

# First IBL Modaraba

Annual Report 2000

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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.  
Platinum Commercial Bank Ltd.  
Bolan Bank Limited.

**Registrar** Khalid, Majid, Husain, Rahman  
Chartered Accountants  
1st Floor, Modern Motors House,  
Beaumont Road, 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 10th Annual Report of First IBL Modaraba with the audited accounts for the year ended 30th June 2000.

**FINANCIAL RESULTS:**

	<b>Rs. in "000"</b>	
	<b>2000</b>	<b>1999</b>
Gross revenue	35,565	28,965
Operating profit	14,128	8,317
Net profit for the period	14,841	12,751
Un-appropriated profit Brought forward	463	1,950
Transfer to statutory reserves	1,484	2,550
Profit distribution	12,272	11,688
Un-appropriated profit carried forward	1,548	463

**ECONOMY:**

Symptoms of modest revival of the economy are visible in agriculture and textile sectors. The Government is still faced with major challenges of restoring investors' confidence to achieve the growth on a sustainable basis. During the financial year ending June 2000, the GDP has shown a growth of 4.5 percent as compare to growth of 3.2 percent over last year. Bumper crops of rice, cotton and wheat were the main contributors for 1.3 percent increase in GDP. Inflation figure posted a decline of 2.3 percent over the last year.

However, the year 2000 has been an exceptionally challenging year. Pakistan remain as debt-ridden as ever. With the economy failing to revitalize meaningfully, the indebtedness is likely to increase. The country remains desperate for direct foreign investment to retain a modicum of legitimacy in the world's capital market.

**REVIEW OF OPERATION:**

Despite adverse economic and trading climate that continued during the year, we are pleased to report that, by the grace of Almighty Allah, your Modaraba maintained the reasonable growth pattern. The operating profit increased from Rs. 28.96 million last year to Rs. 35.56 million during the year under review. Posting a respectable growth of 18.5 percent. Modaraba also managed to earn net profit of Rs. 14.84 million as compared to last year's net profit of Rs. 12.75 million, reflecting an increase of 14 percent over 1999.

Owing to the lower rates of leasing business, your Modaraba concentrated more on Musharika investments. During the year under review, Musharika investment yielded better return as compared to leasing investment, hence improving the profitability.

**DISTRIBUTION:**

The Board has approved a final Dividend for the year ended June 30, 2000 at the rate of 10.5%, i.e., Re. 1.05 per certificate of Rs. 10/- each.

**FUTURE PERSPECTIVE:**

Future prospects of your Modaraba by and large depend on general economic conditions. The Government is trying to make the investment environment more conducive for industrial sector, which will allow the industrial sector to make its due contribution to the economy. The anticipated economic growth will have spillover effect on the financial sector.

**EARNING PER CERTIFICATE:**

Yield on Modaraba certificate is calculated at Rs. 1.27 compared to Rs. 1.09 in the preceding year.

**AUDITORS:**

The present auditors, M/s. Daudally Lalani & Co. Chartered Accountants, being due for retirement, have offered themselves for re- appointment for the year ending June 30th, 2001. This has been confirmed by the Board of Directors, subject to the approval of Registrar of Modaraba Companies and Modarabas.

**ACKNOWLEDGEMENT:**

The directors wish to place on record their appreciation and thanks to certificate holders for their continued confidence in the Modaraba. We are also thankful to the authorities for their guidance and to the members of management and staff for their dedication and hard work. May Allah bless us in our efforts. A' meen!

Karachi: December 14, 2000

On Behalf of Board  
Chief Executive

**AUDITORS' REPORT TO THE CERTIFICATE HOLDERS**

We have audited the annexed Balance Sheet as at June 30, 2000 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, 2000 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, 2000 and the Profit and Changes in Financial Position (cash flows) for the year then ended;
  - ii) zakat deductible at source under the Zakat and Ushr Ordinance, 1980, has been deducted by the Modaraba and deposited in the Central Zakat Fund established under Section 7 of that Ordinance; and
  - iii) the business conducted, investments made and the expenditure incurred by the Modaraba are in accordance with the objects, terms and conditions of the Modaraba.

