

First IBL Modaraba

Annual Report 2001

CONTENTS

Corporate Information
Directors' Report
Auditors' Report to the Certificate Holders
Balance Sheet
Profit and Loss Account
Statement of Changes in Financial Position
(Cash Flow Statement)
Statement of Changes in Equity
Notes to the Accounts
Pattern of Certificate Holding

CORPORATE INFORMATION

MODARABA COMPANY	IBL Modaraba Management (Private) Limited	
BOARD OF DIRECTORS	Inayat Ismail Arshad Abdulla Chisty B. S. Mujahid	Chief Executive Director Director
COMPANY SECRETARY	Masood Anwer Khan	
AUDITORS	Daudally, Lalani & Co. Chartered Accountants	
BANKERS	Muslim Commercial Bank Limited Citibank, N.A. United Bank Limited Habib Bank Limited Prime Commercial Bank Limited National Bank of Pakistan Platinum Commercial Bank Limited Bolan Bank Limited	
REGISTRAR	Husain Rahman Chartered Accountants 1st Floor, Modern Motors House Beaumont Road, Karachi	
REGISTERED OFFICE	First Floor, NIC Building Abbasi Shaheed Road, Karachi	

DIRECTOR'S REPORT TO THE CERTIFICATE HOLDERS

The Board of Directors of IBL Modaraba Management (Private) Limited would like to present their 11th Annual Report of the First IBL Modaraba, along with the audited accounts for the year ended June 30, 2001.

FINANCIAL RESULTS

	<i>Rupees in Million</i>	
	<i>2001</i>	<i>2000</i>
Musharika Income	32.34	26.13
Gross Operating Income	34.18	35.56
Administrative Expenses	3.59	6.64
Operating Profit	11.18	14.13
Transfer to Statutory Reserve	1.07	1.48
Profit Distribution	8.77	12.27

PERFORMANCE REVIEW

Despite an adverse economic and business environment, your Modaraba has been able to maintain its level of gross operating income of Rupees 34.18 million for the current year, as compared to Rupees 35.56 million last year.

The major contribution of this year's income is from Musharika investment, which has increased by 24 % as compared to last year. We have also been able to reduce our administrative expenses by Rupees 3.25 million. However, reduced dividend income and higher financial charges, coupled with a reduced reversal of the provision for diminution in the value of investments (2001: Rupees 0.75 million / 2000 Rupees 2.6 million) has affected the net profitability of the Modaraba.

THE ECONOMIC SCENARIO

The economic scenario for the financial year under review continued to come under pressure from debt servicing and the additional burden of low GDP growth due to drought conditions (2.6% as against 3.9 % last year). This situation has slightly improved in the later months of the financial year. On the other hand government regulatory bodies are insistent about the implementation of tight financial and monetary policies through tax reforms, and the restructuring of CBR and various government owned corporations, as well as speeding up the privatization of some corporations and banks.

The year under review, shows a declining trend in market interest rates. Recently, the State Bank of Pakistan has further reduced 2 % markup on export refinance facility. This situation has increased the competition in the financial sector. The stock market is still unstable and depressed and has maintained a volatile tendency. Although the Securities & Exchange Commission of Pakistan has made several structural reforms, results are yet to be seen.

PROFIT DISTRIBUTION

We are pleased to announce that the Board has approved a Cash Dividend at the rate of 7.5%, i.e. Rupees 0.75 per certificate of Rupees 10/- each.

EARNINGS PER CERTIFICATE

The earnings per Modaraba certificate works out to be Rupees 0.92, as against Rupees 1.27 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 30, 2002. The Board of Directors, subject to the approval of Registrar Modaraba Companies and Modarabas, has confirmed their appointment.

PATTERN OF CERTIFICATE HOLDING

The Statement of the Pattern of Certificate holding is annexed with this report.

ACKNOWLEDGEMENT

The Directors offer their sincere thanks to our valued clients, bankers, and certificate holders for their confidence in the Modaraba.

We extend our appreciation to the State Bank of Pakistan, Securities and Exchange Commission of Pakistan and Registrar Modaraba for their continuous support and guidance. We would also like to thank our team members for their commitment, dedicated efforts and valuable contribution.

