

Modaraba Al-Tijarah**Annual Report 2000****CONTENTS**

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CORPORATE INFORMATION**BOARDS OF DIRECTORS**

Mr. Syed Iradat Husain	Chairman
Mr. Maqbool Hussain	Managing Director & Vice Chairman
Mr. Mohammad Kamil	Director
Mr. Ashraf Kalam	Director
Mr. Ahmad H.I. Dada	Director
Mr. Imdad Ali	Director
Mr. Faisal Hussain	Director
Mr. Zafar H. Naqvi	Chief Executive

MANAGEMENT TEAM

Mr. Zafar H. Naqvi	Chief Executive
Mr. S. Shakeel-ur-Rehman	Chief Manager
Mr. S. Masood Akhter	Chief Manager
Mr. D.V. Karia	Chief Manager
Mr. Omair Jamal	Company Secretary

AUDITORS

Ford, Rhodes, Robson, Morrow
 Chartered Accountants
 Finlay House
 I.I. Chundrigar Road Karachi.

BANKERS & FINANCERS

Muslim Commercial Bank Limited
 Metropolitan Bank Limited

REGISTERED OFFICE

10th Floor, Progressive Square
 Opposite Nursery, Sharae Faisal, Karachi.
 Phones: 4547521-5 Fax: (92-21) 4547526

DIRECTOR'S REPORT

The Board of Directors of Al-Mal Corporation Limited have pleasure in presenting Ninth Annual Report Of Modaraba Al-Tijarah together with Audited Accounts for the year ended June 30, 2000.

1. OPERATING RESULTS:

A summary of the operating results for the year ended 30th June, 2000 are presented as under:-

	<i>(Rs. in "000")</i>	
	<i>2000</i>	<i>1999</i>
Profit after taxation	1,319	170
Operating (Loss) / income	(3,970)	3,014
Operating cost	(2,049)	(2,086)
Musharika profit distribution	--	(1,175)
Other income	(6,019)	(247)
	451	177
Provision for doubtful debts	(5,568)	(70)
	(971)	(946)
Provision for diminution in value of stock in trade	(249)	--
Provision written back	8,218	1,690

Profit before taxation		
Taxation	1,430 (111)	674 (504)
Profit after taxation	1,319	170
Loss brought forward	(49,338)	(49,474)
	(48,019)	(49,304)
Transfer to statutory reserves	(132)	(34)
Loss carried to the balance sheet	(48,151)	(49,338)
Earnings per certificate	0.17	0.02

2. STATUTORY RESERVE

In accordance with the Prudential Regulation for Modarabas issued by Securities & Exchange Commission of Pakistan, your Directors have decided to appropriate 10% of the current year profit to Statutory Reserves.

3. BUSINESS OPERATIONS

In view of past losses your Directors continued to pursue policy of cautious optimism for undertaking new business with good profit margin, and minimum risk. The Modaraba has managed to earn after tax profit of Rs. 1.32 million during the year under review as compared to Rs. 170 thousand during the preceding year. As decided last year by Modaraba Management Company to support business operation of the Modaraba, your Modaraba received first tranche of Rs. 1.50 million as long term interest free loan from its management company. It was also decided to disinvest a reasonable portion of non performing investments of equity stock. The sale proceeds from investments and support from management company enabled the Modaraba to repay its liability of about Rs. 6.00 million towards its associated Modaraba under Musharika financing agreement and thereby reduced financing cost. The un-utilized portion of export quota was also sold at a profit of Rs. 473 thousand, besides, income of Rs. 406 thousand and Rs. 1.0 million were earned on account of commission and dividend respectively.

Your Modaraba continues to book reasonably sound export business of garments and is exploring new avenues of business and markets.

4. FUTURE PROSPECTS

During last two years Modaraba concentrated on accumulation of working capital for establishment of some consistent business ventures, like export of garment and import of finished items.

The government is emphasizing on increase in export to curb adverse trade balance. This policy will certainly put a positive impact on Modaraba's export business. Keeping in view turn around and growth seen in last two years, we expect that Modaraba will continue to progress gradually and come out of its problems with the dedicated interest free funding support of its management company.

5. AUDITORS

The present auditors, Messrs Ford, Rhodes, Robson, Morrow, Chartered Accountants, are due for retirement, and being eligible, offer themselves for re-appointment for the year 2000-2001.

6. PATTERN OF CERTIFICATE HOLDINGS

The pattern of certificate holding is attached.

7. ACKNOWLEDGMENT

The Directors take this opportunity to extend their appreciation and thanks to Certificate holders for their trust in Modaraba, to the authorities for their guidance and to all members of management and staff for their hard work and commitment.

