

# Modaraba Al-Tijarah

Annual Report 1996

## Managed by

Al-Mal Corporation Ltd.

(Formerly Modaraba Al-Mal Corporation Ltd.)

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## Corporate Information

### BOARD OF DIRECTORS:

Mr. Syed Iradat Hussain	Chairman
Mr. Maqbool Hussain	Vice Chairman
Mr. Zafar H. Naqvi	Managing Director & Chief Executive
Mr. Nazir A. Shaikh	Director
Mr. Mohammad Kamil	Director
Mr. Ashraf Kalam	Director
Mr. Ahmad H. I. Dada	Director
Mr. Naushad Hussain	Director

### COMPANY SECRETARY:

Mr. D. V. Karia

### MODARABA MANAGEMENT COMMITTEE:

Mr. Syed Iradat Husain  
 Mr. Maqbool Hussain  
 Mr. Zafar H. Naqvi

### AUDITORS:

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

### BANKERS:

Muslim Commercial Bank Limited  
 Metropolitan Bank Limited

### REGISTERED OFFICE:

10th Floor, Progressive Square,  
 opposite Nursery, Sharea Faisal, Karachi.  
 Phones: 4547521-4 Fax: (92-21) 4547526

### DIRECTORS' REPORT

The Board of Directors of Al-Mal Corporation Limited have pleasure in presenting Fifth Annual Report of Modaraba AL-Tijarah together with Audited Accounts for the year ended 30th June, 1996.

#### 1. OPERATING RESULTS:

Operating results, for the year ended June 30, 1996 are presented below in a summarized form:

	Rs. in '000'	
	1996	1995
Operating (Loss)/income	(9,889)	14,274
	=====	=====
(Loss)/profit for the year	(22,591)	2,542

Less: Management fee	--	231
	-----	-----
	(22,591)	2,311
Provision for taxes	25	700
	-----	-----
	(22,616)	1,611
Unappropriated profit b/f	2,886	1,597
	-----	-----
	(19,730)	3,208
Appropriations:		
Transfer to statutory reserve	--	322
	-----	-----
Unappropriated (Loss)/profit c/f	(19,730)	2,886
	=====	=====

## 2. BUSINESS OPERATIONS:

The modaraba has incurred a loss of Rs. 22.6 million during the year ended June 30, 1996.

Letters of credit were established for import of a shipload of 19,936 tonnes of cement in January, 1995. It was expected that the consignment would reach Karachi in April 1995 and reasonable profits would be realized on this transaction as per market intelligence reports. However, the ship developed engine trouble in-transit and it reached the destination in July, 1995. Before the arrival of the consignment, the customs duty was increased in the budget from 15% to 25% by the Government of Pakistan. We had no alternative but to pay the duties at the enhanced rate in accordance with the legal opinion obtained by us. Furthermore, the customs duty was charged at the much higher assumed landed cost as against the actual cost despite our strong protests and representations. In the meantime demand curve declined in Karachi coupled with increased supply of local production of cement. Creating glut and the resultant competition was intense and the Modaraba was forced to sell cement at low prices ending up in losses of Rs. 11.2 million on this consignment.

Due to frequent disruptions caused by deteriorating law and order situation, garment export business also suffered, and only break-even situation could be achieved. The loss was further increased because of the following:

Amortization of deferred expenditure	Rs. 4.4 million
Financial charges	Rs. 2.4 million
- Provision for bad debts on musharaka and morabaha transactions entered in the preceding years	Rs. 1.9 million
- Provision for diminution in value of marketable securities	Rs. 1.1 million

## 3. FUTURE PROSPECTS:

From preceding paragraph it shall be appreciated that a major portion of the loss incurred by the modaraba has been due to reasons wholly beyond our control. The management is trying to diversify its activities and develop fee & commission based business to enhance its revenue. Moreover, having built-up reasonably strong marketing base for export of garments, your modaraba is focusing more attention to the development of this line of business on a regular and systematic basis. The orders received during the current year are encouraging. A boost to stock exchange operations is also expected to contribute to the improvement in the overall performance as soon as the stock market turns around.

In view of the above, we are hopeful that the modaraba will be able to show improved position in the next year's results.

## 4. 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 1996-97.

## 5. PATTERN OF CERTIFICATE - HOLDING:

The statement of pattern of certificate-holding is attached.