**DAUDALLY, LALANI & CO.  
CHARTERED ACCOUNTANTS**

KARACHI: December 14, 2000

**BALANCE SHEET AS AT JUNE 30, 2000**

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>Rupees</i>	<i>Rupees</i>
<b>CAPITAL AND RESERVES</b>			
<b>CAPITAL</b>			
Authorised			
20,000,000(1999:20,000,000)			
modaraba certificates of Rs.10/- each		200,000,000	200,000,000

Issued, subscribed and paid up capital	3	116,875,000	116,875,000
Statutory reserve	4	14,297,065	12,812,972
Unappropriated profits	4	1,548,120	463,156
		-----	-----
		132,720,185	130,151,128
<b>SECURITY DEPOSITS</b>		168,720	258,720
<b>CURRENT LIABILITIES</b>			
Musharika arrangements	5	125,971,047	55,827,600
Creditors, accrued and other liabilities	6	10,341,562	11,456,101
Due to management company		1,900,330	1,500,928
Provision for taxation		2,061,530	2,161,530
Profit distribution payable		12,271,875	11,687,500
		-----	-----
		152,546,344	82,633,659
		-----	-----
		285,435,249	213,043,507
		=====	=====
<b>TANGIBLE FIXED ASSETS</b>			
Assets in own use	7	85,139	361,221
Assets leased out	8	887,360	368,378
		-----	-----
		972,499	729,599
<b>LONG TERM DEPOSITS</b>		71,900	71,900
<b>LONG TERM MORABAHA ARRANGEMENT</b>	9	--	3,898,932
<b>CURRENT ASSETS</b>		-----	-----
Trade debtors - unsecured, considered good		34,575,918	46,325,674
Current maturity of long term morabaha arrangement	9	--	15,309,564
Marketable securities of quoted companies and modarabas	10	34,358,934	9,060,039
Musharika arrangements	11	188,093,475	77,016,117
Accrued profit	12	15,443,899	23,952,694
Advances, deposits and prepayments	13	326,692	345,563
Other receivables	14	10,452,342	7,559,253
Cash and bank balances	15	1,139,590	28,774,172
		-----	-----
		284,390,850	208,343,076
		-----	-----
		285,435,249	213,043,507
		=====	=====

The annexed notes form an integral part of these accounts.

**Chief Executive**  
IBL Modaraba Management  
( Private ) Limited

**Director**  
IBL Modaraba Management  
( Private ) Limited

**Director**  
IBL Modaraba Management  
( Private ) Limited

## **PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2000**

<i>Note</i>	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>

**OPERATING INCOME / (LOSS)**

Musharika profit		26,128,026	17,266,272
Morabaha profit		3,601,012	863,014
Gain/(loss) on sale of marketable securities		454,127	(5,862,120)
Dividend income		2,138,120	1,316,236
Lease rentals		111,390	1,249,596
Other income	16	3,132,551	14,132,393
		-----	-----
		35,565,226	28,965,391

**OPERATING EXPENSES**

Administrative expenses	17	6,843,553	4,211,423
Financial charges	18	14,497,233	15,298,250
Amortization of leased assets		96,018	1,139,145
		-----	-----
		21,436,804	20,648,818

Operating profit		14,128,422	8,316,573
------------------	--	------------	-----------

Reversal of provision for diminution in the value of investments	10	2,611,462	6,207,451
Provision for doubtful lease rentals		(249,960)	(498,377)
		-----	-----
		2,361,502	5,709,074
		-----	-----
		16,489,924	14,025,647

Modaraba Company's management fee		(1,648,922)	(1,275,059)
		-----	-----

<b>Profit before taxation</b>		14,840,932	12,750,588
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Taxation	19	--	--
		-----	-----

Profit after taxation		14,840,932	12,750,588
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Unappropriated profit brought forward		463,156	1,950,185
		-----	-----

Profit available for appropriations		15,304,088	14,700,773
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**APPROPRIATIONS**

Profit distribution @ 10.5% (1999: 10%)		(12,271,875)	(11,687,500)
Transfer to statutory reserve		(1,484,093)	(2,550,117)
		-----	-----
		(13,755,968)	(14,237,617)

Unappropriated profit carried forward		1,548,120	463,156
		=====	=====

Earning per certificate - Basic and diluted	20	1.27	1.09
		=====	=====

The annexed notes form an integral part of these accounts.

