

## **First Habib Modaraba**

### **Annual Report 1998**

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#### **CORPORATE INFORMATION**

##### **Board of Directors**

Mr. Wazir Husain Jafree  
Mr. Muhammad Shoaib  
Mr. F. H. Mukhi  
Mr. Abbas Ali Muhammad  
Mr. S. Shahanshah H. Rizvi  
Mr. Zia Shafi Khan

##### **Auditors**

Ford, Rhodes, Robson, Morrow  
Chartered Accountants

##### **Bankers**

Habib Bank AG Zurich  
Metropolitan Bank Limited  
Bank Al Habib Limited  
Union Bank Limited  
Askari Commercial Bank Limited  
Soneri Bank Limited  
Gulf Commercial Bank Limited (Formely Schon Bank Limited)  
Faysal Bank Limited

##### **Registered Office**

Hirani Centre  
I.I. Chundrigar, Road,  
Karachi.

##### **Registrar**

Noble Computer Services (Pvt) Limited  
6th Floor, Hirani Centre  
I.I. Chundrigar, Road,  
Karachi.

#### **REPORT OF THE DIRECTORS**

##### **FOR THE YEAR ENDED 30TH JUNE, 1998**

The Board of Directors of the Management Company are pleased to present audited accounts for the year ended 30th June, 1998.

**FINANCIAL RESULTS**

(Rupees in 000's)

	Year ended June 30, 1998	Year ended June 30, 1997
Total Operating Income	302,836	232,160
Total Operating expenses	238,515	164,581
	-----	-----
Less: Modaraba Company's Management Fee	64,321	67,579
	5,847	6,143
	-----	-----
Profit for the year	58,474	61,436
Less: Provision for Taxation	14,000	11,500
Current Year	14,000	11,500
Prior Year	(3,662)	6,500
	-----	-----
	48,136	43,436
Add: Unappropriated profit B/F	2,304	12,755
	-----	-----
Profit available for appropriation	50,440	56,191

**APPROPRIATIONS**

Cash Dividend 7.50% (Rs. 0.375 per certificate of Rs. 5/- each) (1997 cash dividend 10% i.e. Rs. 0.50 per certificate of Rs. 5/- each)	18,900	25,200
Transfer to statutory reserve (@20% of the profit) as per requirements of State Bank of Pakistan.	9,627	8,687
Transfer to General Reserve	20,000	20,000
	-----	-----
	48,527	53,887
	-----	-----
Un-appropriated profit C/F	1,913	2,304
	=====	=====

**PROFIT DISTRIBUTION**

The Directors are pleased to declare a 7.50% cash dividend, i.e., Rs. 0.375 per certificate of Rs. 5/- each.

**REVIEW OF OPERATIONS**

The year under review was a difficult one for the overall economy of the Country. Most of the key indicators of the economy registered decline. As a result even very strong business groups have experienced low profitability and adverse cash flow impact on their businesses.

However, Al Hamdolillah your Modaraba has maintained its steady and balanced growth. The total footing of balance sheet has increased from Rs. 476.589 million to Rs. 553.977 million. New leases executed during the period amounted to Rs. 294.0 million and net investment in leases thus rose from Rs. 457.0 million to Rs. 527.0 million.

Significant improvement has also been made in business volume as well as in profit. The gross lease rentals have also improved from Rs. 22.05 million in 1997 to Rs. 300.0 million in 1998. The profit after

tax has increased to Rs. 48.0 million as compared to Rs. 43.0 million of corresponding period of last year.

The Management of your Modaraba has continued to pursue its policy of cautious lending in a prudent manner. Due to this utmost care and due diligence, financial risk was substantially reduced. The collection of lease rentals of Rs. 300.0 million during the year show excellent recovery thus providing strong interpal cash generation.

This year your directors have transferred Rs. 9.627 million and Rs. 20.000 million as statutory and general reserve after giving cash dividend of Rs. 18.900 million. The creation of such reserve will strengthen the financial health and operational base of your Modaraba which in turn will enhance the profitability of Modaraba.