## 6. ACKNOWLEDGEMENT:

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

On behalf of the Board,

SYED IRADAT HUSAIN  
Chairman

Karachi · December 9, 1996

**AUDITORS' REPORT TO THE CERTIFICATE HOLDERS**

We have audited the annexed balance sheet as at June 30, 1996 and the related profit and loss account and statement of changes in financial position together with the notes to the accounts for the year ended June 30, 1996 of MODARABA AL-TIJARAH which are modaraba company's (AI-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 AI-Tijarah as required by the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980, and Modaraba Companies and Modarabas 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 Modarabas (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, 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, 1996 and the loss and the changes in the financial position for the year ended on that date;

(ii) zakat deductible at source, if any, under the Zakat and Ushr Ordinance, 1980, was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance; and

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

(d) Without qualifying our opinion we draw attention to note 4.1 whereby the Modaraba has waived its right to claim refund of provisional profit paid to the Musharaka partner.

Ford, Rhodes, Robson, Morrow  
Chartered Accountants

Karachi :- December 9, 1996

**BALANCE SHEET**

AS AT JUNE 30, 1996

	Note	1996 Rupees	1995 Rupees
<b>CAPITAL AND RESERVES</b>			
<b>Certificate Capital</b>			
Authorised'			
10,000,000 modaraba certificates		100,000,000	100,000,000
		=====	
Issued, subscribed and paid-up	3	75,778,150	75,778,150
Statutory reserve		322,244	322,244
Revenue reserve			
Accumulated (Loss)/profit		(19,729,961)	2,885,865
		-----	
		56,370,433	78,986,259
<b>DEFERRED LIABILITIES</b>			
Staff Gratuity		--	40,078
<b>CURRENT LIABILITIES</b>			
Short term Musharaka	4	25,517,400	25,000,000
Payable to bank against letter of credit		--	15,137,700

Creditors, accrued and other liabilities	5	2,345,283	3,971,238
Dividend Payable		432,778	555,894
		-----	-----
		28,295,461	44,664,832
<b>CONTINGENCIES AND COMMITMENTS</b>	6		
		-----	-----
		84,665,894	123,691,169
		=====	=====
	Note	1996 Rupees	1995 Rupees
<b>TANGIBLE FIXED ASSETS</b>			
Operating fixed assets - (at cost less accumulated depreciation)	7	707,208	898,908
<b>CAPITAL WORK IN PROGRESS</b>	8	2,103,783	--
<b>LONG TERM INVESTMENTS [Market value Rs. 11,136,948 see note 2(d)]</b>	9	25,592,843	24,241,716
<b>DEFERRED EXPENDITURE</b>	10	3,100,383	7,158,541
<b>CURRENT ASSETS</b>			
Stock in trade	11	34,372,531	43,382,049
Marketable securities	12	2,674,840	1,881,142
Trade debts	13	3,453,829	8,232,704
Shod term musharaka	14	3,483,906	17,616,790
Short term morabaha	15	1,330,262	9,590,443
Advances, deposits, prepayments and other receivables	16	7,011,157	9,180,343
Cash and bank balances	17	835,152	1,508,533
		-----	-----
		53,161,677	91,392,004
		-----	-----
		84,665,894	123,691,169
		=====	=====

The annexed notes form an integral part of these accounts.  
The auditors' report is annexed hereto.

**PROFITAND LOSSACCOUNT  
FOR THE YEAR ENDED JUNE 30, 1996**

	Note	1996 Rupees	1995 Rupees
<b>OPERATING INCOME</b>			
(Loss)/income from trading	18	(11,253,757)	10,391,248
Income from musharaka (other than trading)		14,000	233,318
Income from morabaha		511,271	1,774,477
Commission income		105,761	402,147
Dividend income	19	499,001	1,150,921
Gain on sale of investments		5,332	322,659
Gain on sale of export quota		201,000	--
Others		28,026	--
		-----	-----
		(9,889,366)	14,274,770
<b>OPERATING COST</b>	20	10,303,779	11,750,228
		-----	-----
<b>OPERATING (Loss)/Profit</b>		(20,193,145)	2,524,542
<b>FINANCIAL CHARGES</b>			
Musharaka profit		(2,441,288)	--
<b>OTHER INCOME</b>	21	43,557	17,802
		-----	-----

(Loss)/profit before management fee	(22,590,876)	2,542,344
Modaraba company's management fee	--	231,122
	-----	
(Loss)/profit before taxation	(22,590,876)	2,311,222
Less: Taxation	24,950	700,000
	-----	
Unappropriated profit brought forward	(22,615,826)	1,611,222
	2,885,865	1,596,887
	-----	
(Loss)/profit available for appropriation	(19,729,961)	3,208,109
APPROPRIATIONS :		
Transfer to statutory reserve (20% of profit) as per SBP's Prudential Regulations	-	322,244
	-----	
Balance carried forward	(19,729,961)	2,885,865
	=====	

The annexed notes form an integral part of these accounts.