Karachi: December 03, 2001

On behalf of the Board
Chief Executive

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed Balance Sheet as at June 30, 2001 and the related Profit and Loss Account, Statement of Changes in Equity and Statement of Changes in Financial Position/Cash Flow Statement) together with the notes to the accounts for the year ended June 30, 2001 of FIRST IBL MODARABA, Karachi 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 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 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 the related Profit and Loss Account, Statement of Changes in Equity 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 the Modaraba's affairs as at June 30, 2001 and the profit, Changes in Equity and Changes in Financial Position (Cash Flow) for the year ended on that date;

(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 expenditure incurred by the Modaraba are in accordance with the objects, terms and conditions of the Modaraba.

Karachi:
December 03, 2001

DAUDALLY, LALANI & CO.
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 2001

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
CAPITAL AND RESERVES			
CAPITAL			
Authorised			
20,000,000 (2000: 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		15,370,713	14,297,065
Unappropriated profit		2,445,329	1,548,120
		-----	-----
		134,691,042	132,720,185
SECURITY DEPOSITS			
		168,720	168,720
CURRENT LIABILITIES			
Musharika arrangements	4	102,597,233	125,971,047

Creditors, accrued and other liabilities	5	7,233,257	10,341,562
Due to management company		2,041,935	1,900,330
Provision for taxation		1,893,974	2,061,530
Profit distribution payable		8,765,625	12,271,875
		-----	-----
		122,532,024	152,546,344
		-----	-----
		257,391,786	285,435,249
		=====	=====
TANGIBLE FIXED ASSETS			
Assets in own use	6	37,334	85,139
Assets leased out	7	657,887	887,360
		-----	-----
		695,221	972,499
		-----	-----
		71,900	71,900
LONG TERM DEPOSIT			
CURRENT ASSETS			
Trade debtors - unsecured, considered good		21,909,781	34,575,918
Marketable securities of quoted companies and modarabas	8	21,286,670	34,358,934
Musharika arrangements	9	180,589,651	188,093,475
Accrued profit on musharika arrangements		17,211,860	15,443,899
Advances, deposit and prepayments	10	153,178	326,692
Other receivables	11	14,614,203	10,452,342
Bank balances	12	859,322	1,139,590
		-----	-----
		256,624,665	284,390,850
		-----	-----
		257,391,786	285,435,249
		=====	=====

The annexed notes form an integral part of these accounts.

Chief Executive

Director

Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2001

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
OPERATING INCOME			
Musharika income		32,336,796	26,128,026
Morabaha income		--	3,601,012
(loss) / Gain on sale of marketable securities		(982,268)	454,127
Dividend income		1,973,992	2,138,120
Lease rentals		338,304	111,390
Other income	13	508,210	3,132,551
		-----	-----
		34,175,034	35,565,226
OPERATING EXPENSES			
Administrative expenses	14	3,586,222	6,843,553
Financial charges	15	19,180,672	14,497,233
Amortization of leased assets		229,473	96,018
		-----	-----
		22,996,367	21,436,804

Operating profit		11,178,667	14,128,422
Reversal of provision for diminution in the value of investments	8	750,758	2,611,462
Provision for doubtful lease rentals		--	(249,960)
		750,758	2,361,502
Modaraba Company's management fee		(1,192,943)	(1,646,992)
Profit for the year		10,736,482	14,840,932
Un appropriated profit brought forward		1,548,120	463,156
Profit available for appropriations		12,284,602	15,304,088
APPROPRIATIONS			
Profit distribution @7.5% (2000 · 10.5 %)		(8,765,625)	(12,271,875)
Transfer to statutory reserve		(1,073,648)	(1,484,093)
		(9,839,273)	(13,755,968)
		2,445,329	1,548,120
Earnings per certificate - Basic and diluted	16	0.92	1.27

The annexed notes form an integral part of these accounts.