#### **FUTURE OUTLOOK**

The economic forecast of current fiscal year does not show sign of much improvement over the existing levels. The industrial growth will remain low due to general recession and devaluation of rupee. The depreciation of rupee has increased domestic liquidity which would fuel inflation to cross double digit levels. The current year in general would remain to be an unpredictable and difficult year unless there is a decision on waiver of economic sanctions by the donor countries and restoration of funding lines from International Monetary Agencies for Pakistan.

Leasing is gradually becoming popular as alternative source of financing for medium and long terms. The share of leasing in the country is estimated at around 8% of the total private fixed capital expenditure which indicates further growth potential. Unfortunately the slow down in economy have resulted in decline in fixed investment hence there exist low demands for lease financing.

However, your Modaraba will continue its efforts to consolidate its position in current economic situation and will explore all opportunities for its further growth. Your Modaraba will continue to follow prudent lending policy taking exposure on such borrowers who have a proven track record with low risk profile.

In the recent Financial Bill 1998 the Government of Pakistan has restored tax exemption status of Modaraba which will be applicable from the assessment year 1999-2000. This is a welcome change for the Modaraba and their Certificate holders for which we are thankful to Central Board of Revenue.

#### **AUDITORS**

The present auditors M/s. Ford, Rhodes, Robson, Morrow have consented to their reappointment for the year ending 30th June, 1999. The directors have confirmed their appointment subject to required official approval.

#### **ACKNOWLEDGMENT**

In the end, we take this opportunity to thank our Certificate holders, valued Customers, Financial Institutions. Our sincere thanks to Central Board of Revenue for restoration tax exemption status of Modaraba and Registrar of Modaraba for their assistance in above tax issue and their constant guidance and support.

We would also like to express our deep appreciation to the staff for their continuous efforts and dedication without which it would have not been possible to achieve the present results.

Karachi: October 27, 1998

For and on behalf of Board of Directors

**Wazir Husain Jafree**

Chairman & Chief Executive

#### **AUDITORS' REPORT TO THE CERTIFICATE HOLDERS**

We have audited the annexed Balance Sheet as at June 30, 1998 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 then ended of First Habib Modaraba which are Modaraba Company's (Habib Modaraba Management 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 Habib 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 the Modaraba's affairs as at June 30, 1998 and the profit and the changes in the financial position (cash flow statement) for the year ended on that date;

(ii) Zakat deductible at source if any, 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 for the Modaraba.

**Ford, Rhodes, Robson, Morrow**

Karachi: October 27, 1998

Chartered Accountants

(MEMBER FIRM OF ERNST & YOUNG INTERNATIONAL)

**BALANCE SHEET AS AT JUNE 30, 1998**

	Note	1998 Rupees	1997 Rupees
<b>TANGIBLE FIXED ASSETS</b>			
Fixed assets leased out	4	526,888,597	456,170,160
Fixed assets in own use		516,624	798,815
		-----	-----
		527,405,221	456,968,975
<b>LONG TERM ADVANCES</b>	5	221,171	305,143
 <b>CURRENT ASSETS</b>			
Short term investments	6	23,875,195	16,600,192
Advances, prepayments and other receivables	7	297,061	533,539
Lease rentals receivable-considered good		1,368,398	798,564
Cash and bank balances	8	810,790	1,383,412
		-----	-----
		26,351,444	19,315,707
		-----	-----
		553,977,836	476,589,825
		=====	=====
 <b>CAPITAL AND RESERVES</b>			
Certificate capital:			
Authorised:			
60,000,000 (1997: 60,000,000) certificates of Rs. 5 each		300,000,000	300,000,000
		=====	=====

Issued, subscribed and paid-up	9	252,000,000	252,000,000
Capital reserve:			
Statutory reserve		36,641,548	27,014,339
Revenue reserve:			
General reserve		40,000,000	20,000,000
Unappropriated profit		1,912,623	2,303,789
		-----	-----
Certificate holders' equity		330,554,171	301,318,128
<b>DEFERRED LIABILITIES</b>	10	43,999,738	34,706,447
<b>CURRENT LIABILITIES</b>			
Finance arrangements	11	131,500,000	80,000,000
Lessees' security deposits-current portion		8,724,932	5,483,466
Creditors and accrued liabilities	12	13,309,485	13,350,146
Provision for taxation		4,685,942	14,676,925
Unclaimed profit distribution		2,303,568	1,854,713
Proposed profit distribution		18,900,000	25,200,000
		-----	-----
		179,423,927	140,565,250
		-----	-----
		553,977,836	476,589,825
		=====	=====

The annexed notes form integral part of these accounts.