**STATEMENT OF CHANGES IN FINANCIAL POSITION  
(CASH FLOW STATEMENT) FOR THE YEAR ENDED JUNE 30, 1996**

	1996	1995
	Rupees	Rupees
<b>SOURCES OF FUNDS</b>		
Net profit before management fee and taxation	(22,590,876)	2,542,344
Adjustment for:		
Depreciation - on fixed assets	191,700	190,059
Amortisation of deferred expenditure	4,398,958	4,285,356
Provision for gratuity	(40,078)	22,782
Loss on sale of long term investments	160,986	--
Financial charges	2,441,288	--
Dividend income	(499,001)	(1,150,921)
	-----	
Cash generated from operations	6,653,853	3,347,276
Operating profit before changes in operating assets/liabilities	(15,937,023)	5,889,620
	-----	
(Increase)/decrease in operating assets		
Stock-in-trade	9,009,518	149,457,390
Marketable securities	(793,698)	9,703,489
Trade debts	4,778,875	(3,648,794)
Short term musharaka	14,132,884	(8,872,929)
Short term morabaha	8,260,181	13,609,723
Advances, prepayments and other receivables	3,553,665	(4,345,337)
	-----	
Increase/(decrease) in operating liabilities	38,941,425	155,903,542
	-----	
Short term musharaka	517,400	10,500,000
Payable to bank against letter of credit	(15,137,700)	(141,614,857)
Creditors accrued and other liabilities	(1,556,229)	(4,835,701)
	-----	
	(16,176,529)	(135,950,558)
	-----	
Financial charges paid	6,827,873	25,842,604
Income tax paid	(2,441,288)	--
Management fee paid	(2,227,726)	(1,374,608)
	(124,455)	(680,000)
	-----	
Net cash from operating activities	2,034,404	23,787,996
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(2,103,783)	(79,076)
Purchase of long term investments	(2,760,631)	(14,921,478)
Proceeds from sale of long term investments	1,248,518	--

Profit received on bank deposits	95,794	551,261
Dividend received	1,276,233	1,138,901
	-----	-----
<b>NET CASH FROM INVESTING ACTIVITIES</b>	(2,243,869)	(13,310,392)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in certificate capital	-	4,498,150
Dividend paid	(123,116)	(16,226,439)
Deferred expenditure paid	(340,800)	(8,619,549)
	-----	-----
Net cash from financing activities	(463,916)	(20,347,838)
 -----		
Net increase/(decrease)in cash and cash equivalents	(673,381)	(9,870,234)
Cash and cash Equivalents at beginning of the period	1,508,533	11,378,767
	-----	-----
Cash and Cash Equivalents at end of the period	835,152	1,508,533
	=====	=====

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1996**

**1. LEGAL STATUS AND NATURE OF BUSINESS**

Modaraba Al-Tijarah is a multipurpose, perpetual Modaraba formed under the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 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 & Islamabad Stock Exchanges.

**SIGNIFICANT ACCOUNTING POLICIES**

(a) Cost convention

These accounts have been prepared under the historical cost convention.

(b) Staff Gratuity

The Modaraba operates a funded gratuity scheme for all its employees. Provision is made annually to cover obligations under the scheme.

(c) Fixed assets

These are stated at cost less accumulated depreciation. Depreciation is charged to income applying the straight line method and the rates used are stated in note 7 to the accounts. In respect of additions and disposals during the year, depreciation is charged proportionately to the period of use. Profit or loss on disposal of assets is included in income currently.

(d) Long term investments

These are stated at moving average cost. Provision for diminution in value of investments is made on aggregate basis, if considered permanent.

(e) Deferred expenditure

Expenses incurred in connection with the floatation of Modaraba are being written-off over a period of five years from the date of incurrence and the expenses on purchase of export quota are amortised over three years effective from the year of its utilization.

