Karachi
Plant & Machinery	825,000	742,500	82,500	82,500	--	Negotiation	Yazdani Motors 124, 12th East Street, Phase - 1 D.H A Karachi
Motor Vehicle	367,000	330,300	36,700	36,700	--	Negotiation	Sambroze Pakistan (Pvt) Ltd L-25C/22, F.B Area, Karachi
Motor Vehicle	399,000	359,100	39,900	39,900	--	Negotiation	First UDL Modaraba 1st Floor NIC Building, Karachi
Motor Vehicle	574,358	516,922	57,436	57,436	--	Negotiation	First UDL Modaraba 1st Floor NIC Building, Karachi
Equipment	185,000	166,500	18,500	18,500	--	Negotiation	Sambroze Pakistan (Pvt) Ltd. L-25C/22, F.B. Area, Karachi.
Equipment	270,000	243,000	27,000	27,000	--	Negotiation	Mushtaq Sons 25/3, Sadi Manzil, Karachi.
Equipment	160,000	144,000	16,000	16,000	--	Negotiation	Daharani Corp. (Pvt) Ltd. Daharani House, 14-H, PECHS, Karachi.
Equipment	143,295	128,965	14,330	14,330	--	Negotiation	Daharani Corp. (Pvt) Ltd Daharani House, 14-H, PECHS. Karachi.
	3,273,653	2,876,287	397,366	397,366	--		

1999
Rupees

1998
Rupees

**8. LONG TERM MORABAHA ARRANGEMENT
(Secured, considered good)**

Balance receivable as on June 30,	19,208,496	--
Less: Current maturity shown under current assets	(15,309,564)	--
	3,898,932	--
Morabaha purchase price	25,000,000	
Morabaha sale price	30,500,144	
Date of morabaha agreement	May 06, 1999	

Sale price repayment mode

First installment within 15 days from the date of the disbursement and balance in seven quarterly installments of Rs. 3,827,391/-- except for last installment which is of Rs. 3,708,407/=

Effective rate of profit Securities

21.00% per annum
Hypothecation of stock and book debts and personal guarantee of two directors.

9. MARKETABLE SECURITIES OF QUOTED COMPANIES AND MODARABAS

NUMBER OF SHARES / QUOTED COMPANIES CERTIFICATES

1999	1998	1999 Rupees	1998 Rupees
363	363 Hussain Sugar Mills Limited	4,454	4,454
2,625	2,625 Askari Commercial Bank Limited	80,063	80,063
10,000	10,000 Lucky Cement Limited	79,450	79,450
2,500	2,500 Faysal Bank Limited	67,550	67,550
9,000	9,000 Maple Leaf Cement Factory Limited	78,120	78,120
9,774	9,774 Saif Textile Mills Limited	210,625	210,625
3,194	2,904 Century Paper & Board Mills Ltd.	101,799	101,799
10,225	645,225 K.A.S.B. Premier Fund Limited.	99,760	6,295,129
3,000	3,000 Citicorp Investment Bank Limited	74,485	74,485
	National Development Leasing Corporation		
6,825	6,825 Limited.	84,265	84,265
4,500	4,500 Crescent Investment Bank Limited	68,180	68,180
2,875	2,875 Sui Northern Gas Pipelines Co. Limited	84,261	84,261
149,960	2,000 United Distributors (Pakistan) Limited.	1,433,221	35,000
6,500	6,500 D.G. Khan Cement Co. Limited.	81,120	81,120
7,150	6,500 Bank of Punjab Limited.	109,550	109,550
12,100	12,100 Askari Leasing Limited	147,540	147,540
4,000	4,000 I.C.I. Pakistan Limited.	82,720	82,720
5,000	5,000 Ibrahim Fibres Limited.	49,400	49,400
290,333	58,074 Searle Pakistan limited.	5,090,299	1,890,299
5,077	5,077 Muslim Commercial Bank Limited.	214,839	214,839
200	200 Shell Pakistan Limited.	26,000	26,000
828	690 Engro Chemicals (Pakistan) Limited.	85,650	85,650
1,000	1,000 Paramount Leasing Ltd.	7,250	7,250
3,297	2,198 Khadim Ali Shah Bukhari & Co. Ltd.	46,158	46,158
2,740	2,740 Nishat Mills Ltd.	42,744	42,744
2,481	2,358 Crescent Textile Mills Ltd.	34,781	34,781
1,200	800 Nestle Milkpak Ltd.	92,000	92,000
2,700	2,700 Crescent Spinning Mills Ltd.	15,930	15,930
1,500	1,500 14th ICP Mutual Fund	17,250	17,250
1,600	1,600 Souvenir Tobacco Ltd.	14,400	14,400
7,975	7,975 Fazal Textile Mills Ltd.	201,188	201,188
29,000	29,000 Suzuki Motorcycles Co. Pakistan Ltd.	79,750	79,750
5,000	5,000 Taj Medical Complex Ltd.	62,500	62,500
--	75,000 Gillette Pakistan Ltd.	--	3,131,250
1,000	1,000 Inter Asia Leasing Co. Ltd.	4,500	4,500
1,779	1,618 Globe Textile Mills Ltd.	59,798	59,798
4,000	4,000 International Knitwear Ltd.	13,400	13,400
		-----	-----
		9,045,000	13,773,398