On the behalf of the Board

**Syed Iradat Husain
Chairman**

Karachi: Dated 17th November, 2000

AUDITOR'S 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 MODARABA AL-TIJARAH which are Modaraba Company's (Al-Mal Corporation 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 Modaraba Al-Tijarah 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 the 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, 2000 and the profit and the changes in the financial position (cash flow statement) for the year ended on that date;

(ii) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980; 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: 27th November, 2000

Ford, Rhodes, Robson, Morrow
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 2000

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
ASSETS			
NON-CURRENT ASSETS			
Tangible fixed assets	3	4,962,092	5,850,028
Long-term investments	4	4,630,967	6,306,543
Deferred expenditure	5	358,493	1,298,368
		-----	-----
		9,951,552	13,454,939
CURRENT ASSETS			
Stock-in-trade	6	12,233,600	14,517,018
Marketable securities	7	2,068,814	1,534,486
Trade debts	8	--	--
Short-term Musharaka	9	2,439,554	2,783,741
Short-term Morabaha	10	--	221,225
Advances, deposits, prepayments and other receivables	11	4,549,635	3,747,059
Cash and bank balances	12	4,692,525	573,104
		-----	-----
		25,984,128	23,376,633
		-----	-----
TOTAL ASSETS		35,935,680	36,831,572
		=====	=====
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Certificate capital			
Authorised - 10,000,000 (1999: 10,000,000)			
modaraba certificates of Rs. 10 each			
Issued, subscribed and paid-up	13	100,000,000	100,000,000
Reserves		75,778,150	75,778,150
Capital reserve			
Statutory reserves	14	488,297	356,352
Revenue reserve			
Accumulated losses		(48,150,562)	(49,338,067)
		-----	-----
		28,115,885	2,679,643.50
NON-CURRENT LIABILITIES			
Long term advance	16	1,500,000	--
CURRENT LIABILITIES			
Short term musharaka		--	5,940,000
Creditors, accrued and other liabilities	17	5,908,804	3,675,578
Unclaimed profit distribution		410,991	419,559
		-----	-----
		6,319,795	10,035,137
COMMITMENT AND CONTINGENCIES			
	18		
		-----	-----
TOTAL EQUITY AND LIABILITIES		35,935,680	36,831,572
		=====	=====

The annexed notes form an integral part of these accounts.

Chief Executive

Managing Director

Chairman

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

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
Operating (loss) / income	19	(3,969,847)	3,014,272
Operating costs	20	2,048,600	2,085,829
Musharaka profit distribution		--	1,175,203
		-----	-----
		2,048,600	3,261,032
		-----	-----
		(6,018,447)	(246,760)
Other income	21	450,752	176,971
		-----	-----
		(5,567,695)	(69,789)
Provision written back	22	6,998,486	743,905
		-----	-----
Profit before taxation		1,430,791	674,116
Taxation	23	111,341	503,574
		-----	-----
Profit after taxation		1,319,450	170,542
Accumulated losses brought forward		(49,338,067)	(49,474,501)
		-----	-----
		(48,018,617)	(49,303,959)
Transfer to statutory reserve: 10% (1999: 20%)		(131,945)	(34,108)
		-----	-----
Accumulated losses carried forward		48,150,562	(49,338,067)
		=====	=====
Earning per certificate	24	0.17	0.02
		=====	=====

The annexed notes form an integral part of these accounts.

Chief Executive

Managing Director

Chairman

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 2000**

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		1,430,791	674,116
Adjustments for:			
Depreciation		586,913	481,639
Amortization of deferred expenditure		282,336	649,184
Gain on sale of assets		(8,200)	--
Provision for diminution in value of stock-in trade		248,918	--
Loss on sale of long-term investments		5,938,362	217,449
Provision -write-back on long-term investments		(7,173,979)	(1,587,888)
Profit on sale of export quota		(472,761)	(53,920)
Financial charges		--	1,175,203
Dividend		(1,138,609)	(234,262)
		-----	-----
Cash generated from operations		(1,737,020)	647,405
		-----	-----
Operating profit before changes in operating assets/liabilities		(306,229)	1,321,521
(Increase)/decrease in operating assets			
Stock-in-trade		2,034,500	716,728
Marketable securities		(534,328)	(14,206)
Trade debts		--	1,923,245
Short-term Musharaka		344,187	669,781
Short-term Morabaha		221,225	179,574
Advance, deposits, prepayment and other receivables excluding advance tax and dividend		(825,815)	568,587
		-----	-----
		1,239,769	4,043,709