(f) Stock-in-trade:

(a) Stock-in-trade is valued at the lower of cost and net realisable value.

(b) Cost signifies in relation to:

Trading stock                                 weighted average cost.

Stock-in-transit                             actual cost comprising invoice value plus other charges thereon.

(g) Marketable securities:

These are stated at moving average cost less provision for diminution in value of investments which is made on aggregate basis. Gain or loss on sale of investments is accounted for in the year in which it arises.

(h) Foreign currency transactions

Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange approximating to those prevalent on the balance sheet date. Exchange gains and losses are taken to income currently.

(i) Revenue recognition

- i) Profit generated from morabaha transactions is recognised as income at the time of sale.
- ii) Return on short term investments is recognised as income on an accrual basis.
- iii) Dividend income is recognised at the time of closure of share transfer books of the company declaring dividend.
- iv) Sales are recorded on dispatch of goods.

	1996	1995
	Rupees	Rupees
<b>3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
6,449,815 Modaraba Certificates of Rs. 10 each fully paid in cash	64,498,150	64,498,150
1,128,000 Modaraba Certificates of Rs. 10 each fully paid bonus certificates	11,280,000	11,280,000
	-----	-----
	75,778,150	75,778,150
	=====	=====
<b>4. SHORT TERM MUSHARAKA</b>		
Secured (note 4.1 )	25,517,400	25,000,000
	=====	=====

4.1 The Modaraba has entered into a Musharaka agreement with an associated modaraba. The facility is secured against hypothecation of stock in trade. The profit is shared between the two parties in an agreed ratio. In case of loss an option is available to the Modaraba to claim refund of profit paid provisionally. However, this option was not exercised by the Modaraba. Consequently Rs. 4,317,400 (see note 23) has been charged to these accounts.

**5. CREDITORS, ACCRUED AND OTHER LIABILITIES**

Creditors	747,174	1,685,029
Profit payable to secured musharaka partner	685,278	1,526,484
Accrued liabilities	289,168	66,336
Management fee payable	--	124,455
Others (note 5.1 )	623,663	568,934
	-----	-----
	2,345,283	3,971,238
	=====	=====

5.1 This represents the profit accrued on PLS accounts (1995: Rs. 568,934). Pursuant to the Board's decision profit on PLS accounts is being suspended with effect from January 1, 1994, pending Religious Board's opinion.

**6. CONTINGENCIES AND COMMITMENTS**

6.1 The Income tax officer has finalised the assessment for the year 1995-96 under section 80C and 80CC of the Income tax Ordinance, 1979 and assessed tax liability of Rs. 2,909,985 against provision of Rs. 700,000 made in the accounts of that year. Further in current year modaraba has provided for tax of Rs. 24,950 on dividends only. However, based on previous year's assessment tax may be assessed under section 80C and 80CC and tax deducted at source during the year included in note 16 to the accounts of Rs. 2,191,764 be treated as final discharge of tax liability.

The modaraba filed a constitutional petition challenging the applicability of the above sections in the assessment made by the tax authority. Pending decision of the court no provision for Rs. 4,401,749 has been made against the above. Therefore the recoverability of advance tax shown in note 16 is dependent on the outcome of the decision of the court.

	1996	1995
	Rupees	Rupees
6.2 Letter of guarantee	87,500	-
	=====	=====

**7. TANGIBLE FIXED ASSETS**

Description	Cost		Balance as at June 30, 1996
	Balance as at July 11, 1995	Additions during the Year	
	Rupees	Rupees	
Furniture and Fixtures	185,923	-	185,923

Equipment's	465,586	-	465,586
Vehicle	539,764	-	539,764
Total	1,191,273	-	1,191,273
1995	1,112,197	79,076	1,191,273

Description	Rate	Depreciation		Written down	
		Balance as at July 11, 1995	Charge for the year	Balance as at June 30, 1996	value as at June 30, 1996
		Rupees	Rupees	Rupees	Rupees
Furniture and Fixtures	20%	104,839	37,188	142,027	43,896
Equipment's	10%	69,655	46,560	116,215	349,371
Vehicle	20%	117,871	107,952	225,823	313,941
Total		292,365	191,700	484,065	707,208
1995		102,306	190,059	292,365	898,908

8. This represents advances and expenditure incurred by the modaraba for acquisition of new office premises.

#### 9. LONG TERM INVESTMENTS

All the holdings are in ordinary certificates/shares of Rs. 10/- each.