**Chief Executive**  
IBL Modaraba Management  
( Private ) Limited

**Director**  
IBL Modaraba Management  
( Private ) Limited

**Director**  
IBL Modaraba Management  
( Private ) Limited

## STATEMENT OF CHANGES IN FINANCIAL POSITION

### CASH FLOW STATEMENT

**FOR THE YEAR ENDED JUNE 30, 2000**

	<b>2000</b>	<b>1999</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	14,840,932	12,750,588
Adjustment for:		
Depreciation	291,281	434,970
Amortization on assets leased out	96,018	1,139,145
Gain due to adjustment in value of investments	(2,611,462)	(6,207,451)
Provision for doubtful debts	249,960	498,377
Reversal of provision for diminution in value of investments	(454,127)	5,862,120
Gain on disposal of fixed assets	(312,199)	(137,065)
Dividend Income	(2,138,120)	(1,316,236)
Financial charges	14,497,233	15,298,250
	-----	-----
Operating profit before changes in working capital	24,459,516	28,322,698
<b>Increase in current assets</b>		
Trade debtors	11,749,756	11,943,392
Investment in marketable securities	(22,233,306)	(598,222)
Musharika arrangements	(111,077,358)	(65,527,328)
Accrued profit	8,508,795	(13,361,691)
Advances, deposits, prepayments	31,806	(11,715)
Other receivables	(3,151,933)	(3,988,173)
	-----	-----
	(116,172,240)	(71,543,737)
<b>Increase in current liabilities</b>		
Musharika arrangements	70,143,447	25,146,695
Creditors, accrued & other liabilities	1,444,467	(132,028)
Due to management company	399,402	(3,906,404)
	-----	-----
	71,987,316	21,108,263
	-----	-----
Cash used in operations	(19,725,408)	(22,112,776)
Income tax paid	(112,935)	(3,721,215)
Financial charges paid	(17,279,680)	(8,490,351)
	-----	-----
Net cash used in operating activities	(37,118,023)	(34,324,342)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of assets in own use	(879,000)	(147,000)
Proceeds from sale of fixed assets	561,000	2,143,539
Proceeds from long term morabaha arrangement	19,208,496	(616,860)
Long term deposits	--	151,859
Dividend received	2,147,004	1,574,839
	-----	-----
Net cash generated from investing activities	21,037,500	3,106,377
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Paid back obligation under finance lease	--	(1,752,573)
Security deposit paid	(90,000)	(397,366)
Profit distribution paid	(11,464,059)	(193,180)
	-----	-----
Net cash used in financing activities	(11,554,059)	2,343,119)
	-----	-----

Net decrease in cash and cash equivalents	(27,634,582)	(33,561,084)
Cash and cash equivalents at the beginning of the year	28,774,172	62,335,256
	-----	-----
Cash and cash equivalents at the end of the year	1,139,590	28,774,172
	=====	=====

**Chief Executive**

IBL Modaraba Management  
( Private ) Limited

**Director**

IBL Modaraba Management  
( Private ) Limited

**Director**

IBL Modaraba Management  
( Private ) Limited

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2000

### 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 thereunder and is managed by IBL Modaraba Management (Private) Limited, a company incorporated in Pakistan. 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. The Modaraba is listed on Karachi, Lahore and Islamabad Stock Exchanges.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis for preparation of the accounts

These accounts have been prepared in compliance with the requirements of Modaraba (Floatation and Control) Ordinance, 1980 and International Accounting Standards as adopted by the Institute of Chartered Accountants of Pakistan which are applicable to the Modaraba.

#### 2.2 Overall valuation policy

These accounts have been prepared under the historical cost convention.

#### 2.3 Fixed assets and depreciation.

These are stated at cost less accumulated depreciation. Depreciation is charged to income applying the straight-line method, whereby 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.

Major repairs and renewals are capitalized. Maintenance and normal repairs are charged to income as and when incurred. Gain or loss, if any, on disposal of fixed assets is included in profit and loss account currently.

#### 2.3.1 Assets leased out and amortization

Leased assets are stated at cost less accumulated amortization. Amortization is charged to profit and loss account 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 profit and loss account currently.

#### 2.3.2 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.

### 2.4 Rates of exchange

Transactions in foreign currencies are converted into Pak rupees at the rates of exchange

ruling on the date of transactions. Assets and liabilities in foreign currencies are translated into Pak rupees at the rate of exchange ruling at the balance sheet date, while those covered under forward exchange contracts are valued at the contracted rates.

Exchange gains and losses are included in income currently

## 2.5 Trade debts and 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.

## 2.6 Trading stock

Trading stock is valued at lower of cost or market value. Goods in transit are stated at invoice value plus other charges paid thereon.

## 2.7 Investment

Long term investments are valued at cost less provision for permanent diminution in the value of investments.

Short term marketable securities are valued at lower of average cost or market value on an aggregate portfolio basis, in total, 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.

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

## 2.8 Revenue recognition

Profit on sale of goods is recognized on dispatch of goods to customer.

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

Profit on morabaha and musharika arrangements are recognized on the accrual basis, based on period of arrangement.