Sd/-  
Chief Executive

Sd/-  
Director

Sd/-  
Director

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 1998**

	Note	1998 Rupees	1997 Rupees
<b>INCOME</b>			
Lease rentals		300,041,383	220,500,823
Morabaha profit		-	7,164,932
Other income	13	2,795,027	4,506,261
		-----	-----
		302,836,410	232,172,016
<b>EXPENSES</b>			
Depreciation on fixed assets leased out		209,221,236	152,042,152
Financial charges		16,672,553	5,933,427
Other expenses		8,466,955	5,588,414
		-----	-----
		234,360,744	163,563,993
		-----	-----
		68,475,666	68,608,023
Provision for classified receivables no more required		-	85,170
Diminution in value of investments written off		(4,153,914)	(859,245)
		-----	-----
		64,321,752	67,833,948
Effect of change in accounting policy - prior year		-	(254,351)

Profit before management fee	64,321,752	67,579,597
Modaraba company's management fee	(5,847,432)	(6,143,600)
	-----	-----
Profit before taxation	58,474,320	61,435,997
<b>TAXATION</b>		
Current	14,000,000	11,500,000
Prior years	(3,661,723)	6,500,000
	-----	-----
	10,338,277	18,000,000
	-----	-----
Profit after taxation	48,136,043	43,435,997
Unappropriated profit brought forward	2,303,789	12,754,991
	-----	-----
	50,439,832	56,190,988
<b>APPROPRIATIONS</b>		
Proposed profit distribution @ 7.50% (1997:10%)	18,900,000	25,200,000
Transfer to statutory reserve (20% of the profit) as per requirement of State Bank of Pakistan	9,627,209	8,687,199
Transfer to general reserve	20,000,000	20,000,000
	-----	-----
	48,527,209	53,887,199
	-----	-----
Unappropriated profit carried forward	1,912,623	2,303,789
	=====	=====

The annexed notes form integral part of these accounts.

Sd/-  
Chief Executive

Sd/-  
Director

Sd/-  
Director

**STATEMENT OF CHANGES IN FINANCIAL POSITION  
(CASH FLOW STATEMENT) FOR THE YEAR ENDED JUNE 30, 1998**

	1998 Rupees	1997 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	58,474,320	61,435,997
Adjustment for		
Profit on disposal of fixed assets leased out	(889,650)	(414,927)
Loss on sale of investments	120,000	12,000
Depreciation - fixed assets leased out	209,221,236	152,042,152
- fixed assets in own use	364,541	124,357
Provision for classified receivables	-	(85,170)
Provision for gratuity	187,315	151,640
Diminution in value of investments written off	4,153,914	859,245
Effect of change in accounting policy	-	254,351
Income on PLS time deposit account	-	(713,962)
Dividend income	(424,835)	(1,005,523)
Financial charges on:		
Musharika	16,173,739	5,910,616

Morabaha	443,104	-
	-----	-----
	16,616,843	5,910,616
Gratuity received	-	65,055
	-----	-----
Operating profit before changes in operating assets	287,823,684	218,635,831
(Increase)/decrease in operating assets:		
Short term morabaha finance	-	65,000,000
Advances and other receivables	195,764	552,623
Rentals receivable	(569,834)	498,974
	-----	-----
	287,449,614	284,687,428
Increase/(decrease) in operating liabilities:		
Lessees' security deposits:		
Received	18,775,338	20,007,994
Refund	(6,427,896)	(6,512,172)
	-----	-----
	12,347,442	13,495,822
	1,597,664	4,469,349
	-----	-----
Net cash from operating activities before financial charges and income-tax paid	301,394,720	302,652,599
Income -tax paid	(20,329,260)	(8,354,920)
	-----	-----
Net cash from operating activities (A)	281,065,460	294,297,679
	=====	=====
	<b>1998</b>	<b>1997</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets in own use	(82,350)	(602,772)
Purchase of fixed assets leased out	(294,269,587)	(336,684,409)
Proceeds from disposal of fixed assets leased out	15,219,564	11,233,871
Long term advances	83,972	(213,185)
Purchase of shares	(12,113,917)	(10,949,705)
Proceeds from sale of investment	565,000	205,500
Dividend received	390,430	1,005,523
Profit on time deposit account	75,119	2,057,120
	-----	-----
Net cash from investing activities (B)	(290,131,769)	(333,948,057)
	=====	=====
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(24,751,145)	(36,984,079)
Finance arrangements	51,500,000	80,000,000
Musharika profit paid	(18,255,168)	(3,760,653)
	-----	-----
Net cash financing activities (C)	8,493,687	39,255,268
	=====	=====
NET DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	(572,622)	(395,110)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,383,412	1,778,522

CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	810,790	1,383,412
	-----	-----
	=====	=====
Sd/- Chief Executive	Sd/- Director	Sd/- Director

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1998**

**1. STATUS AND NATURE OF BUSINESS**

The First Habib Modaraba is a perpetual, multi-purpose modaraba floated and managed by Habib Modaraba Management Limited and is listed on the stock exchanges of Pakistan. The Modaraba is engaged in the business of leasing, morabaha financing and other related business, without involving the element of riba (interest).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Accounting convention**

These accounts have been prepared under the historical cost convention.

**2.2 Investments**

Investments are stated at lower of cost or market value calculated on individual basis. Profit or loss on sale of investments is accounted for in the year in which it arises.

**2.3 Tangible fixed assets**

**(a) Fixed assets leased out**

These are stated at cost less accumulated depreciation. Depreciation is charged to income applying the straight line method whereby the cost less salvage value of the assets is written off over its lease period.

Depreciation on additions and disposals during the year is charged proportionately to the period of use.

Profit or loss on disposal of assets is included in income currently.

**(b) Fixed assets in own use**

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 estimate useful life. Full year's depreciation is charged on additions whilst no depreciation is charged on assets disposed off during the year.

**2.4 Staff retirement benefits**

(a) The Modaraba operates an unfunded gratuity scheme for its employees who have completed atleast five years of service with the Modaraba. Provision is made annually to cover the obligations under the scheme.

(b) The Modaraba also operates an approved provident fund scheme covering all of its employees who are eligible under the scheme.

**2.5 Finance arrangements**

Profit on musharika and morabaha finance in accounted for on the basis of the projected rate of profit. The effect of adjustments, if any, between actual rate and projected rate of profit is accounted for at the time of determination of the actual rate.



**2.6 Taxation**

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

The Modaraba accounts for deferred taxation on all significant timing differences using the liability method, excluding the tax effects of those timing differences which are not likely to reverse in the foreseeable future. As a measure of prudence different tax debits are not accounted for.

**2.7 Revenue recognition**

(i) Lease rentals are recognised as income when due.

(ii) Income from Morabaha transactions is recognised on pro-rata accrual basis taking into account the duration of placement of funds and the estimated profit receivable.

(iii) Dividend income is recorded at the time of closure of share transfer books of the company declaring dividend.

**3. CHANGES IN ACCOUNTING ESTIMATES**

During the year, the Modaraba changed its method of computing depreciation on assets in its own use from diminishing balance method to straight line method. The Modaraba also revised the rate of depreciation on the office equipment from 10% to 25% to 33.33%. The above changes have increased the depreciation charge and decreased the profit before tax by Rs. 246,242.

**4. TANGIBLE FIXED ASSETS****4.1 Fixed assets leased out**

Particulars	COST				Rate	DEPRECIATION				Written
	As at	Additions	Disposals	As at		-	-	As at	As at	down value
	July 1, 1997	during the year	during the year	July 30, 1998		July 1, 1997	For the year	on disposals	June 30, 1998	As at 1998
	Rupees	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees	Rupees
Plant and machinery and equipment	382,728,003	170,468,832	(53,635,445)	499,561,390	20 to 33.33	138,322,985	108,877,250	(48,411,687)	198,788,548	300,772,842
Furniture and fixtures	69,364,168	350,000	(5,187,920)	64,526,248	20 to 33.33	29,604,938	15,281,106	(4,693,289)	40,192,755	24,333,493
Vehicles	247,281,658	123,450,755	(53,160,252)	317,572,161	20 to 33.33	75,275,746	85,062,880	(44,548,727)	115,789,899	201,782,262
	699,373,829	294,269,587	(111,983,617)	881,659,799		243,203,669	209,221,236	(97,653,703)	354,771,202	526,888,597
1997:	479,225,990	336,684,409	(116,536,570)	699,373,829		196,879,143	152,042,152	(105,717,626)	243,203,669	456,170,160