	No. of Certificates/ shares	Average cost per Certifi- cate/ share	Cost	Market value
	1995	1996	Rupees	Rupees
<b>QUOTED</b>				
<b>MUTUAL FUNDS</b>				
23rd ICP	23,000	23,000	11.76	270,489
24th ICP	49,900	49,900	10.00	499,000
Government Securities				
National Investment Trust- Units	96,155	96,155	15.60	1,500,018
Associated Modaraba Modaraba AI-Mali Managed by AI-Mal Corp. Ltd.)	437,631	437,631	15.34	6,711,871
Associated undertaking AI-Mal Securities & Services Ltd.	100,000	103,000	9.88	1,018,060
<b>LEASING COMPANIES</b>				
Union Leasing Limited	28,900	43,350	28.57	1,238,405
Union Leasing Limited (Right Entitlement)	14,450	--	--	--
<b>TEXTILE SPINNING</b>				
Sana Industries Limited	5,700	5,700	78.00	444,600
Idrees Textile Mills Limited	22,000	22,000	15.52	341,336
Gadoon Textile Mills Limited	5,000	5,000	59.55	297,750
<b>TEXTILE COMPOSITE</b>				
Ghazi Fabrics International Limited	28,500	35,100	9.22	323,653
<b>SYNTHETIC &amp; RAYON</b>				
Ibrahim fibre	35,000	35,000	17.87	625,275
<b>SUGAR</b>				
Chashma Sugar Mills Limited	41,700	41,700	10.88	453,727
<b>CEMENT</b>				
Pioneer Cement Limited	17,500	17,500	43.32	758,051
Dadabhoy Cement industries Limited	16,000	24,000	35.13	843,200



Fecto Cement Industries Limited	15,000	15,000	60.20	903,046	262,500
D. G. Khan Cement Company Limited	5,790	6,369	59.14	376,632	89,166
D. G. Khan Cement Company Limited (Right Entitlement)	--	1,910	59.14	112,948	25,308
<b>AUTOS &amp; ALLIED ENGINEERING</b>					
Indus Motor Company Limited	33,800	33,800	50.18	1,696,149	811,200
Agri Auto Industries	--	324,058	7.50	2,430,435	1,134,203
<b>FOOD &amp; ALLIED</b>					
Indus Fruits Products Limited	34,000	34,000	7.72	262,483	44,200
<b>ENGINEERING</b>					
Crescent Steel & Allied Products Limited	5,750	5,750	84.00	483,000	280,313
<b>FUEL &amp; ENERGY</b>					
Karachi Electric Supply Corporation Limited	24,750	24,832	38.42	954,160	906,368
Karachi Electric Supply Corporation Limited (Bonus Entitlement)	--	2,483	38.42	95,407	96,630
Sui Northern Gas Pipe Line Limited	24,080	--	--	--	--
Mari Gas Company Limited	13,100	13,100	33.61	440,265	314,400
Mari Gas Company Limited (Right Entitlement)	--	9,825	23.61	231,949	122,813
<b>TRANSPORTATION</b>					
Pakistan International Airlines Corporation	25,850	25,850	16.81	434,514	245,575
<b>CHEMICALS &amp; PHARMACEUTICALS</b>					
Searle Pakistan Ltd.	12,075	12,075	98.97	1,195,050	455,831
Fauji Fertilizer Company Limited	11,800	6,800	96.00	651,370	610,300

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25,592,843 11,136,948

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Total Rupees 1995:

24,241,716 13,435,845

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**10. DEFERRED EXPENDITURE**

	1996 Rupees	1995 Rupees
Opening balance		
Modaraba floatation expenses	337,784	675,566
Export quota	6,820,757	2,184,782
	7,158,541	2,824,348
Add: Export quota purchased	340,800	8,619,549
	7,499,341	11,443,897
Less: Amortised during the year		
Modaraba floatation expenses	337,784	337,782
Export quota	4,061,174	3,947,574
	4,398,958	4,285,356
	3,100,383	7,158,541

-----  
3,100,383 7,158,541

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**11. -STOCK-IN-TRADE**

- in hand	17,231,743	352,673
- with third parties	17,009,985	10,747,608
Stock-in-transit	130,803	32,281,768
	34,372,531	43,382,049