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

## 2.9 Taxation

### 2.9.1 Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits available, if any.

### 2.9.2 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. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

<i>1999</i>	<i>2000</i>	<i>2000</i>	<i>1999</i>
<i>No. of certificates</i>		<i>Rupees</i>	<i>Rupees</i>
	Ordinary modaraba certificates of Rupees 10		
10,000,000	10,000,000 each fully paid in cash.	100,000,000	100,000,000
	Ordinary modaraba		



		certificates of Rupees 10 each issued as fully paid		
1,687,500	1,687,500	bonus certificates.	16,875,000	16,875,000
-----	-----		-----	-----
11,687,500	11,687,500		116,875,000	116,875,000
=====	=====		=====	=====

#### 4. CHANGES IN EQUITY

	<i>Issued, subscribed and paid up certificate capital</i>	<i>reserve</i>	<i>Unappropriated profits</i>	<i>Total</i>
	-----Rupees-----			
Balance as at June 30, 1998	116,875,000	10,262,855	1,950,185	129,088,040
Profit for the year 1999	--	--	12,750,588	12,750,588
Transfer from profit and loss account	--	2,550,117	(2,550,117)	--
Profit Distribution	--	--	(11,687,500)	(11,687,500)
	-----	-----	-----	-----
Balance as at June 30, 1999	116,875,000	12,812,972	463,156	130,151,128
Profit for the year 2000	--	--	14,840,932	14,840,932
Transfer from profit and loss account	--	1,484,093	(1,484,093)	--
Profit Distribution	--	--	(12,271,875)	(12,271,875)
	-----	-----	-----	-----
Balance as at June 30, 2000	116,875,000	14,297,065	1,548,120	132,720,185
	=====	=====	=====	=====

In accordance with the Prudential Regulations issued by Securities Exchange Commission of Pakistan, the Modaraba is required to transfer 10% (1999: 20%) of its profit after tax to statutory reserve until the reserve equals its paid up capital and thereafter 5% (1999: 5%) to be transferred to reserve. The reserve is not available for profit distribution.

#### 5. MUSHARIKA ARRANGEMENTS - secured

These are arranged for the purpose of normal business activities of the Modaraba from various financial institutions. The maximum period of these arrangements is twelve months. The provisional rate of profit payable is ranging between 18% to 22.5% (1999: 20% to 22%) per annum. The arrangements are secured against pledge of marketable securities and hypothecation of book debts. At the end of the arrangement, any excess or short profit paid by that Modaraba shall be settled through memorandum participation reserve of the Modaraba, created only for the purpose of debiting or crediting any excess, or short profit under these arrangements. However, such settlement may be waived by way of mutual consent between parties.

#### 6. CREDITORS ACCRUED AND OTHER LIABILITIES

	<i>2000 Rupees</i>	<i>1999 Rupees</i>
Creditors	2,808,222	489,141
Accrued expenses	174,576	19,2035
Musharika profit payable	6,127,451	8,909,98
Unclaimed dividend	791,277	567,836
Advance morabaha profit	--	1,000,264
Other liabilities	440,036	296,927
	-----	-----
	10,341,562	11,456,101
	=====	=====

**7. ASSETS IN OWN USE**

	<b>Cost</b>		<b>Depreciation</b>					<b>Rate per annum %</b>
	<i>As at July 1, 1999</i>	<i>Additions/ (disposals)</i>	<i>As at June 30, 2000</i>	<i>As at July 1, 1999</i>	<i>Charge for the year/ (disposals)</i>	<i>As at June 30, 2000</i>	<i>Written down value as at June 30, 2000</i>	
-----Rupees-----								
Equipment	660,321	--	660,321	518,563	132,060	650,623	9,698	20
Furniture & Fixture	646,291	--	646,291	581,509	64,781	646,290	1	20
Vehicles	868,204	64,000 (460,000)	472,204	713,523	94,440 (411,199)	396,764	75,440	20
2000	2,174,816	64,000 (460,000)	1,778,816	1,813,595	291,281 (411,199)	1,693,677	85,139	
1999	4,160,701	555,204 (2,541,089)	2,174,816	1,902,402	434,970 (523,777)	1,813,595	361,221	

**7.1 DISPOSALS OF FIXED ASSETS - own use**

	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Book value</i>	<i>Sale proceeds</i>	<i>Gain</i>	<i>Mode of disposal</i>	<i>Particulars of purchaser</i>
-----Rupees-----							
Vehicle	399,000	398,999	1	300,000	299,999	Negotiation	UDL Modaraba Management (Pvt.) Limited
Vehicle	61,000	12,200	48,800	61,000	12,200	Terms of insurance	EFU General Insurance company
2000	460,000	411,199	48,801	361,000	312,199		
1999	2,132,885	523,777	1,609,108	1,746,173	137,065	Various	Various