(Decrease)/Increase in operating liabilities		
Short-term Musharaka	(5,940,000)]	--
Creditors, accrued and other liabilities	3,342,275	(3,275,361)
	-----	-----
	(2,597,725)	(3,275,361)
	-----	-----
Cash (outflow)/inflow from operating activities	(1,664,185)	2,089,869
Financial charges paid	(1,139,532)	(35,671)
Income-tax paid	(91,009)	(804,943)
	-----	-----
Net cash (outflow)/inflow from operating activities Total c/f	(2,894,726)	1,249,255
	=====	=====
Net cash (outflow)/inflow from operating activities Total b/f.	(2,894,726)	1,249,255
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(40,777)	(2,132,570)
Proceeds from sale of fixed assets	350,000	--
Proceeds from sale of long-term investments	2,911,193	503,960
Proceeds from sale of export quota	1,486,270	81,868
Profit received on bank deposits	30,483	80,187
Dividend received	1,141,516	311,627
	-----	-----
Net cash inflow/(outflow) from investing activities	5,878,685	(1,154,928)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term advance	1,500,000	--
Profit paid	(8,568)	--
Deferred expenditure paid	(355,970)	(1,975,500)
	-----	-----
Net cash inflow/(outflow) from financing activities	(1,135,462)	(1,975,500)
	-----	-----
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	4,119,421	(1,881,173)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	573,104	2,454,277
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	=====	=====
	12	573,104

The annexed notes form an integral part of these accounts.

Chief Executive

Managing Director

Chairman

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

1. LEGAL STATUS AND NATURE OF BUSINESS

Modaraba Al-Tijarah is a multipurpose, perpetual Modaraba formed in July, 1991 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, and Modaraba Companies and Modaraba Rules, 1981 and is managed by Al-Mal Corporation Limited. It is engaged in the business of trading and manufacturing on its own account, providing musharaka, morabaha finances, purchase and sale of securities and other related business. It is listed on the Karachi, Lahore and Islamabad Stock Exchanges.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These accounts have been prepared under the historical cost convention.

2.2 Staff retirement benefits

(a) Staff gratuity

The modaraba participates in an approved group funded gratuity scheme for all its employees, who have completed minimum qualifying period of service. Contribution to the fund have been made on the basis of actuarial recommendation at the rate of 8.33 percent per annum, of basic salaries. The actuarial valuation is normally carried out once in every three years. The latest valuation was carried out as at June 30, 1999. The fair value of the scheme's assets and liabilities of past services of the employees relating to the modaraba at the latest valuation date were Rs. 0.015 million and Rs. 0.023 million respectively. The projected unit credit method using the following significant assumption is used for the valuation of the scheme.

- Expected long term rate of increase in salaries level 12 percent per annum

Office premises	3,184,406	--	3,184,406	5	424,587	159,220	583,807	2,600,599
Plant and machinery	796,518	(796,518)	--	20	295,414	159,304	--	--
						(454,718)		
Furniture and fixtures	529,154	--	529,154	20	323,423	87,349	410,772	118,382
Equipments	823,662	40,777	864,439	10	266,182	85,765	351,947	512,492
Vehicle	24,000	--	24,000	20	7,600	4,800	12,400	11,600
	7,167,234	40,777	6,411,493		1,317,206	586,913	1,449,401	4,962,092
		(796,518)				(454,718)		
1999	5,034,664	2,132,570	7,167,234		835,567	481,639	1,317,206	5,850,028

3.1 Details of disposal of assets:

<i>Particulars</i>	<i>Cost of assets</i>	<i>Accumulated depreciation</i>	<i>Book value</i>	<i>Sale proceeds</i>	<i>Gain on disposal</i>	<i>Mode of disposal</i>	<i>Particular of Purchaser</i>
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>		
Plant and machinery	796,518	454,718	341,800	350,000	8,200	Negotiation	Mr. Sohail Alvi 802 Uni Tower, I. I. Chundrigar Road, Karachi.

4. LONG-TERM INVESTMENTS

Unless stated otherwise the holdings are in ordinary certificates/shares of Rs. 10 each.