Chief Executive

Director

Director

STATEMENT OF CHANGES IN FINANCIAL POSITION (CASH FLOW STATEMENT) FOR THE YEAR ENDED JUNE 30, 2001

	2001	2000
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	10,736,482	14,840,932
Adjustments for:		
Depreciation	47,805	291,281
Amortization on assets leased out	229,473	96,018
Gain due to adjustment in value of investment	(750,758)	(2,611,462)
Provision for doubtful lease rentals	--	249,960
Loss / (Gain) on sale of investments	982,268	(454,127)
Gain on disposal of fixed assets	--	(312,199)
Dividend income	(1,973,992)	(2,138,120)
Financial charges	19,180,672	14,497,233
Operating profit before changes in working capital	28,451,950	24,459,516
Decrease / (Increase) in current assets		
Trade debtors	12,666,137	11,749,756
Marketable securities of quoted companies and modarabas	12,840,754	(22,233,306)
Musharika arrangements	7,503,824	(111,077,358)
Accrued profit on musharika arrangements	(1,767,961)	8,508,795

Advances and prepayments	24,395	31,806
Other receivables	(3,450,478)	(3,151,933)
	-----	-----
	27,816,671	(116,172,240)
(Decrease)/Increase in current liabilities		
Musharika arrangements	(23,373,814)	70,143,447
Creditors, accrued and other liabilities	(2,352,799)	1,444,467
Due to management company	141,605	399,402
	-----	-----
	(25,585,008)	71,987,316
	-----	-----
Cash generated from / (used in) operations	30,683,613	(19,725,408)
Income tax paid	(18,437)	(112,935)
Financial charges paid	(20,340,831)	(17,279,680)
	-----	-----
Net cash generated from / (used in) operating activities	10,324,345	(37,118,023)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of assets in own use	--	(879,000)
Proceeds from sale of tangible fixed assets	--	561,000
Proceed from long term morabaha arrangement	--	19,208,496
	-----	-----
Dividend received	1,262,609	2,147,004
	-----	-----
Net cash generated from investing activities	1,262,609	21,037,500
CASH FLOWS FROM FINANCING ACTIVITIES		
Security deposit paid	--	(90,000)
Profit distribution paid	(11,867,222)	(11,464,059)
	-----	-----
Net cash used in financing activities	(11,867,222)	(11,554,059)
	-----	-----
Net decrease in cash and cash equivalents	(280,268)	(27,634,582)
Cash and cash equivalents at the beginning of the year	1,139,590	28,774,172
	-----	-----
Cash and cash equivalents at the end of the year	859,322	1,139,590
	=====	=====

Chief Executive

Director

Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2001

	<i>Issued subscribed and paid-up certificate capital</i>	<i>Statutory reserve</i>	<i>Unappro- priated profit</i>	<i>Total</i>
	-----RUPEES-----			
Balance as at June 30, 1999	116,875,000	12,812,972	463,156	130,151,128
Profit for the year	--	--	14,840,932	14,840,932
Transfer from profit and loss account	--	1,484,093	(1,484,093)	--
Profit Distribution 2000	--	--	(12,271,875)	(12,271,875)
	-----	-----	-----	-----

Balance as at June 30, 2000	116,875,000	14,297,065	1,548,120	132,720,185
Profit for the year	--	--	10,736,482	10,736,482
Transfer from profit and loss account	--	1,073,648	(1,073,648)	--
Profit Distribution 2001	--	--	(8,765,625)	(8,765,625)
	-----	-----	-----	-----
Balance as at June 30, 2001	116,875,000	15,370,713	2,445,329	134,691,042
	=====	=====	=====	=====

Chief Executive

Director

Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2001

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, 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 Investments

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>2000</i>	<i>2001</i>	<i>2001</i>	<i>2000</i>
<i>No. of certificates</i>		<i>Rupees</i>	<i>Rupees</i>
10,000,000	10,000,000		
	Ordinary modaraba certificates of Rupees 10	100,000,000	100,000,000
	Ordinary modaraba certificates of Rupees 10 each issued as fully paid		
1,687,500	1,687,500	16,875,000	16,875,000
-----	-----	-----	-----
11,687,500	11,687,500	116,875,000	116,875,000
=====	=====	=====	=====

4. 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 from 15 % to 22% (2000: 18% to 22.5%) 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 shod profit paid by the Modaraba shall be sealed 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.