**4.2 Fixed assets in own use**

Vehicles	400,500	45,500	-	446,000	20	144,180	89,200	-	233,380	212,620
Office equipment	602,772	36,850	-	639,622	25 to 33.33	60,277	275,341	-	335,618	304,004
	1,003,272	82,350	-	1,085,622		204,457	364,541	-	568,998	516,624
	400,500	602,772	-	1,003,272		80,100	124,357	-	204,457	798,815

**5. LONG TERM ADVANCES**

	1998 Rupees	1997 Rupees
Officers	290,459	215,334
Other employees	125,671	277,525
	-----	-----
	416,130	492,859
Less: Current portion (Note 8)	194,959	187,716
	-----	-----
	221,171	305,143
	=====	=====

**6. SHORT-TERM INVESTMENTS**

**6.1 National Investment (Unit) Trust**

Number of Units	Average cost per Unit	Company	1998	1998		
			Rupees	Rupees		
1998	1997		Book value	Market value		
32,000	82,000	14.50	14.50	National Investment (Unit) Trust	216,000	216,000

**6.2 Shares of listed companies**

Number of Units	Average cost per Unit	Company	1998	1998		
			Rupees	Rupees		
1998	1997		Book value	Market value		
115	115	65.52	65.52	Rupali Polyester Limited	2,300	2,300
110	100	46.41	49.05	Gatron Industries Limited	2,310	2,310
205	171	26.43	27.71	Gul Ahmed Textile Mills Limited	2,398	2,398
890,875	389,800	25.89	28.05	Metropolitan Bank Limited	21,381,000	21,381,000
378	315	37.83	45.40	Pakistan State Oil Company Limited	14,300	29,295
100	100	96.75	96.75	Park Davis & Company Limited	9,675	46,100
267	233	39.61	45.39	Engro Chemical Pakistan Limited	10,575	13,884
207	189	50.24	55.02	Abbot Laboratories Pakistan Limited	10,400	12,420
400,334	348,037	5.50	24.35	Dyno Pakistan Limited*	2,201,837	2,201,837
165	165	66.66	66.66	Reckit and Colman of Pakistan Limited	4,620	4,620
120	120	79.79	79.79	Novartis Pakistan Limited (formerly Ciba-Giegy (Pakistan) Limited)	4,080	4,080
200	200	60.38	60.38	Pak Suzuki Motor Company Limited	6,800	6,800
60	60	120.00	120.00	CPC Rafhan Limited (formerly Rafhan Maize Products Limited)	6,000	6,000
40	40	120.00	120.00	Rafhan Best Food Limited (formerly Rafhan Maize Products Limited)	2,900	2,900
					-----	-----
					23,659,195	23,715,944
					-----	-----
				Total of 6.1 and 6.2	23,875,195	23,931,944
					=====	=====
				1997:	16,600,192	17,100,425
					=====	=====

\*All the share have a face value of Rs. 10 each except those marked with an asterick which have a face value of Rs. 5 each.

**7. ADVANCES, PREPAYMENTS AND****OTHER RECEIVABLES**

	1998	1997
	Rupees	Rupees
Considered good -		
Advances to staff - secured (Note 5)	194,959	187,716
Prepayments	67,697	237,075
Profit on PLS time deposits	-	75,119
Other Receivable	-	33,629
Dividend receivable	34,405	-
	-----	-----
	297,061	533,539
	=====	=====

Maximum amount due from the officers and the other employees of the modaraba at the end of any month during the year was Rs.416,611 and Rs. 196,148 (1997: Rs. 222,651 and Rs. 301,563) respectively.