**8. ASSETS LEASED OUT**

	<b>Cost</b>		<b>Depreciation</b>			<b>Written down value as at June 30, 2000</b>
	<i>As at July 1, 1999</i>	<i>Additions/ (disposals)</i>	<i>As at June 30, 2000</i>	<i>As at July 1, 1999</i>	<i>Charge for the year/ (disposals)</i>	
-----Rupees-----						
Equipment	587,200	100,000	687,200	528,480	19,294	547,774
Plant & Machinery	499,800	--	499,800	449,800	--	449,800
Vehicles	510,769	715,000 (510,769)	715,000	251,111	76,724 (310,769)	17,066
2000	1,597,769	815,000 (510,769)	1,902,000	1,229,391	96,018 (310,769)	1,014,640

1999	4,871,422	(3,273,653)	1,597,769	2,966,533	1,139,145 (2,876,287)	1,229,391	368,378
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**8.1 DISPOSALS OF FIXED ASSETS - leased out**

	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Book value</i>	<i>Sale proceeds</i>	<i>Gain</i>	<i>Mode of disposal</i>	<i>Particulars of Purchaser</i>
-----Rupees-----							
Vehicles	510,769	310,769	200,000	200,000	--	Negotiation	Mr. Tariq Ismail Searle Pakistan 1st Floor NIC Bldg.
1999	3,273,653	2,876,287	397,366	397,366	--	Various	Various

**2000**  
**Rupees**

**1999**  
**Rupees**

**9. LONG TERM MORABAHA ARRANGEMENT**

Secured, considered good

Balance receivable as on June 30

-- 19,208,496

Current maturity shown under current assets

-- (15,309,564)

-----  
-- 3,898,932  
=====**10. MARKETABLE SECURITIES OF QUOTED COMPANIES AND MODARABAS**

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

<i>1999</i>	<i>2000</i>	<i>2000</i>	<i>1999</i>
<i>No. of shares/ Certificates</i>		<i>Rupees</i>	<i>Rupees</i>
<b>Mutual Funds</b>			
--	30,000 Growth Mutual fund	39,300	--
--	25,000 ICP SEMF	397,750	--
10,225	10,225 KASB Premier Fund Limited	99,760	99,760
1,500	1,500 14th ICP Mutual fund	17,250	17,250
<b>Modarabas</b>			
540	540 First Punjab Modaraba [Managed by Punjab Modaraba Services (Private) Limited]	2,835	2,835
823,500	1,031,500 First UDL Modaraba [Managed by UDL Modaraba Management (Private) Limited]	5,564,350	4,898,749
<b>Leasing companies</b>			
12,100	12,100 Askari Leasing Limited	147,540	147,540
--	93,500 Crescent Leasing Corporation Limited	515,185	--
1,000	1,000 Interasia Leasing Company Limited	4,500	4,500
6,825	6,825 National Development Leasing Corporation Limited (ordinary shares of Rupees 5 each)	84,264	84,265
1,000	1,000 Paramount Leasing	7,250	7,250
<b>Banks and Security companies</b>			
2,625	2,625 Askari Commercial Bank Limited	80,064	80,063

7,150	7,865 Bank of Punjab	109,550	109,550
3,000	39,000 Citicorp Investment Bank Limited	686,845	74,485
4,500	57,265 Crescent Investment Bank Limited	854,302	68,180
2,500	2,500 Faysal Bank Limited	67,550	67,550
	5,000 Javed Umer Vohra and Company Limited	215,050	--
3,297	3,297 Khadim Ali Shah Bukhari and Company Limited	46,158	46,158
5,077	5,077 Muslim Commercial Bank Limited	172,968	214,839
<b>Textile</b>			
2,700	2,700 Crescent Spinning Mills Limited	15,930	15,930
2,481	2,589 Crescent Textile Mills Limited	34,781	34,781
7,975	7,975 Fazal Textile Mills Limited	201,188	201,188
1,779	2,371 Globe Textile Mills Limited	59,798	59,798
4,000	4,000 International Knitwear Limited	13,400	13,400
	42,500 Kohinoor Raiwind Mills Limited	765,425	--
2,740	2,740 Nishat Mills Limited	42,744	42,744
9,774	9,774 Saif Textile Mills Limited	210,625	210,625
	3,300 Suraj Cotton Mills	33,000	
<b>Synthetic and rayon</b>			
	100,000 Dhan Fibers	1,056,000	--
5,000	76,900 Ibrahim Fibers Limited	1,167,804	49,400
	14,000 Pakistan Synthetics Limited	126,140	--
<b>Sugar</b>			
363 363	Hussain Sugar Mills Limited	4,454	4,454
<b>Tobacco</b>			
1,600	1,600 Souvenir Tobacco Limited	14,400	14,400
<b>Cement</b>			
6,500	6,500 DG. Khan Cement Company Limited	72,601	81,120
10,000	10,000 Lucky Cement Limited	101,175	79,450
9,000	9,000 Maple Leaf Cement Factory Limited	78,120	78,120
<b>Fuel and energy</b>			
200	200 Shell Pakistan Limited	59,626	26,000
	Sui Northern Gas Pipelines Company Limited		
2,875	8,801 Limited	141,702	84,261
	Sui Southern Gas Pipelines Company Limited		
--	7,500 Limited	127,575	--
<b>Automobiles</b>			
	10,000 Indus Motor Company Limited	124,100	--
29,000	29,000 Suzuki Motorcycles Company Limited	79,750	79,750
<b>Communication</b>			
125,000	Pakistan Telecommunication Company Limited	3,413,750	--
<b>Chemical and pharmaceutical</b>			
828	15,828 Engro Chemicals Pakistan Limited	975,617	85,650
--	35,000 Fauji Fertilizers Company Limited	1,370,600	--
4,000	4,000 I.C.I Pakistan Limited	82,720	82,720
--	215,000 Nimir Industrial Chemicals Limited	432,150	--