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
5. CREDITORS, ACCRUED AND OTHER LIABILITIES		
Creditors	608,222	2,808,222
Accrued expenses	224,558	174,576
Musharika profit payable	4,967,292	6,127,451
Unclaimed dividend	1,195,930	791,277
Other liabilities	237,255	440,036
	-----	-----
	7,233,257	10,341,562
	=====	=====

6. ASSETS IN OWN USE

	COST		DEPRECIATION			Written Rate		
	<i>As at</i>	<i>Additions/</i>	<i>As at</i>	<i>As at</i>	<i>Charge for</i>	<i>As at</i>	<i>down value</i>	<i>per</i>
	<i>July 1,</i>	<i>(disposals)</i>	<i>June 30,</i>	<i>July 1,</i>	<i>the year/</i>	<i>June 30,</i>	<i>as at June</i>	<i>annum</i>
	<i>2000</i>		<i>2001</i>	<i>2000</i>	<i>(disposals)</i>	<i>2001</i>	<i>30, 2001</i>	<i>%</i>
	----- Rupees -----							
Equipment	660,321	--	660,321	650,623	9,698	660,321	--	20
Furniture & Fixture	646,291	--	646,291	646,290	1	646,291	--	20
Vehicles	472,204	--	472,204	396,764	38,106	434,870	437,334	20
	-----	-----	-----	-----	-----	-----	-----	-----
2001	1,778,816	--	1,778,816	1,693,677	47,805	1,741,482	37.33	
	=====	=====	=====	=====	=====	=====	=====	=====
2000	2,174,816	64,000 (460,000)	1,778,816	1,813,595	291,281 (411,199)	1,693,677	85,139	
	=====	=====	=====	=====	=====	=====	=====	=====

	COST		AMORTIZATION			Written down	
	<i>As at</i>	<i>Additions/</i>	<i>As at</i>	<i>As at</i>	<i>Charge for</i>	<i>As at</i>	<i>value as</i>
	<i>July 01,</i>	<i>(disposals)</i>	<i>June 30,</i>	<i>July 1,</i>	<i>the year/</i>	<i>June 30,</i>	<i>at June</i>
	<i>2000</i>		<i>2001</i>	<i>2000</i>	<i>(disposals)</i>	<i>2001</i>	<i>30, 2001</i>
	----- Rupees -----						
Equipment	687,200	--	687,200	547,774	61,686	609,460	77,740
Plant & Machinery	499,800	--	499,800	449,800	--	449,800	50,000
Vehicle	715,000	--	715,000	17,066	167,787	184,853	530,147
	-----	-----	-----	-----	-----	-----	-----
2001	1,902,000	--	1,902,000	1,014,640	229,473	1,244,113	657,887
	=====	=====	=====	=====	=====	=====	=====
2000	1,597,769	815,000 (510,769)	1,902,000	1,229,391	96,018 (310,769)	1,014,640	887,360
	=====	=====	=====	=====	=====	=====	=====