**8. CASH AND BANK BALANCES**

Cash in hand	-	3,000
Stamps in hand	4,500	-
	-----	-----
Cash with banks-		
State Bank of Pakistan (Note 8.1)		
Cash reserve account	40,000	40,000
Current account	259,950	260,000
	-----	-----
	299,950	300,000
On current account	506,340	1,080,412
	-----	-----
	810,790	1,383,412
	=====	=====

8.1 This is deposited with State Bank of Pakistan as required under the provision of the SBP's rules for Non-Banking Financial Institutions to maintain liquidity against certain liabilities.

**9. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

42,700,000 (1997: 42,700,000) certificates of Rs. 5 each fully paid in cash	213,500,000	213,500,000
7,700,000 (1997: 7,700,000) certificates of Rs. 5 each issued as bonus certificates	38,500,000	38,500,000
	-----	-----
	252,000,000	252,000,000
	=====	=====

**10. DEFERRED LIABILITIES**

Lessees' security deposits	52,067,885	39,720,443
Less: Current portion shown under current liabilities	8,724,932	5,483,466
	-----	-----
	43,342,953	34,236,977
Staff gratuity	656,785	469,470
	-----	-----
	43,999,738	34,706,447

=====

**11. FINANCE ARRANGEMENTS -Secured**

From a financial institution (Note 11.1)	50,000,000	35,000,000
From banks (Note 11.2) -		
Musharika facility	76,500,000	45,000,000
Morabaha facility	5,000,000	-
	-----	-----
	81,500,000	45,000,000
	-----	-----
	131,500,000	80,000,000
	=====	=====

11.1 This represents finance obtained under Musharika investment agreement and is secured by hypothecation of fixed assets leased out. The profit and loss is to be shared in the agreed ratio. The principal amount is repayable within one year of the draw-down whereas profit is payable monthly.

11.2 This represents running finance obtained from the banks under Musharika and Morabaha investment agreements and is secured by hypothecation of fixed assets leased out. The profit and loss is to be shared in the agreed ratio. The facility for short term running finance is available upto to Rs. 145 million (1997: Rs. 105 million).

**12. CREDITORS AND ACCRUED LIABILITIES**

Advance lease rentals received	6,857,212	4,911,122
Sundry creditors	-	69,461
Accrued expenses	93,203	83,000
Profit payable on:		
Musharika finance	68,534	2,149,963
Morabaha finance	443,104	-
	-----	-----
	511,638	2,149,963
Management fee payable	5,847,432	6,143,600
	-----	-----
	13,309,485	13,350,146
	=====	=====

**13. OTHER INCOME**

Dividend income	424,835	1,005,523
Profit on disposal of assets leased out	889,650	414,927
Processing fee	1,363,618	2,349,554
Profit on PLS deposit account	-	713,962
Miscellaneous income	116,924	22,295
	-----	-----
	2,795,027	4,506,261
	=====	=====

**14. FINANCIAL CHARGES**

Profit on:		
Musharika finance	16,173,739	5,910,616
Morabaha finance	443,104	-
	-----	-----
	16,616,843	5,910,616
Bank Commission and Charges	55,710	22,811
	-----	-----

16,672,553    5,933,427  
 =====    =====

**15. OTHER EXPENSES**

Salaries, allowances and other benefits	2,775,212	1,990,659
Rent, rates and taxes	147,070	85,968
Insurance expenses	77,762	28,205
Postage	130,452	124,452
Travelling and conveyance	116,078	99,522
Share registrar expenses	609,541	584,288
Printing, stationery and advertising	1,034,883	935,214
Subscription and fees	311,800	253,032
Telephone charges	100,723	97,829
Motor car expenses	97,369	15,700
Repairs and maintenance	292,451	38,993
Legal and professional charges	87,146	22,819
Auditors remuneration (Note 15.1)	85,500	120,200
Loss on sale of shares	120,000	12,000
Donations	2,023,000	946,500
Zakat	20,500	-
Depreciation on fixed assets in own use	364,541	124,357
Miscellaneous	72,927	108,676
	-----	-----
	8,466,955	5,588,414
	=====	=====

**15.1 Auditors' remuneration-**

Audit fee	48,000	47,500
Tax and other services	34,148	28,000
Special audit fee	-	40,000
Out of pocket expenses	3,352	4,700
	-----	-----
	85,500	120,200
	=====	=====

**16. UNAVAILED CREDIT FACILITIES**

The unavailed credit facilities as on June 30, 1998 amount to Rs. 63.5 million (1997: Rs. 60 million).