-----  
34,372,531 43,382,049

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**12. MARKETABLE SECURITIES**

Unless stated otherwise the holdings are in ordinary shares/ certificates of Rs. 10/- each.	No. of certificates/ shares	Average cost per certificate/ share	Cost	Market value
	1995	1996	Rupees	Rupees

**MUTUAL FUNDS:**

Golden Arrow Selected Stock Fund Limited	19,000	19,000	9.38	178,173	55,100
<b>MODARABAS</b>					
Unicap Modaraba [Managed by Chartered Management Services (Private) Limited]	12,340	12,340	19.18	236,663	27,765
First Equity Modaraba [Managed by Premier Financial Services (Pvt) Limited]	15,100	15,100	9.61	145,079	56,625
First Punjab Modaraba [Managed by Punjab Modaraba Services (Pvt) Ltd]	22,400	28,224	14.17	399,964	152,410
First Habib Bank Modaraba [Managed by Habib Bank Financial Services]	1,700	--	--	--	--
Modaraba AI-Mali [Managed by AI-Mal Corporation Ltd]	--	37,000	6.20	229,309	122,100
Long Term Venture Central Modaraba (Rs. 5/-) [Managed by National Technology Development Corporation Limited]	--	25,000	5.91	147,650	116,250

**LEASING COMPANIES**

Natover Motor Lease Limited	15,000	15,000	18.17	272,555	100,500
Crescent Leasing Corporation Ltd.	17,600	17,600	26.09	459,270	136,400
Paramount Leasing	--	20,000	10.66	213,100	140,000

**INVESTMENT COMPANIES/SECURITIES  
COMPANIES/BANKS**

Bear Stearns Jahangir Siddiqui Ltd.	6,250	9,999	49.61	496,004	279,972
Carried Forward				2,777,767	1,187,122

No. of certificates/ shares		Average cost per certificate/ share	Cost	Market value
1995	1996	Rupees	Rupees	Rupees

Brought Forward			2,777,767	1,187,122
-----------------	--	--	-----------	-----------

**TEXTILE SPINNING**

Service (Textile) Industries Limited Indus Dyeing & Manufacturing Company Ltd.	3,300	3,300	25.49	84,103	16,500
Umer Fabrics Limited	7,840	7,840	7.47	58,542	21,560
Faisal Spinning	444	444	10.00	4,440	1,843
	--	2,500	18.63	46,575	31,250

**FUEL & ENERGY**

Genertech Pak Limited	7,500	--	--	--	--
Ibrahim Energy Limited	1,500	6,875	26.57	182,700	58,094
Nishat Tek	--	5,000	22.70	113,500	66,250

**SUGAR**

AI Abbas Sugar Mills Limited	9,000	--	--	--	--
Habib Arkady Limited (Rs. 5)	200	--	--	--	--

**AUTO & ALLIED**

Pak Suzuki Motor Company Limited	--	16,000	40.94	654,962	672,000
AI-Ghazi Tractors Limited (Rs. 5)	1,250	1,625	48.77	79,250	58,500

**SYNTHETIC & RAYON**

Dhan Fibre	--	7,500	12.16	91,225	46,500
Pakistan Synthetic	--	7,500	34.03	255,249	97,500

**CEMENT**

Maple Leaf Cement	--	5,625	39.93	219,000	70,312
-------------------	----	-------	-------	---------	--------

**GLASS & CERAMICS**

Medi Glass Limited	23,662	23,662	9.79	231,725	37,859
Frontier Ceramics Limited	15,000	15,000	8.02	120,238	86,250

**MISCELLANEOUS**

Mandviwala Mauser Plastic Industries Limited	40,000	40,000	10.11	404,276	190,000
Turbo Tec Limited	33,300	33,300	7.54	251,095	33,300

Less: Provision for diminution in value of investments

-----  
5,574,647 2,674.84  
(2,899,807) --  
-----

2,674,840 2,674,840  
=====

Total 1995: (Net of provision of Rs. 1,791,315)

1,881,142 1,881,142  
=====

**13. TRADE DEBTS**

Considered good - secured

1996 1995  
Rupees Rupees

3,453,829 8,232,704

Considered doubtful - unsecured (note 13.1 )

163,478 163,478  
-----

3,617,307 8,396,182

Less: Provision for doubtful debts

163,478 163,478  
-----

3,453,829 8,232,704  
=====

13.1 This is due from a customer which is outstanding for more than three years. Strenuous efforts are being made to recover the above sum.