1999	1998	1999 Rupees	1998 Rupees
823,500	913,500 First UDL Modaraba [Managed by UDL Modaraba Management (Private) Limited.]	4,898,749	5,434,249

540	540 First Punjab Modaraba [Managed by Punjab Modaraba services (Private) Limited.]	2,835	2,835
		13,946,584	19,210,482
	Less: Provision for diminution in the value of Marketable Securities on aggregate portfolio basis.		
	Balance as on July 01,	11,093,996	7,021,539
	Add: Provision	--	4,072,457
	Less: Reversal	(6,207,451)	--
		4,886,545	11,093,996
		9,060,039	8,116,486
		=====	=====
10. MUSHARIKA ARRANGEMENT (Secured, Considered good)		77,016,117	11,488,789
		=====	=====

The Modaraba has entered into musharika arrangements with various companies for their normal business activities. The maximum period of these arrangements is twelve months. The provisional profit on these arrangements are ranging between 21% to 22.50% per annum and are secured by way of Hypothecation of goods and book debts and pledge of marketable securities. At the end of the arrangement, any excess / short profit paid to modaraba shall be settled through memorandum participation reserve of the companies, created only for the purpose of debiting or crediting any excess/short profit under these arrangements. However such settlement may be waived by way of mutual consent between the parties.

11. ACCRUED PROFIT

Morababa	--	5,248,764
Musharika	16,326,712	2,044,358
Bank deposit	7,625,982	3,297,881
	-----	-----
	23,952,694	10,591,003
	=====	=====

12. ADVANCES, DEPOSITS AND PRE - PAYMENTS

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
Advances		
Income tax	242,983	1,112,875
Salary	59,327	32,331
Others	3,000	--
	-----	-----
	305,310	1,145,206
Deposits	1,000	1,000
Pre - payments	39,253	57,534
	-----	-----
	345,563	1,203,740
	=====	=====

13. OTHER RECEIVABLES

Dividend Receivable	39,855	298,458
Lease Rentals Receivable		
Gross Amount	1,059,318	715,388
Less: Provision for Doubtful rentals	758,160	259,783
	-----	-----
	301,158	455,605
Insurance Claim Receivable	65,560	65,560
Sundry debtors	--	428,652
Others	7,152,680	3,079,785
	-----	-----
	7,559,253	4,328,060
	=====	=====

14. CASH AND BANK BALANCES

With Banks:

State Bank of Pakistan (non - checking account)	339,000	500,000
In current accounts	285,238	855,185
In PLS accounts	1,063,986	594,273
Short Term Deposits	27,085,798	60,385,798
	-----	-----
	28,774,022	62,335,256
Cash in hand	150	--
	-----	-----
	28,774,172	62,335,256
	=====	=====

15. TRADING INCOME

Gross sales	--	47,075,288
Less: Sales discounts and commission	--	--
	-----	-----
Net Sales	--	47,075,288
Cost of goods sold		
Opening stock	--	60,595,224
Add: Purchases	--	4,543,531
	-----	-----
Purchases returned	--	(21,484,939)
Less: Closing Stock	--	43,653,816
	-----	-----
	--	3,421,472
	=====	=====

16. OTHER INCOME

Front end fee	1,000,000	--
Gain on sale of fixed Assets	137,065	61,977
Profit on bank deposit	6,728,853	11,343,672
Monitoring Fee	4,766,475	--
Software Consultancy Fee	1,500,000	1,500,000
	-----	-----
	14,132,393	12,905,649
	=====	=====