8. MARKETABLE SECURITIES OF QUOTED COMPANIES AND MODARABAS

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

2000	2001	2001	2000
No. of shares/ certificates		Rupees	Rupees
Mutual Funds			
30,000	--Growth Mutual Fund	--	39,300
25,000	25,000 ICP SEMF	397,750	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
Modarabas			
540	540 First Punjab Modaraba	2,835	2,835
1,031,500	1,182,500 First UDL Modaraba	5,968,773	5,564,350
Leasings			
12,100	12,100 Askari Leasing Limited	147,540	147,540
93,500	84,002 Crescent Leasing Corporation Limited	396,720	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	84,264
1,000	1,000 Paramount Leasing Corporation Limited	7,250	7,250
Banks and securities			
2,625	2,625 Askari Commercial Bank Limited	80,064	80,064
7,865	7,365 Bank of Punjab Limited	102,586	109,550
9,000	22,960 Jahangir Siddiqui Investment Bank Limited	272,977	686,845
57,265	57,265 Crescent Investment Bank Limited	993,434	854,302
2,500	2,500 Faysal Bank Limited	67,550	67,550
5,000	5,000 Javed Umer Vohra and Company Limited	215,050	215,050
3,297	4,121 Khadim All Shah Bukhari and Company Limi	46,158	46,158
5,077	6,142 Muslim Commercial Bank Limited	172,968	172,968
Textile			
2,700	2,700 Crescent Spinning Mills Limited	15,930	15,930
2,589	2,589 Crescent Textile Mills Limited	34,781	34,781
7,975	7,975 Fazal Textile Mills Limited	201,188	201,188
2,371	3,793 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	3,300 Suraj Cotton Mills Limited	33,000	33,000
Synthetic and rayon			
100,000	33,333 Dewan Salman Fibers Limited	1,056,000	1,056,000
76,900	6,250 Ibrahim Fibers Limited	77,072	1,167,804
14,000	--Pakistan Synthetics Limited	--	126,140
Sugar			
363	363 Hussain Sugar Mills Limited	4,454	4,454
Tobacco			
1,600	1,600 Souvenir Tobacco Limited	14,400	14,400
Cement			
6,500	6,500 D.G. Khan Cement Company Limited	47,997	72,601
10,000	10,000 Lucky Cement Limited	101,175	101,175

9,000	9,000 Maple Leaf Cement Factory Limited	78,120	78,120
Fuel and energy			
200	200 Shell Pakistan Limited	59,626	59,626
8,801	3,801 Sui Northern Gas Pipelines Company Limited	61,199	141,702
7,500	--Sui Southern Gas Pipelines Company Limite	--	127,575
Automobiles			
10,000	--indus Motor Company Limited	--	124,100
29,000	29,000 Suzuki Motorcycles Company Limited	79,750	79,750
Communication			
125,000	75,000 Pakistan Telecommunication Company Limit	1,524,013	3,413,750
Chemical and pharmaceutical			
15,828	952 Engro Chemicals Pakistan Limited	51,037	975,617
35,000	--Fauji Fertilizers Company Limited	--	1,370,600
4,000	--I.C.I Pakistan Limited	--	82,720
215,000	215,000 Nimir Industrial Chemicals Limited	432,150	432,150
329,366	351,302 Searle Pakistan Limited	5,106,641	5,266,540
Paper and board			
3,194	3,194 Century Paper and Board Mills Limited	101,799	101,799
Food			
1,200	1,200 Nestle Milkpak Limited	92,000	92,000
Miscellaneous			
160,000	--Gillette Pakistan Limited	--	5,841,600
5,000	5,000 Taj Medical Complex Limited	62,500	62,500
100,950	24,450 Treat Corporation Limited	635,945	2,625,710
464,936	664,936 United Distributors Pakistan Limited	3,536,222	2,726,222
		-----	-----
		22,810,995	36,634,017
Less:			
Provision for diminution in value of investments			
	As on 1 July	2,275,083	4,886,545
	Reversal of provision	(750,758)	(2,611,462)
		-----	-----
		1,524,325	2,275,083
		-----	-----
		21,286,670	34,358,934
		=====	=====

9. 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 from 15% to 22% (2000: 18% 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.

2001 **2000**
Rupees **Rupees**

10. ADVANCES, DEPOSIT AND PREPAYMENTS

Considered good

Advance		
Income Tax	106,799	255,918
Salary	9,125	31,025
	-----	-----
	115,924	286,943
Deposit	1,000	1,000
Prepayments	36,254	38,749
	-----	-----
	153,178	326,692
	=====	=====

11. OTHER RECEIVABLES**Considered good**

Dividend receivable	742,354	30,971
Receivable against sale of shares	8,457,976	2,633,850
Others	5,189,378	7,759,331
Lease rental receivable		
Considered good	224,495	28,190
Considered doubtful	1,008,120	1,008,120
	-----	-----
	15,622,323	11,460,462
Provision for doubtful receivables	(1,008,120)	(1,008,120)
	-----	-----
	14,614,203	10,452,342
	=====	=====

12. BANK BALANCES

In current accounts	230,729	467,661
In profit and loss accounts	628,593	671,929
	-----	-----
	859,322	1,139,590
	=====	=====