**17. RENTALS RECEIVABLE WITHIN ONE YEAR**

Current maturities of receivable in subsequent financial year ending June 30, 1999 amounts to approximately Rs 305 million. The lease rentals receivable within one year can be treated as a part of current assets for working of current ratio (as per BCD Circular No. 5 of the State Bank of Pakistan).

**18. REMUNERATION OF OFFICERS AND OTHER EMPLOYEES**

The aggregate amount charged in the accounts for remuneration to employees of the Modaraba was as follows:

	1998			1997		
	OFFICERS	OTHER EMPLOYEES	TOTAL	OFFICERS	OTHER EMPLOYEES	TOTAL
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Salaries	1,186,850	407,075	1,593,925	383,197	315,867	699,064
House rent	431,014	75,144	506,158	259,731	110,394	370,125
Conveyance and other allowances	170,490	83,853	254,343	384,160	291,149	675,309
Group insurance	113,905	-	113,905	-	-	-

Retirement benefits	220,535	86,346	306,881	194,003	52,158	246,161
	2,122,794	652,418	2,775,212	1,221,091	769,568	1,990,659
No of persons	6	7	13	4	8	12

One officer is also provided with free use of a fully maintained car.

#### 19. DEFERRED TAXATION

Deferred taxation arising due to timing differences computed under the liability method is estimated at Rs. 4.575 million out of which Rs. 0.496 million is in respect of current year (1997: Rs. 4.079 million-current year Rs. 3.463 million). The liability for deferred taxation is not likely to reverse in the foreseeable future and accordingly, no provision for deferred taxation has been made in these accounts.

#### 20. GENERAL

20.1 Previous year's corresponding figures have been rearranged wherever necessary for the purpose of comparison.

20.2 Figures have been rounded off to the nearest rupee.

Sd/-	Sd/-	Sd/-
Chief Executive	Director	Director

#### PATTERN OF CERTIFICATE HOLDINGS AS AT 30TH JUNE, 1998

Number of Certificate Holder	Certificate Holding	Total Certificates
445	1	100
1,253	101	500
1,065	501	1000
2,685	1001	5000
570	5001	10000
282	10001	15000
71	15001	20000
68	20001	25000
30	25001	30000
23	30001	35000
11	35001	40000
18	40001	45000
13	45001	50000
17	50001	55000
5	55001	60000
7	60001	65000
4	65001	70000
5	70001	75000
4	75001	80000
2	80001	85000
1	85,001	90000
2	90001	95000
1	95001	100000
5	100001	105000
4	105001	10000
3	110001	15000
4	115001	20000

1	120001	-	25000	122,572
1	130001	-	35000	133,704
1	165001	-	70000	169,972
1	175001	-	80000	177,600
1	235001	-	240000	240,000
1	410001	-	415000	412,404
1	500001	-	505000	504,000
1	555001	-	560000	557,334
1	930001	-	935000	931,000
1	1465001	-	1470000	1,467,098
1	1720001	-	1725000	1,720,256
1	18345001	-	18350000	18,346,152
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6,610				50,400,000
=====				=====

**PATTERN OF CERTIFICATE HOLDINGS AS AT 30TH JUNE, 1998**

Categories of Certificate Holders	Number of Certificate Holders	Certificates Held	Percentage
1. INDIVIDUALS	6,570	26,397,315	52.376
2. INVESTMENT COMPANIES	7	1,822,245	3.616
3. INSURANCE COMPANIES	6	153,912	0.305
4. JOINT STOCK COMPANIES	17	996,503	1.977
5. FINANCIAL INSTITUTIONS	3	1,570,858	3.117
6. MODARABA	5	18,496,472	36.699
7. FOREIGN INVESTORS			
8. CO-OPERATIVE SOCIETIES	2	962,695	1.910
9. CHARITABLE TRUSTS			
10. OTHERS			
	-----	-----	-----
TOTAL	6,610	50,400,000	100.000
	=====	=====	=====