<i>Name of Modaraba/Company</i>	<i>No. of shares / certificates</i>		<i>Cost</i>		<i>Market value</i>	
	<i>2000</i>	<i>1999</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>	<i>2000 Rupees</i>	<i>1999</i>
MUTUAL FUNDS						
ICP Mutual Fund XXIII	14,000	23,000	164,646	270,489	25,900	25,300
ICP Mutual Fund XXIV	11,900	49,900	119,000	499,000	22,610	72,355
GOVERNMENT SECURITIES						
National Investment Trust - Unit	95,000	95,000	1,482,000	1,482,000	1,007,000	722,000
ASSOCIATED MODARABA						
Modaraba Al-Mali (Managed by Al-Mal Corporation Limited)	437,631	437,631	6,711,871	6,711,871	2,100,624	1,947,458
ASSOCIATED UNDERTAKING						
Al-Mal Securities and Services Limited	103,000	103,000	1,018,060	1,018,060	257,500	360,500
Total carried forward	661,531	708,531	9,495,577	9,981,420	3,413,634	3,127,613
Total brought forward	661,531	708,531	9,495,577	9,981,420	3,413,634	3,127,613
LEASING COMPANIES						
Union Leasing Company Limited	45,323	59,823	938,237	1,238,405	126,903	179,469
TEXTILE SPINNING						
Sana Industries Limited	1,500	1,500	117,000	117,000	86,250	94,500
Idrees Textile Mills Limited	--	22,000	--	341,336	--	30,800
Gadoon Textile Mills Limited	--	5,000	--	297,750	--	78,750
TEXTILE COMPOSITE						
Ghazi Fabrics International Limited	100	35,100	922	323,653	350	38,610
SYNTHETIC AND RAYON						
Ibrahim Fibres Limited	--	30,000	--	535,950	--	210,000
SUGAR						
Chashma Sugar Mills Limited	11,700	40,700	127,301	442,846	100,620	183,150
CEMENT						
Pioneer Cement Limited	--	17,500	--	758,051	--	44,625
Dadabhoj Cement Industries Limited	--	24,000	--	843,200	--	102,000
Fecto Cement Industries						

Limited	--	15,000	--	903,046	--	60,000
D.G. Khan Cement Company Limited	279	8,279	16,499	489,578	2,288	35,186
AUTOS AND ALLIED ENGINEERING						
Indus Motors Company Limited	33,800	33,800	1,696,149	1,696,149	422,498	422,500
Agriauto Industries Limited (Rs. 5 each)	2,058	304,558	15,435	2,284,185	8,026	898,446
FOOD AND ALLIED						
Indus Fruits Products Limited	--	28,000	--	216,162	--	51,800
ENGINEERING						
Crescent Steel & Allied Products Limited	7,103	7,603	451,236	483,000	117,200	114,045
FUEL AND ENERGY						
Karachi Electric Supply Corporation Limited	327	327	12,559	12,559	3,156	2,812
Marl Gas Company Limited	425	22,925	14,284	770,464	7,650	410,358
TRANSPORT AND COMMUNICATION						
Pakistan International Airlines Corporation	350	350	5,882	5,882	2,520	4,515
CHEMICAL AND PHARMACEUTICALS						
Searle Pakistan Limited	19,760	17,964	1,195,049	1,195,049	339,872	217,364
	784,256	1,382,960	14,086,130	22,935,685	4,630,967	6,306,543

Less Provision for diminution in value of long-term investments - note 4.1

(9,455,163)	(16,629,142)
4,630,967	6,306,543

<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
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4.1 Provision for diminution in value of long-term investments

Balance as at July 1,	16,629,142	18,217,030
Provision written-back during the year	(7,173,979)	(1,587,888)
	9,455,163	16,629,142

5. DEFERRED EXPENDITURE

Export quota

Opening balance	1,947,552	--
Add: Purchased during the year	355,970	1,975,500
	2,303,522	1,975,500
Less: Sold during the year	(1,456,513)	(27,948)
	847,009	1,947,552
Less: Amortization - note 5.1	(488,516)	(649,184)
	358,493	1,298,368

5.1 Amortization

Opening balance	649,184	--
Charge for the year	282,336	649,184
	931,520	649,184
Less: Reversed during the year on sale	(443,004)	--
	488,516	649,184

6. STOCK-IN-TRADE

Trading stock -in hand	1,433,600	2,345,150
- finished with third parties	11,048,918	12,171,868

	12,482,518	14,517,018
Less: Provision for diminution in value of stock-in-trade	(248,918)	--
	12,233,600	14,517,018
	=====	=====

7. MARKETABLE SECURITIES

Unless stated otherwise the holding are in ordinary shares/certificates of Rs. 10 each.