17. ADMINISTRATIVE EXPENSES

Salaries and benefits (17.1)	2,403,843	2,905,664
Travelling & conveyance	17,126	50,210
Entertainment	3,482	30,886
Repair & maintenance	54,760	47,615
Advertisement	--	12,600
Registrar Services	360,244	363,696
Printing & stationery	124,419	254,966
Fees and subscription	174,696	185,854
Legal & Professional	52,150	102,250
Auditors' remuneration (17.2)	44,000	44,000
Shares Transfer fee	14,890	9,610
Insurance	84,369	43,784
Postage and telex	23,556	34,174
Telephone	50,415	61,125
Locker rent	17,130	22,163
Depreciation	434,970	832,143
Amortization of deferred cost	--	65,248
Others	5,745	3,099
Running and maintenance - Motor Vehicles	218,365	200,336
Stamp paper & Revenue stamps	5,186	1,050
Newspapers & periodicals	20,019	5,745
Office Utilities	23,658	20,774
Lease Rentals.-Vehicle	72,000	--
Rent, Rates & Taxes	6,400	--
	-----	-----
	4,211,423	5,296,992
	=====	=====

17.1 Remuneration of officers and other employees,

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

<i>Officers</i>	<i>Other</i>	<i>Employees</i>
-----------------	--------------	------------------

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
Remuneration	1,659,451	2,068,274	460,637	449,120
Bonus	--	18,387	--	21,389
Employer's contribution to Provident Fund	135,096	99,422	9,560	16,857
Group Insurance	13,152	--	998	--
Others	74,433	159,094	50,516	73,121
	-----	-----	-----	-----
	1,882,132	2,345,177	521,711	560,487
	=====	=====	=====	=====
Number of Persons	3	2	2	2
	=====	=====	=====	=====

The Officers and an employee are provided with free use of company's vehicles.

17.2 AUDITORS' REMUNERATION

Audit fee	40,000	40,000
Out of pocket expenses	4,000	4,000
	-----	-----
	44,000	44,000
	=====	=====

18. FINANCIAL CHARGES

Musharika Profit	5,260,243	4,401,999
Financial charges on finance lease	18,137	223,046
Bank charges	12,680	34,528
Front end fee	7,190	73.29
	-----	-----
	15,298,250	4,732,867
	=====	=====

19. TAXATION

The Finance Act, 1999 has exempted income of a modaraba, other than income from trading activities, provided it distributes 90% of its profits for the year to its certificate holders. Accordingly no provision for taxation has been made for the current year.

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
20. EARNING PER CERTIFICATE- BASIC AND DILUTED		
Profit after taxation	12,750,588	1,074,631
	=====	=====
Weighted average number of modaraba certificates outstanding during the year	11,687,500	11,687,500
	=====	=====
Earning per certificate	1.09	0.09
	=====	=====

21. FINANCIAL INSTRUMENTS

21.1 Maturities and Liquidity

	<i>TOTAL</i>	<i>UPTO ONE</i> <i>MONTH</i>	<i>OVER ONE</i> <i>MONTH TO</i> <i>ONE YEAR</i>	<i>OVER ONE</i> <i>YEAR</i>
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
FINANCIAL ASSETS				
Long term deposits	71,900	--	--	71,900
Long term morabaha arrangement	19,208,496	--	15,309,564	3,898,932
Trade debtors	46,325,674	--	46,325,674	--
Marketable Securities	9,060,039	--	9,060,039	--
Musharika arrangements	77,016,117	3,000,000	74,016,117	--
Accrued profit .	23,952,694	634,315	23,318,379	--
Advances, deposits and prepayments	345,563	--	345,563	--
Other receivables	7,559,253	--	7,559,253	--

Cash and bank balances	28,774,172	12,734,347	16,039,825	--
	-----	-----	-----	-----
	212,313,908	16,368,662	191,974,414	3,970,832
FINANCIAL LIABILITIES				
Security deposits	258,720	--	258,720	--
Due to management company	1,500,928	--	1,500,928	--
Creditors, Accrued and other Liabilities	10,888,265	--	10,888,265	--
Musharika Arrangements	55,827,600	--	55,827,600	--
Profit distribution	11,687,500	--	11,687,500	--
Unclaimed dividend	567,836	567,836	--	--
	-----	-----	-----	-----
	80,730,849	567,836	80,163,013	--
	=====	=====	=====	=====
NET BALANCE	131,583,059	15,800,826	111,811,401	3,970,832
	=====	=====	=====	=====

* The above analysis is based on the contractual/expected maturities of assets and liabilities which may not necessarily correspond with actual maturities.

* Effective profit rates for the financial assets and liabilities are mentioned in the respective notes to the accounts.

21.2 Credit Risk

Financial assets such as morabaha, musharikas, other receivables and balances with banks are exposed to credit risk.