13. OTHER INCOME

Front end fee	460,000	631,000
Gain on disposal of fixed assets	--	312,199
Profit on bank deposits	48,130	2,166,852
Miscellaneous	80	22,500
	-----	-----
	508,210	3,132,551
	=====	=====

14. ADMINISTRATIVE EXPENSES

Salaries and benefits (note 14.1)	1,182,389	2,808,985
Traveling and conveyance	35,446	3,106
Entertainment	13,383	6,737
Repair and maintenance	52,178	54,279
Registrar services	123,205	136,921
Printing and stationery	77,209	94,714
Fees and subscription	132.18	123,238
Legal and professional	48,415	145,619
Auditors' remuneration (note 14.2)	58,000	44,000
Share transfer fee	--	54,970
Insurance	48,950	72,870
Postage	35,299	27,205

Telephone, telex and internet	80,979	71,585
Locker rent	4,126	11,456
Depreciation (note 6)	47,805	291,281
Motor vehicle running and maintenance	90,149	102,579
Stamp paper and revenue stamps	4,040	7,137
Advertisement	8,760	--
News papers and periodicals	5,195	5,466
Office utilities	23,628	39,642
Vehicle lease rentals	288,000	288,000
Corporate expenses (note 14.3)	1,200,000	2,400,000
Rent, rates and taxes	24,138	9,803
Share custody charges	1,568	--
Others	1,184	43,960
	-----	-----
	3,586,222	6,843,553
	=====	=====

14.1 Remuneration of officers and other employees

	Officers		Other employees		Total	
	2001	2000	2001	2000	2001	2000
	----- Rupees -----					
Remuneration	769,900	2,373,407	192,122	197,508	962,022	2,570,915
Bonus	13,119	--	8,230	4,817	21,349	4,817
Employer's contribution to provident fund	39,074	130,058	7,551	8,110	46,625	138,168
Group insurance	4,332	--	914	--	5,246	--
Others	99,105	31,236	48,042	63,849	147,147	95,085
	-----	-----	-----	-----	-----	-----
	925,530	2,534,701	256,859	274,284	1,182,389	2,808,985
Average no. of persons	=====	=====	=====	=====	=====	=====
	2	3	2	2	4	5
	=====	=====	=====	=====	=====	=====

An officer is provided with free use of modaraba's vehicles.

	2001	2000
	Rupees	Rupees
14.2 Auditors' remuneration		
Audit fee	50,000	40,000
Out of pocket	8,000	4,000
	-----	-----
	58,000	44,000
	=====	=====

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

15. FINANCIAL CHARGES

Musharika profit	19,179,074	14,460,200
Bank charges	1,598	37,033
	-----	-----
	19,180,672	14,497,233
	=====	=====

16. EARNINGS PER CERTIFICATE

Profit for the year	10,736,482	14,840,932
	=====	=====

Weighted average number of modaraba certificates outstanding during the year	11,687,500	11,687,500
Earnings per certificate	0.92	1.27

17. FINANCIAL ASSETS AND LIABILITIES

17.1 Maturities of financial assets and liabilities

	<i>Total</i>	<i>Profit bearing</i>		<i>Non profit bearing</i>	
		<i>Upto one month</i>	<i>Over one month to one year</i>	<i>Upto one month</i>	<i>Over one month to one year</i>
-----Rupees-----					
FINANCIAL ASSETS					
Long term deposit	71,900	--	--	--	71,900
Trade debtors	21,909,781	--	--	--	21,909,781
Marketable securities of quoted companies and modarabas	21,286,670	--	--	--	21,286,670
Musharika arrangements	180,589,651	4,501,875	176,087,776	--	--
Accrued profit on musharika arrangement	17,211,860	--	--	761,494	16,450,366
Advances and deposits	10,125	--	--	1,000	9,125
Other receivables	14,614,203	--	--	--	14,614,203
Bank balances	859,322	628,593	--	94,628	136,101
	-----	-----	-----	-----	-----
	256,553,512	5,130,468	176,087,776	857,122	74,478,146
FINANCIAL LIABILITIES					
Security deposits	168,720	--	--	--	168,720
Musharika arrangements	102,597,233	--	102,597,233	--	--
Creditors, accrued and other liabilities	7,233,257	--	--	48,000	7,185,257
Due to management company	2,041,935	--	--	--	2,041,935
Profit distribution payable	8,765,625	--	--	--	8,765,625
	-----	-----	-----	-----	-----
	120,806,770	--	102,597,233	48,000	18,161,537
	-----	-----	-----	-----	-----
On balance sheet gap	135,746,742	5,130,468	73,490,543	809,122	56,316,609
	=====	=====	=====	=====	=====
		-----	-----		
Profit rate sensitivity gap		5,130,468	78,621,011		
		=====	=====		