Name of Modaraba/Company	No. of shares / certificates		Cost		Market value	
	2000	1999	2000 Rupees	1999 Rupees	2000 Rupees	1999 Rupees
MUTUAL FUNDS						
Golden Arrow Selected Stock Fund Limited (Rs. 5 each)	--	19,000	--	178,173	--	24,700
ICP Mutual Fund XXIII	5,000	--	16,000	--	9,250	--
ICP Mutual Fund XXIV	12,500	--	34,676	--	23,750	--
MODARABAS						
Associated:						
Modaraba Al-Mali (Managed by Al-Mal Corporation Limited)	180,500	113,000	698,705	331,442	866,400	502,850
Others:						
Unicap Modaraba [Managed by Chartered Management Services (Private) Limited]	12,340	12,340	236,663	236,663	12,340	24,680
First Equity Modaraba [Managed by Premier Financial Services (Private) Limited]	15,100	15,100	136,927	145,079	88,335	46,055
First Punjab Modaraba [Managed by Punjab Modaraba Services (Private) Limited]	4,724	28,224	27,464	399,964	10,865	59,270
First Allied Bank Modaraba [Managed by Allied Management Services (Private) Limited]	--	2,000	--	14,160	--	12,500
LEASING COMPANIES						
Natover Lease & Refinance	15,000	15,000	272,555	272,555	45,000	80,250
Crescent Leasing Corporation Li	20,240	20,240	433,259	459,270	202,400	111,320
Union Leasing Limited	12,500	--	47,158	--	35,000	--
INVESTMENT COMPANIES						
Jahangir Siddiqui & Company Limited	8,398	8,398	347,186	347,186	293,930	251,940
TEXTILE SPINNING						
Service Textile Industries Limited	3,300	3,300	84,103	84,103	3,300	14,355
Indus Dyeing and Manufacturing Company Limited (Rs. 5 each)	516	7,516	3,350	48,802	3,870	22,548
TEXTILE COMPOSITE						
Nishat Mills Limited	195	2,695	5,260	113,500	4,544	25,603
Ghazi Fabrics International Limite	800	--	2,796	--	2,800	--
FUEL AND ENERGY						
Ibrahim Energy Limited	6,375	6,375	169,408	169,412	79,050	75,544
Japan Power Generation Limited	--	1,000	--	4,206	--	3,950
SYNTHETIC & RAYON						
Pakistan Synthetic Limited	7,500	7,500	255,250	255,249	63,750	45,000
Ibrahim Fibres Limited	--	5,000	--	36,650	--	35,000
Total carried forward	304,988	266,688	2,770,760	3,096,414	1,744,584	1,335,565
Total brought forward	304,988	266,688	2,770,760	3,096,414	1,744,584	1,335,565
CEMENT						
Maple Leaf Cement Factory Limited	2,625	5,625	54,185	219,000	13,125	16,031
Pioneer Cement	1,000	--	5,180	--	3,400	--

GLASS AND CERAMICS

Medi Glass Limited	16,662	23,662	101,754	231,725	14,995	24,845
Frontier Ceramics Limited	14,500	15,000	107,432	120,238	27,550	45,000

TRANSPORT AND COMMUNICATION

Pakistan National Shipping Corporation	--	500	--	1,975	--	1,175
--	----	-----	----	-------	----	-------

CHEMICAL AND PHARMACEUTICAL

Fauji Fertilizers Company Limited	3,800	--	150,441	--	150,860	--
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MISCELLANEOUS

Mandviwala Mauser Turbo Tec.	36,000	39,000	368,849	394,169	81,000	81,900
	33,300	33,300	251,095	251,095	33,300	29,970
	412,875	383,775	3,804,696	4,314,616	2,068,814	1,534,486

Less: Provision for diminution in value of marketable securities- note 7.1

(1,785,882) (2,780,130)

2,068,814 1,534,486

2000 **1999**
Rupees **Rupees**

7.1 Provision for diminution in value of marketable securities

Balance as at July 1,	2,780,130	2,882,012
Provision write-back during the year	(1,044,248)	(101,882)
Balance as at June 30,	1,735,882	2,780,130

8. TRADE DEBTS

Considered doubtful- unsecured - note 8.1	2,464,517	2,464,517
Less: Provision for doubtful debts	(2,464,517)	(2,464,517)
	--	--

8.1 Strenuous efforts are being made to recover the above sum.

9. SHORT-TERM MUSHARAKA

Secured - considered good - note 9.1	2,578,700	758,700
Unsecured - considered good	619,554	2,783,741
Unsecured - considered doubtful	3,575,965	3,575,965
	6,774,219	7,118,406
Less: Provision for classified debts - note 9.2	(4,334,665)	(4,334,665)
	2,439,554	2,783,741

9.1 The above represents sums receivable against short term Musharaka transactions i.e. profit and loss sharing and are secured by equitable mortgage of property.

9.2 Provision has been made in accordance with the SECP's Prudential Regulations for modarabas. Strenuous efforts are being made to recover the above sums.

10. SHORT-TERM MORABAHA

Secured - considered good	--	221,225
Unsecured - considered doubtful	3,658,520	3,715,725
	3,658,520	3,936,950
Less: Provision for classified debts - note 10.1	3,658,520	3,715,725
	--	221,225

10.1 Provision has been made in accordance with the SECP's Prudential Regulations for modarabas. Strenuous efforts including legal steps have been taken for early recovery.

11. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances - considered good	221,970	35,000
Advance Income-tax - note 11.1	817,336	837,668
Deposits	--	90,000
Prepayments	185,847	31,851
Dividend receivable	6,309	9,216
Export rebate receivable - note 11.2	1,373,495	1,389,844
Less: Provision for doubtful receivable	1,028,925	600,000
	-----	-----
	344,570	789,844
Sales-tax receivable	447,395	323,456
Sundry receivables - note 11.2:		
Considered good	1,927,103	1,630,024
Considered doubtful	2,176,208	978,000
	-----	-----
	4,103,311	2,608,024
Less: Provision for doubtful receivables	1,577,103	978,000
	-----	-----
	2,526,208	1,630,024
	-----	-----
	4,549,635	3,747,059
	=====	=====

11.1 This includes Rs. 589,774 paid under protest against the liability assessed by the Deputy Commissioner of Income-tax for the assessment year 1994-95 (corresponding accounting year ended June 30, 1994), the recovery of which depends on the outcome of appeal filed before Income-tax Appellate Tribunal. No provision there against has been made in these accounts, as the management believes that the assessment made by the Deputy Commissioner of Income-tax will not be sustained in the appeal. However 50% tax liability has been recovered from Musharaka Partner.

The Modaraba's assessments has been completed upto the assessment year 1999-2000 (corresponding accounting year ended June 30, 1999).

11.2 Efforts are being made to recover these amounts and modaraba considers that a fair recovery would be affected and doubtful receivables would not exceed the provision made in these accounts.

	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
12. CASH AND BANK BALANCES		
Security papers in hand	19,505	21,455
Cash with banks:		
State Bank of Pakistan		
Cash reserve account	19,000	19,000
Current account	131,000	131,000
	-----	-----
	150,000	150,000
On current accounts	16,033	18,343
On PLS saving accounts	4,499,206	375,231
On foreign currency account	7,781	8,075
	-----	-----
	4,692,525	573,104
	=====	=====

13. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

6,449,815 (1999: 6,449,815) Modaraba Certificates of Rs. 10 each fully paid in cash	64,498,150	64,498,150
1,128,000 (1999: 1,128,000) Modaraba Certificates of Rs. 10 each allotted as bonus certificates	11,280,000	11,280,000
	-----	-----
	75,778,150	75,778,150
	=====	=====

14. STATUTORY RESERVE

Balance at the beginning of the year	356,352	322,244
Transfers from profit and loss accounts	131,945	34,108
	-----	-----
	488,297	356,352
	=====	=====

15. STATEMENT OF CHANGES IN EQUITY

Issued *Capital* *Revenue*

	<i>subscribed and paid-up capital Rupees</i>	<i>reserve Statutory reserve Rupees</i>	<i>reserve Accumulated loss Rupees</i>	<i>Total Rupees</i>
Balance as at July 1, 1998	75,778,150	322,244	(49,474,501)	26,625,893
Net profit for the year	--	--	170,542	170,542
Transferred during the year	--	34,108	(34,108)	--
Balance as at June 30, 1999	75,778,150	356,352	(49,338,067)	26,796,435
Net profit for the year	--	--	1,319,450	1,319,450
Transferred during the year	--	131,945	(131,945)	--
Balance as at June 30, 2000	75,778,150	488,297	(48,150,562)	28,115,885

2000
Rupees

1999
Rupees

16. LONG TERM ADVANCE

Unsecured:

From modaraba management company	1,500,000	--
----------------------------------	-----------	----

This represents the first tranche of Rs. 10.0 million interest free unsecured funds sanctioned by the modaraba management company, to help modaraba in meeting its working capital requirements. This tranche is repayable on December 06, 2003 in lumpsum.

17. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	1,858,891	361,461
Advances from customers/others	2,859,708	1,297,445
Accrued liabilities	344,948	62,366
Profit payable on musharaka finance	--	1,139,532
Others net of zakat - note 17.1	845,257	814,774
	5,908,804	3,675,578

17.1 This represents the profit received on PLS Saving Bank Accounts, which according to the decision of the honorable Supreme Court is unIslamic. Hence the Board of Directors has decided that this amount is not to be recognised as income but used only for charitable purpose.

18. COMMITMENT AND CONTINGENCY

18.1 Commitment

Letter of credit	5,110,312	5,253,400
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These are secured against the charge on modaraba's assets amounting to Rs. 140.0 million.