**14. SHORT TERM MUSHARAKA**

- Secured (note 14.1)

5,681,067 6,219,299

- Unsecured

1,321,334 13,160,521  
-----

7,002,401 19,379,820

Less: Provision fo (note 14.2)

3,518,495 1,763,030  
-----

3,483,906 17,616,790  
=====

14.1 The above represent sums receivable against short term Musharaka transactions i.e. profit and loss sharing and are secured by equitable mortgage of properly, hypothecation of goods, pledge of shares of listed companies and personal guarantees.

14.2 This includes amount aggregating Rs. 3,746,067 which is outstanding for more than two years, Rs. 408,806 is outstanding for more than one year and Rs. 2,847,528 is outstanding for more than 90 days. Provision has been made in accordance with the SBP's Prudential Regulations adjusted to the extent of value of liquid assets held by the Modaraba. The amount is considered good and strenuous efforts are being made to recover the above sums.

**15. SHORT TERM MORABAHA- secured**

Considered good (note 15.1 )

446,375 8,568,006

Considered doubtful (note 15.1)

5,337,133 5,337,133  
-----

5,783,508 13,905,139

Less: Provision for classified debts (note 15.2)

4,453,246 4,314,696  
-----

1,330,262 9,590,443  
=====

15.1 The above represent sums receivable against morabaha transactions i.e. sale of goods on a deferred payment basis at a specified profit margin and is secured by personal guarantees, equitable mortgage of property, and shares of listed companies.

15.2 This includes amount aggregating Rs. 446, 375 which is outstanding for more than 180 days and Rs. 5,337,133 which is outstanding for more than three years. Provision has been made in accordance with the SBP's Prudential Regulations and has been adjusted to the extent of the value of liquid assets held by the Modaraba. Strenuous efforts including legal steps have been taken for early recovery.

#### 16. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Rupees	Rupees
Advances - considered good	614,682	91,093
Income tax deducted at source - net (note 6.1)	2,908,895	706,119
Deposits	7,045	23,110
Prepayments	63,514	18,500
Profit accrued on PLS accounts and term deposits	--	41,065
Dividend receivable	32,775	810,007
Export rebate receivable	1,756,187	6,185,326
Sundry receivables	1,628,059	1,305,123
	-----	-----
	7,011,157	9,180,343
	=====	=====

#### 17. CASH AND BANK BALANCES

Security papers in hand	27,475	23,935
Cash at bank on		
PLS saving accounts	218,044	590,087
Current accounts	341,988	328,307
Foreign currency account	247,645	566,204
	-----	-----
	835,152	1,508,533
	=====	=====

#### 18. INCOME FROM TRADING

	GARMENT AND OTHERS CEMENT		TOTAL	TOTAL
Sales				
Exports	37,645,416	--	37,645,416	93,039,737
Local	--	50,563,980	50,563,980	266,200,228
	-----	-----	-----	-----
	37,645,416	50,563,980	88,209,396	359,239,965
Cost of sales				
Opening stock	11,100,281	--	11,100,281	29,772,527
Purchases	45,575,476	50,758,017	96,333,493	254,967,242
Other direct costs	15,243,573	9,151,422	24,394,995	70,879,599
	-----	-----	-----	-----
	71,919,330	59,909,439	131,828,769	355,619,368
Closing stock	(34,241,72)	--	(34,241,72)	(11,100,281)
	-----	-----	-----	-----
	37,677,602	59,909,439	97,587,041	344,519,087
(Loss)/income	(32,186)	(9,345,459)	(9,377,645)	14,720,878
Profit to musharaka Partners	--	(1,876,112)	(1,876,112)	(4,329,630)
	-----	-----	-----	-----
	(32,186)	(11,221,571)	(11,253,757)	(10,391,248)

#### 19. DIVIDEND INCOME

	Rupees	Rupees
From Associated Modaraba		
Modaraba AI-Mali	--	656,357
Others	499,001	494,564
	-----	-----