290,333	329,366 Searle Pakistan Limited	5,266,540	5,090,299
<b>Paper and board</b>			
3,194	3,194 Century Paper and Board Mills Limited	101,799	101,799
<b>Food</b>			
1200	1200 Nestle Milkpak Limited	92,000	92,000
<b>Miscellaneous</b>			
--	160,000 Gillette Pakistan Limited	5,841,600	--
5,000	5,000 Taj Medical Complex Limited	62,500	62,500
--	100,950 Treat Corporation Limited	2,625,710	--
149,960	464,936 United Distributors Pakistan Limited	2,726,222	1,433,221
		36,634,017	13,946,584

Less: Provision for diminution in the value of Marketable Securities on aggregate portfolio basis, in total.

Balance as on 1 July, 1999	4,886,545	11,093,996
Reversal of provision	2,611,462	(6,207,451)
	-----	-----
Provision for diminution in value of investments	2,275,083	4,886,545
	-----	-----
	34,358,934	9,060,039
	=====	=====

#### 11. MUSHARIKA ARRANGEMENTS - secured, considered good

The Modaraba has entered into musharika arrangements with various entities for their normal business activities. The maximum period of these arrangements is twelve months. The provisional rate of profit on these arrangements are ranging between 18% to 22.5% (1999: 21% to 22.5%) per annum and are secured by way of hypothecation of goods, book debts and pledge of marketable securities. At the end of the arrangement, any excess or short profit paid to Modaraba shall be settled through memorandum participation reserve of the entities, created only for the purpose of debiting or crediting any excess or short profit under these arrangements. However, such settlement may be waived by way of mutual consent between parties.

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>12. ACCRUED PROFIT</b>		
Musharika	15,443,899	16,326,712
Bank deposits	--	7,625,982
	-----	-----
	15,443,899	23,952,694
	=====	=====

#### 13. ADVANCES, DEPOSITS AND PREPAYMENTS

##### Considered good

Advance		
Income Tax	255,918	242,983
Salary	31,025	59,327
Others	--	3,000
	-----	-----
	286,943	305,310
Deposits	1,000	1,000
Prepayments	38,749	39,253
	-----	-----
	326,692	345,563

**14. OTHER RECEIVABLES****Considered good**

Dividend receivable	30,971	39,855
Receivable against sale of shares	2,633,850	--
Others	7,759,331	7,218,240
Lease rental receivable		
Considered good	28,190	301,158
Considered doubtful	1,008,120	758,158
	-----	-----
	1,036,310	1,059,318
	-----	-----
	11,460,462	8,317,413
Provision for doubtful receivables	(1,008,120)	(758,160)
	-----	-----
	10,425,342	7,559,253

**15. CASH AND BANK BALANCES**

In hand	--	150
With banks		
State Bank of Pakistan	--	339,000
In current accounts	467,661	285,238
In profit and loss accounts	671,929	1,063,986
Short term deposits	--	27,085,798
	-----	-----
	1,139,590	28,774,022
	-----	-----
	1,139,590	28,774,172