18.2 Contingency

Refer to note 11.1 regarding taxation	294,887	294,887
---------------------------------------	---------	---------

19. OPERATING (LOSS) / INCOME

Income from trading - note 19.1	147,280	2,551,199
Commission	405,867	312,976
Dividend - note 19.2	1,138,609	234,262
Loss on sale of investments	(6,134,364)	(138,085)
Gain on sale of export quota	472,761	53,920
	(3,969,847)	3,014,272

19.1 Income from trading

Sales		
Exports	4,717,602	16,351,938
Local	2,050,460	11,414,625
	6,768,062	27,766,563
Cost of sales:		
Opening stock	14,517,018	15,233,746
Purchases	1,726,680	17,149,810
Other direct costs	2,825,347	6,150,556
	19,069,045	38,534,112
Closing stock	(12,448,263)	(14,517,018)
	6,620,782	24,017,094

Income	147,280	3,749,469
Profit to Musharaka partner	--	1,198,270
	147,280	2,551,199

19.2 Dividend

From Associated Modaraba		
Modaraba AI-Mali	614,831	--
Others	523,778	234,262
	1,138,609	234,262

20. OPERATING COSTS

Salaries and allowances	527,650	363,240
Subscription	107,100	108,350
Legal and professional	44,733	26,206
Rent, rates and taxes	110,832	64,464
Printing and stationery	36,500	27,792
Telephone	5,046	17,097
Postage	11,400	11,645
Fuel and conveyance	38,000	22,121
Share registrar services	120,000	120,000
Repairs, maintenance and office renovation	383	36,362
Electricity charges	--	35,460
Insurance expenses	14,699	8,891
Auditors' remuneration - note 20.1	85,884	64,990
Depreciation	586,913	481,639
Amortization of deferred expenditure - note 5.1	282,336	649,184
Bank charges	4,451	5,500
Miscellaneous	72,673	42,888
	2,048,600	2,085,829

20.1 Auditors' remuneration

Audit fee	80,000	60,000
Out-of-pocket expenses	5,884	4,990
	85,884	64,990

21. OTHER INCOME

Gain on sale of fixed assets	8,200	--
Exchange (loss)/gain	(294)	1,971
Rent income	420,000	175,000
Miscellaneous income	22,846	--
	450,752	176,971

22. PROVISION WRITTEN BACK

Provision written back for diminution in value of long term investments	7,173,979	1,587,888
Provision written back for diminution in value of short term investments	1,044,248	101,882
Provision written back/(made) on short term morabaha	57,205	(149,865)
Provision (made) for export rebate receivable	(428,925)	(307,000)
Provision (made) for doubtful receivables	(599,103)	(489,000)
Provision (made) for diminution in value of stock-in-trade	(248,918)	--
	6,998,486	743,905

23. TAXATION

- current	111,341	494,589
- prior years	--	8,985
	111,341	503,574

24. EARNINGS PER CERTIFICATE

Earnings per certificate is calculated by dividing the net profit for the year by the number of certificates outstanding during the year as follows:

Profit after tax for the year	1,319,450	170,542
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Weighted average number of certificates outstanding during the year	7,577,815	7,577,815
Earnings per certificate	0.17	0.02

No figure for diluted earnings per certificate has been presented as the modaraba has not issued any instruments which would have an impact on earnings per certificate when exercised.

25. REMUNERATION OF OFFICERS AND OTHER EMPLOYEES

The aggregate amount charged in the accounts for remuneration to officers and other employees of the Modaraba were as follows:

	2000		1999	
	Officers Rupees	Other Employees Rupees	Officers Rupees	Other Employees Rupees
Salaries	300,820	--	143,258	69,569
House rent	121,771	--	64,463	31,293
Conveyance and other allowance	68,919	--	19,515	7,605
Retirement benefits	36,140	--	17,155	10,382
	527,650	--	244,391	118,849
Number of persons	4	--	2	3

	2000 Rupees	1999 Rupees
--	----------------	----------------

26. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Brokerage expense - note 26.1	167,355	5,935
Rent income	420,000	175,000
Musharaka profit charged to profit and loss account	--	1,139,532
Reimbursement of salaries and perquisite	304,591	135,534
Musharaka finance	--	2,100,000
Loan from modaraba management company - note 26.2	1,500,000	--

26.1 On sale and purchase of investments through Al-Mal Securities and Services Limited which is a corporate member of The Karachi Stock Exchange (Guarantee) Limited.

26.2 The loan has been injected by the modaraba management company on non-interest basis.

26.3 The transaction with the associated undertakings are in the normal course of business at contracted rates and terms determined in accordance with market rates.

27. MARK-UP RATE RISK

As most financial instruments of the modaraba are on a predetermined profit and loss sharing basis rather than being exposed, to mark-up, the modaraba is not considered exposed to material mark-up rate risk.