499,001 1,150,921

=====

**20. OPERATING COST**

Administrative expenses		
Salaries and allowances	1,544,849	1,335,303
Depreciation	191,700	190,059
Subscription	70,500	96,609
Legal and professional	80,188	82,696
Rent, rates and taxes	208,000	150,450
Printing and stationary	65,670	141,121
Telephone	86,768	140,830
Postage	22,539	22,878
Fuel and conveyance	57,045	124,601
Share registrar services	197,348	191,919
Advertisement	11,483	5,070
Repairs, maintenance and office renovation	44,524	133,299
Electricity charges	83,368	67,773
Insurance expenses	49,652	134,232
Auditors' remuneration	(note 20.1 )	81,213 83,694
Bank Charges	4,657	5,489
Expenses on distribution of dividend/bonus certificates	33,147	198,530
Miscellaneous expenses	63,663	32,179

-----  
2,896,314 3,136,732

Other expenses/charges		
Amortisation of deferred expenditure	4,398,958	4,285,356
Provision for doubtful/classified debts	1,894,015	1,919,281
Provision for diminution in value of investment	1,108,492	1,791,315
Import expenses written off	--	121,394
Shod term investment written down on transfer from shod term to long term investments	--	206,074
Pharma division's expenses	(note 20.2)	6,000 290,076

-----  
10,303,779 11,750,228

=====

**20.1 Auditors' remuneration**

Audit fee	60,000	40,000
Special audit fee	--	40,000
Other services	15,000	--
Out of pocket expenses	6,213	3,694

-----  
81,213 83,694

=====

**20.2 Pharma Division's Expenses**

	1996	1995
	Rupees	Rupees
Salaries and allowances	--	9,000
Rent and rates	6,000	245,000
Electricity and gas	--	20,610
Others	--	15,466

-----  
6,000 290,076

=====

**21. OTHER INCOME**

Exchange gain	30,949	2,816
Miscellaneous income	12,608	14,986

-----  
43,557 17,802

=====

**22. 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:-

	1996		1995	
	Officers	Employees	Officers	Employees
	Rupees	Rupees	Rupees	Rupees
Salaries	602,411	270,588	436,050	348,408
House rent	272,555	99,637	196,780	118,318
Conveyance and other allowances	243,272	56,386	146,483	98,264
	-----	-----	-----	-----
	1,118,238	426,611	779,313	564,990
	=====	=====	=====	=====

Some officers are also provided with free use of Modaraba's maintained cars.

### 23. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Brokerage expenses (note 23.1 )		48,333	77,796
Musharaka profit			
Charged to trading account		1,876,112	1,280,714
Charged to profit and loss account		2,441,288	--
		4,317,400	1,280,714
Reimbursement of salaries and perquisites		544,349	306,000
Musharaka finance		9,605,000	--

23.1 On sale and purchase of investments through AI-Mal Securities and Services Limited which is a corporate member of Karachi Stock Exchange.

### 24. GENERAL

- i) Previous years figures have been reclassified wherever necessary for the purpose of comparison.
- ii) Figures have been rounded off to the nearest rupee.

### PATTERN OF CERTIFICATE HOLDINGS

AS AT JUNE 30, 1996

Number of Certificate Holders	CERTIFICATE HOLDINGS			Total Certificates Held
	From	To		
477	1	to	100	22095
234	101	to	500	50123
780	501	to	1000	498214
459	1001	to	5000	867299
62	5001	to	10000	401086
31	10001	to	15000	364254
13	15001	to	20000	216944
5	20001	to	25000	114318
2	25001	to	30000	56970
11	30001	to	35000	355704
1	35001	to	40000	35466
4	40001	to	45000	170730
3	45001	to	50000	138360
3	50001	to	60000	166854
1	80001	to	90000	84916
1	90001	to	100000	99198
1	100001	to	125000	104630
1	125001	to	150000	149806
2	200001	to	250000	454140
1	300001	to	350000	309478
1	350001	to	400000	399492
1	700001	to	800000	725442
1	800001	to	900000	849420
1	900001	to	1000000	942876
	-----		-----	-----
2,096				7577815
=====				=====

### Pattern of Certificate holdings as at June 30, 1996

Categories of	Number of	Numbers of	Percentage of
---------------	-----------	------------	---------------

Certificate Holders	Certificate Holders	Certificates held	Certificates held
Individuals	2064	3287988	43.39
Insurance Companies	4	439290	5.80
Joint Stock Companies	3	16344	0.22
Financial Institutions	8	1697653	22.40
Investment Companies	7	820954	10.83
Modaraba Companies	9	1315295	17.36
Others	1	291	0.00
-----			
TOTAL	2096	7577815	100.00
=====			