The credit risk inherent in transactions giving rise to receivables is mitigated by application of appropriate credit criteria and adequate collateral security Mitigation of credit risk for bank balances is achieved by continuous diversification of placements among institutions whose standing has been evaluated.

21.3 Market and Liquidity Risk

These risk, inherent in equity investments, are mitigated to the extent practicable by basing decision on fundamentals and avoiding speculation.

21.4 Fair Value

These are stated at fair values or at amounts approximating fair values. There is no exposure to interest rate risk.

22. SEGMENT ANALYSIS

22.1 Geographic

The modaraba's assets are employed and its income is derived in Pakistan.

22.2 BUSINESS

	<i>Musharikas</i>	<i>%</i>	<i>Morabaha</i>	<i>%</i>	<i>Leasing</i>	<i>%</i>	<i>Investments</i>	<i>%</i>
Mutual Funds	--	--	--	--	--	--	31,768	0.35
Modarabas	--	--	--	--	--	--	2,677,535	29.55
Leasing Companies	--	--	--	--	--	--	142,066	1.57
Investment Companies/Banks	23,649,317	25.34	--	--	--	--	374,865	4.14
Textile	--	--	19,208,496	100.00	--	--	313,191	3.46
Synthetic & Rayon	--	--	--	--	--	--	35,000	0.39
Sugar & Allied Industries	33,493,834	35.88	--	--	--	--	4,835	0.05
Cement	--	--	--	--	--	--	86,725	0.96
Fuel & Energy	--	--	--	--	--	--	56,806	0.63
Tobacco	--	--	--	--	--	--	14,800	0.16
Auto & Allied Engineering	--	--	--	--	--	--	50,750	0.56
Food & Allied	--	--	--	--	--	--	168,000	1.85
Chemical & Pharmaceutical	--	--	--	--	--	--	3,608,457	39.83
Paper & Board	--	--	--	--	--	--	43,119	0.48
Trading / Distribution	24,656,943	26.42	--	--	--	--	1,417,122	15.64
Others	11,542,735	12.37	--	--	--	--	35,000	0.39
	-----	-----	-----	-----	-----	-----	-----	-----
	93,342,829	100.00	19,208,496	100.00	368,378	100.00	9,060,039	100.00
	=====	=====	=====	=====	=====	=====	=====	=====

23. There were no transactions with associated undertakings.

24. CORRESPONDING FIGURES

Prior year's figures have been re-arranged where ever necessary, if any, for the purpose of comparison.

Inayat Ismail (Chief Executive) IBL Modaraba Management (Private) Limited	Chishty B. S. Mujahid (Director) IBL Modaraba Management (Private) Limited	Arshad Abdulla (Director) IBL Modaraba Management (Private) Limited
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PATTERN OF HOLDING OF CERTIFICATES HELD BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 1999

<i>No. of Certificates</i>	<i>CERTIFICATEHOLDING FROM</i>	<i>TO</i>	<i>Total certificates Held</i>
278	1	100	12,917
336	101	500	92,680
349	501	1000	237,686
417	1001	5000	842,304
40	5001	10000	256,000
15	10001	15000	175,254
2	15001	20000	31,637
1	20001	25000	24,300
3	30001	35000	92,800
1	45001	50000	45,500
1	50001	55000	51,087
1	70001	75000	71,748
1	90001	95000	93,698
1	100001	105000	100,437
1	110001	115000	115,000
1	125001	130000	129,100
1	135001	140000	139,000
2	140001	145000	289,800
1	175001	180000	177,000
2	230001	235000	468,287
1	285001	290000	289,800
1	340001	345000	343,500
7	375001	380000	2,637,600
1	380001	385000	384,400
1	505001	510000	509,990
1	1180001	1185000	1,180,905
1	2895001	2900000	2,895,070
-----			-----
1,467			11,687,500
=====			=====

CATEGORIES OF CERTIFICATE HOLDERS AS AT JUNE 30, 1999

<i>CATEGORIES OF CERTIFICATE HOLDERS</i>	<i>NUMBER</i>	<i>CERTIFICATES</i>	<i>PERCENTAGE</i>
1. JOINT STOCK COMPANIES	5	48,526	0.42
2. FINANCIAL INSTITUTIONS	4	2,905,718	24.86
3. MODARABA/LEASING COMPANIES	3	458,570	3.92
4. MODARABA COMPANY	1	1,180,905	10.10
5. INSURANCE COMPANIES	4	622,645	5.33
6. INVESTMENT COMPANIES	3	259,687	2.22
7. INDIVIDUALS	1447	6,211,449	53.15
-----		-----	-----
	1467	11,687,500	100.00
=====		=====	=====