**16. OTHER INCOME**

Front end fee	631,000	1,000,000
Gain on disposal of fixed assets	312,199	137,065
Profit on bank deposits	2,166,852	6,728,853
Monitoring fee	--	4,766,475
Software consultancy fee	--	1,500.00
Miscellaneous	22,500	--
	-----	-----
	3,132,551	14,132,393

**17. ADMINISTRATIVE EXPENSES**

Salaries and benefits ( note 17.1 )	2,808,985	2,403,843
Travelling and conveyance	3,106	17,126
Entertainment	6,737	3,482
Repair and maintenance	54,279	54,760
Registrar services	136,921	360,244
Printing and stationery	94,714	124,419
Fees and subscription	123,238	174,696
Legal and professional	145,619	52,150
Auditors' remuneration ( note 17.2 )	44,000	44,000
Share transfer fee	54,970	14,890
Insurance	72,870	84,369
Postage and telex	27,205	23,556
Telephone	71,585	50,415

Locker rent	11,456	17,130
Depreciation ( note 7 )	291,281	434,970
Running and maintenance	102,579	218,365
Stamp paper and revenue stamps	7,137	5,186
Newspaper and periodicals	5,466	20,019
Office utilities	39,642	23,658
Vehicle lease rentals	288,000	72,000
Corporate expenses ( note 17.3 )	2,400,000	--
Rent rates and taxes	9,803	6,400
Others	43,960	5,745
	-----	-----
	6,843,553	4,211,423
	=====	=====

### 17.1 Remuneration of officers and other employees

	<i>Officers</i>		<i>Other employees</i>		<i>Total</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
	----- <b>Rupees</b> -----					
Remuneration	2,373,407	1,659,451	197,508	460,637	2,570,915	2,120,088
Bonus	--	--	4,817	--	4,817	--
Employer's contribution to provident fund Group insurance	130,058	135,096	8,110	9,560	138,168	144,656
Others	--	13,152	--	998	--	14,150
	31,236	74,433	63,849	50,516	95,085	124,949
	-----	-----	-----	-----	-----	-----
	2,534,701	1,882,132	274,284	521,711	2,808,985	2,403,843
<b>Average no. of persons</b>	-----	-----	-----	-----	-----	-----
	3	3	2	2	5	5
	=====	=====	=====	=====	=====	=====

The officers and an employee are provided with free use of modaraba's vehicles.

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>17.2 Auditors' remuneration</b>		
Audit fee	40,000	40,000
Out of Pocket	4,000	4,000
	-----	-----
	44,000	44,000
	=====	=====

17.3 Corporate expenses represent charges on account of utilities, maintenance and other common facilities availed by the Modaraba.

### 18. FINANCIAL CHARGES

Musharika profit	14,460,200	15,260,243
Financial charges on finance lease	--	18,137
Bank charges	37,033	12,680
Front end fee	--	7,190
	-----	-----
	14,497,233	15,298,250
	=====	=====

### 19. TAXATION

The Finance Act, 1999 has exempted income of 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.

## 20. EARNING PER CERTIFICATE

Profit after taxation	14,840,932	12,750,588
Weighted average number of modaraba certificates outstanding during the year	11,687,500	11,687,500
Earning per certificate	1.27	1.09

## 21. FINANCIAL ASSETS AND LIABILITIES

### 21.1 MATURITIES OF FINANCIAL ASSETS AND LIABILITIES

	Total	Profit bearing		Non profit bearing	
		Upto one month	Over one month to one year	Upto one month	Over one month of one year
-----Rupees-----					
<b>FINANCIAL ASSETS</b>					
Long term deposits	71,900	--	--	--	71,900
Trade debtors	34,575,918	--	--	--	34,575,918
Marketable securities of quoted companies and modarabas	36,634,017	--	--	--	36,634,017
Musharika arrangements	188,093,475	3,675,000	184,418,475	--	--
Accrued profit	15,443,899	--	--	779,302	14,664,597
Advances and deposits	32,025	--	--	--	32,025
Other receivables	11,460,462	--	--	--	11,460,462
Cash and bank balances	1,139,590	671,929	--	467,661	--
	287,451,286	4,346,929	184,418,475	1,246,963	97,438,919
<b>FINANCIAL LIABILITIES</b>					
Security deposits	168,720	--	--	--	168,720
Musharika arrangements	125,971,047	--	125,971,047	--	--
Creditors, accrued and other Liabilities	10,341,562	--	--	--	10,341,562
Due to management company	1,900,330	--	--	--	1,900,330
Profit distribution payable	12,271,875	--	--	--	12,271,875
	150,653,534	--	--	125,971,047	24,682,487
On balance sheet gap	136,797,752	4,346,929	58,447,428	1,246,963	72,756,432
Total markup rate sensitivity gap		4,346,929	62,794,357		

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 musharikas, other receivables and balances with banks are exposed to credit risk. The modaraba mitigates credit risk by monitoring exposure limits and adequate collateral's. Mitigation of credit risk of bank balances is achieved by continuous diversification of placements among institutions whose standing has been evaluated.