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.

17.2 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 collaterals. Mitigation of credit risk of bank balances is achieved by continuous diversification of placements among institutions whose standing has been evaluated.

17.3 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 the note 18.

17.4 Fair value

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

18. SEGMENT ANALYSIS

18.1 Geographic

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

18.2 Business

	Musharikas		Investments		Leasing	
	<i>Amount Rupees</i>	<i>%</i>	<i>Amount Rupees</i>	<i>%</i>	<i>Amount Rupees</i>	<i>%</i>
Mutual funds	--	--	514,760	2.26	--	--
Modarabas	--	--	5,971,608	26.18	--	--
Leasing companies	--	--	640,274	2.81	--	--
Investment companies/banks	29,724,560	15.03	1,950,787	8.55	--	--
Textile	--	--	611,466	2.68	--	--
Synthetic and rayon	--	--	1,133,072	4.97	--	--
Sugar and allied	27,293,492	13.80	4,454	0.02	--	--
Cement	--	--	227,292	1.00	--	--
Fuel and energy	--	--	120,825	0.53	--	--
Tobacco	--	--	14,400	0.06	--	--
Transport and communication	--	--	1,524,013	6.68	--	--
Auto and allied engineering	--	--	79,750	0.35	--	--
Food and allied industries	28,005,863	14.16	92,000	0.40	--	--
Chemical and pharmaceuticals	--	--	5,589,828	24.50	--	--
Paper and board	--	--	101,799	0.45	--	--
Trading	89,122,457	45.06	3,536,222	15.50	--	--
Miscellaneous	23,655,139	11.95	698,445	3.06	657,887	100.00
	-----	-----	-----	-----	-----	-----
	197,801,511	100.00	22,810,995	100.00	657,887	100.00
	=====	=====	=====	=====	=====	=====

19. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

There were no transactions with associated undertakings.

20. GENERAL

20.1 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.

20.2 Corresponding figures have been rearranged and reclassified for comparison, where necessary.

Chief Executive

Director

Director

PATTERN OF CERTIFICATE HOLDING HELD BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 2001

<i>No. of Certificates</i>	<i>Certificate holdings</i>		<i>Total Certificates Held</i>
	<i>From</i>	<i>To</i>	
295	1	100	14,554
345	101	500	97,263
321	501	1,000	220,247
380	1,001	5,000	770,364
42	5,001	10,000	280,079
11	10,001	15,000	135,572

2	15,001	20,000	31,637
3	20,001	25,000	66,678
1	25,001	30,000	29,300
4	30,001	35,000	129,000
1	50,001	55,000	51,087
1	70,001	75,000	71,648
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	145,000	289,800
1	175,001	180,000	177,000
1	215,001	220,000	217,571
1	230,001	235,000	233,700
1	285,001	290,000	289,800
1	340,001	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
-----	-----	-----	-----
1,429			11,687,600
=====	=====	=====	=====

CATEGORIES OF CERTIFICATE HOLDERS**As at June 30, 2001**

Categories of Certificate Holders	Number	Certificates held	Percentage
Joint stock companies	5	48,026	0.41
Financial institutions	4	2,904,418	24.85
Modarabas	3	458,570	3.92
Modaraba company	1	1,180,905	10.10
Insurance companies	4	622,645	5.33
Investment companies	3	242,671	2.08
Individuals	1,409	6,230,265	53.31
	-----	-----	-----
	1,429	11,687,500	100.00
	=====	=====	=====