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arm's length transaction. As the modaraba prepares its financial statements under the historical cost convention, differences may arise between book value and the fair value estimates. The estimated fair value of all balance sheet financial instruments are not significantly different from their book value.

29. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The modaraba attempts to control credit risk by monitoring credit exposures, limiting transaction with specific counterparties, and continually assessing the credit worthiness of counter parties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligation to be similarly affected by changes in economic, political or other condition. Concentrations of credit risk indicate the relative sensitivity of the modaraba performance to developments affecting a particular industry or geographic location.

The modaraba seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentration of risks with individuals or groups of customers in specific locations or businesses. It also obtains security when appropriate. Concentration of credit risk on morabaha financing and musharaka financing with parties are indicated in the following table by the percentage

of total balance receivable from these parties in the specified industries/sectors.

<i>Industry sector</i>	<i>June 30, 2000</i>			
	<i>Morabaha</i>	<i>Musharaka</i>	<i>Total</i>	<i>Total</i>
	<i>finance</i>	<i>finance</i>		
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>%</i>
Textile and Garments	--	1,917,263	1,917,263	78.59
Distributors, Wholesalers and Retailers	--	505,420	505,420	20.72
Steel, Engineering and Autos	--	16,871	16,871	0.69
Miscellaneous	--	--	--	--
	--	2,439,554	2,439,554	100.00

<i>Industry sector</i>	<i>June 30, 1999</i>			
	<i>Morabaha</i>	<i>Musharaka</i>	<i>Total</i>	<i>Total</i>
	<i>finance</i>	<i>finance</i>		
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>%</i>
Textile and Garments	--	2,087,363	2,087,363	69.46
Distributors, Wholesalers and Retailers	--	687,770	687,770	22.89
Steel, Engineering and Autos	--	8,608	8,608	0.29
Miscellaneous	221,225	--	221,225	7.36
	221,225	2,783,741	3,004,966	100.00

30. GENERAL

30.1 Previous years' corresponding figures have been reclassified wherever necessary for the purpose of comparison.

30.2 Figures have been rounded off to the nearest rupee.

PATTERN OF SHAREHOLDINGS AS AT JUNE 30, 2000

<i>Number of Certificate holders</i>	<i>Certificate holding</i>		<i>Total Certificates held</i>
	<i>From</i>	<i>To</i>	
490	1	100	22616
242	101	500	55683
779	501	1000	499334
458	1001	5000	873140
60	5001	10000	387486
32	10001	15000	375422
16	15001	20000	268735
4	20001	25000	92628
5	25001	30000	137830
9	30001	35000	292444
1	35001	40000	35466
4	40001	45000	170259
1	45001	50000	47520
3	50001	60000	165854
1	90001	100000	99198
2	100001	125000	225546
1	125001	150000	149806
2	200001	250000	454140
1	300001	350000	309478
1	350001	400000	399492
1	700001	800000	720942
1	800001	900000	851920
1	900001	1000000	942876
2115			7577815

CATEGORIES OF CERTIFICATE HOLDERS AS AT JUNE 30, 2000

<i>Categories of Certificate holders</i>	<i>Number</i>	<i>Certificates held</i>	<i>Percentage</i>
--	---------------	--------------------------	-------------------

INDIVIDUAL	2082	3283020	43.32
INSURANCE COMPANIES	4	439290	5.80
JOINT STOCK COMPANIES	3	16344	0.22
FINANCIAL INSTITUTIONS	8	1667253	22.00
INVESTMENT COMPANIES	7	820954	10.83
MODARABA COMPANIES	9	1350563	17.82
OTHERS	2	391	0.01
	-----	-----	-----
	2115	7577815	100.00
	=====	=====	=====

NOTICE OF 1ST ANNUAL REVIEW MEETING

NOTICE IS HEREBY GIVEN THAT THE 1st Annual Review Meeting of Certificate holders of Modaraba Al-Tijarah will be held at Dr. Abdul Qadeer Khan Auditorium, Haji Abdullah Haroon Muslim Gymkhana, Aiwan-e-Sadar Road, Behind Shaheen Complex, Karachi on 20th December, 2000 (Wednesday) at 11:30 A.M. sharp to transact the following business:

AGENDA

1. To review performance of Modaraba Al-Tijarah during the year ended 30th June, 2000.
2. To transact any other business with the permission of Chair.

Place: Karachi

Dated: 17th November, 2000

Omar Jamal
Company Secretary

NOTE:

1. CDC certificate holders desiring to attend the meeting are requested to bring their original National Identity Cards, Account and Participant's ID numbers, for identification purpose.
2. Certificate holders are requested to notify any change in their addresses immediately.