**21.3 Market and liquidity risk**

These risks are inherent in equity investments, are mitigated to the extent practicable by basing decision on fundamentals and diversification in portfolio as mentioned in note 22.

**21.4 Fair value**

These are stated at fair values or at amount approximating their fair values.

**22.1 Geographic**

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

**22.2 Business**

	<b>Musharika</b>		<b>Investments</b>		<b>Leasing</b>	
	<i>Amount</i> <i>Rupees</i>	<i>%</i>	<i>Amount</i> <i>Rupees</i>	<i>%</i>	<i>Amount</i> <i>Rupees</i>	<i>%</i>
Mutual funds	--	--	554,060	1.51	--	--
Modarabas	--	--	5,567,185	15.20	--	--
Leasing companies	--	--	758,739	2.07	--	--
Investment Companies/Banks	25,139,015	12.35	2,232,487	6.09	--	--
Textile	--	--	1,376,891	3.76	--	--
Synthetic and Rayon	--	--	2,349,944	6.41	--	--
Sugar and Allied	53,156,304	26.12	4,454	0.01	--	--
Cement	--	--	251,896	0.69	--	--
Fuel and Energy	--	--	328,903	0.90	--	--
Tobacco	--	--	14,400	0.04	--	--
Transport and Communication	--	--	3,413,750	9.32	--	--
Auto and Allied Engineering	--	--	203,850	0.56	--	--
Food and Allied Industries	20,029,589	9.84	92,000	0.25	--	--
Chemical and Pharmaceuticals	--	--	8,127,627	22.19	--	--
Paper and Board	--	--	101,799	0.28	--	--
Distribution	75,368,604	37.03	2,726,222	7.44	--	--
Miscellaneous	29,843,863	14.66	8,529,810	23.28	887,360	100.00
	-----	-----	-----	-----	-----	-----
	203,537,375	100.00	36,634,017	100.00	887,360	100.00

**23. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS**

There were no transactions with associated undertakings.

**24. CORRESPONDING FIGURES**

Corresponding figures have been re-arranged and reclassified for comparison, where necessary.

Chief Executive Director                      Director  
 IBL Modaraba    IBL Modaraba M IBL Modaraba Management  
 ( Private ) Limite ( Private ) Limited ( Private ) Limited

**PATTERN HOLDING OF CERTIFICATES HELD BY THE CERTIFICATE HOLDERS**

As at June 30, 2000

<i>No. of</i> <i>certificates</i>	<i>Certificateholdings</i>		<i>Total certificates held</i>
	<i>From</i>	<i>To</i>	
293	1	100	14,255
342	101	500	95,470
332	501	1,000	227,483
396	1,001	5,000	810,603
43	5,001	10,000	274,586

11	10,001	15000	133,032
2	15,001	20,000	31,637
2	20,001	25,000	45,612
1	25,001	30,000	29,300
2	30,001	35,000	62,500
1	45,001	50,000	45,500
1	50,001	55,000	51,087
1	70,001	75,000	71,748
1	90,001	95,000	93,698
1	100,001	105,000	100,437
1	110,001	115,000	115,000
1	125,001	130,000	129,100
1	135,001	140,000	139,000
2	140,001	145000	289,800
1	175,001	180000	177,000
1	220,001	225,000	222,187
1	230,001	235,000	233,700
1	285,001	290,000	289,800
1	340001	345,000	343,500
7	375,001	380,000	2,637,600
1	435,001	440,000	437,900
1	505,001	510,000	509,990
1	1,180,001	1,185,000	1,180,905
1	2,895,001	2,900,000	2,895,070

-----  
1,450-----  
11,687,500  
=====**CATEGORIES OF CERTIFICATE HOLDERS****As at June 30, 2000**

<b>Categories of certificate holders</b>	<b>Number</b>	<b>Certificates held</b>	<b>Percentage</b>
Joint Stock Companies	5	48,026	0.41
Financial Institutions	4	2,905,118	24.86
Modarabas/Leasing Companies	3	458,570	3.92
Modaraba Company	1	1,180,905	10.10
Insurance Companies	4	622,645	5.33
Investment Companies	3	247,287	2.12
Individuals	1,430	6,224,949	53.26
	-----	-----	-----
	1,450	11,687,500	100.00

=====