

## Modaraba Al-Tijarah

Annual Report 1998

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### Corporate Information

#### BOARD OF DIRECTORS:

Mr. Syed Iradat Husain	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. Zafar H. Naqvi  
 Mr. Ashfaq Ali Quettawala  
 Mr. S. Shakeel-ur-Rehman  
 Mr. S. Masood Akhter

#### 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 Seventh Annual Report of Modaraba AI-Tijarah, together with Audited Accounts for the year ended 30th June, 1998.

#### 1. OPERATING RESULTS:

Operating results, for the year ended June 30, 1998 are presented below in a summarized form .

	( Rs. in "000" )	
	1998	1997
*Operating profit/(loss)	2,866	(3,356)
*Financial charges	(8)	(3,621)
	-----	-----
*Other income	2,858	(6,977)
	539	37
	-----	-----
	3,397	(6,940)
*Provision for doubtful debts	407	2,605
*Provision for diminution in value of		
Long term investments	18,217	--
Marketable securities	205	(223)

*Loss before taxation	(15,432)	(9,322)
*Taxation	(196)	(4,794)
Loss after taxation	(15,628)	(14,116)
*Loss brought forward	(33,846)	(19,730)
*Loss carried to the balance sheet	(49,474)	(33,846)

## 2. BUSINESS OPERATIONS:

The Modaraba earned operating profit of Rs. 2.866 million during the year ended June 30, 1998. However, in view of the continuous decline in the prices of equity investment, the management considered it prudent to make provision for diminution in value of long term investments amounting to Rs. 18.217 million. Consequently net loss after tax amounted to Rs. 15.628 million.

In view of volatile business conditions the management followed a cautious approach. We remained highly selective in approving any new business proposal. The Modaraba earned a nominal trading profit of Rs. 462 thousand. Because of reduced quantum of business, export quota purchased in previous year remained unutilised and was sold. A profit of Rs. 2.913 million was earned on sale of quota. Besides, commission income of Rs. 720 thousand was also earned.

Through strenuous cost control measures the administrative expenses were reduced to Rs. 2.10 million as compared to Rs. 4.64 million during the previous year.

## 3. FUTURE OUTLOOK:

After a series of events resulting in extreme uncertainties the economy appears to be showing signs of recovery. Various economic indicators reveal mixed trends. Foreign exchange reserves have declined to a considerable extent. There is heavy short fall in revenue collection, and rate of general sales tax has also been revised upwards. However, trade deficit has been reduced owing to lower imports. Government has resisted the pressure to further devalue Pak rupee. Prices of electricity and gas have remained stable. The international financing agencies are also inclined to resume their assistance program. These are positive developments indicating revival of economy.

Since the close of the year, we have finalised certain business transactions involving imports, exports and supplies. Few other import and export consignments are under process. During the current year also we plan to undertake business with good profit margins and minimum risk. If present rate of turn-around continues for the remaining part of the year reasonable profits are expected to be earned.

## 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 1998-99.

## 5. PATTERN OF CERTIFICATE - HOLDINGS

The statement of pattern of certificate-holdings is attached.

## 6. ACKNOWLEDGMENT:

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 HUSSAIN**  
Chairman

Karachi: December 07, 1998

## 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 ended June 30, 1998 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 Al-Tijarah as required by the Modaraba Companies and Modaraba (Floation and Control) Ordinance, 1980; and Modaraba Companies and Modarabas Rules, 1981;

(b) in our opinion, the balance sheet and 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 Modarabas 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 loss 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: December 07, 1998

Ford, Rhodes Robson, Morrow  
Chartered Accountants

## BALANCE SHEET AS AT JUNE 30, 1998

	Note	1998 Rupees	1997 Rupees
<b>CAPITAL &amp; RESERVES</b>			
<b>Certificate Capital</b>			
Authorised 10,000,000 modaraba certificates of Rs. 10 each		100,000,000	100,000,000
Issued, subscribed and paid-up	3	75,778,150	75,778,150
<b>Reserves</b>			
Statutory		322,244	322,244
Revenue			
Accumulated loss		(49,474,501)	(33,846,071)
		26,625,893	42,254,323
<b>CURRENT LIABILITIES</b>			
Short term Musharaka - Creditors, accrued and other liabilities	4	5,940,000	15,746,400
Dividend Payable	5	5,731,220	2,271,040
Provision for taxation		419,559	424,391
		--	1,621,103
		12,090,779	20,062,934
<b>CONTINGENCIES</b>			
	6	38,716,672	62,317,257
<b>TANGIBLE FIXED ASSETS</b>			
	7	4,199,097	4,268,436
<b>LONG TERM INVESTMENTS</b>			
	8	5,440,064	24,962,315
<b>DEFERRED EXPENDITURE</b>			
	9	--	267,200
<b>CURRENT ASSETS</b>			
Stock-in-trade	10	15,233,746	19,628,277
Marketable Securities	11	1,520,280	1,495,262
Trade Debts	12	1,923,245	3,480,005
Short-term Musharaka	13	3,453,522	2,094,121
Short-term Morabaha	14	400,799	923,640
Advances, deposits, prepayments and other receivables	15	4,091,642	4,296,208
Cash and bank balances	16	2,454,277	901,793
		29,077,511	32,819,306
		38,716,672	62,317,257

## PROFIT AND LOSS ACCOUNT

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

	Note	1998 Rupees	1997 Rupees
<b>OPERATING INCOME</b>			
Income from trading	17	462,117	269,487
Income from musharaka (other than trading)		28,013	28,939
Income from morabaha		--	15,000
Commission income		720,743	--
Dividend	18	778,229	1,181,610
Gain on sale of investments		74,056	149,887
Gain/(Loss) on sale of export quota		2,913,380	(355,407)
		-----	-----
		4,976,538	1,289,516
<b>ADMINISTRATIVE COST</b>	19	2,109,944	4,645,680
		-----	-----
<b>OPERATING PROFIT/(LOSS)</b>		2,866,594	(3,356,164)
<b>FINANCIAL CHARGES</b>			
Musharaka profit		(8,303)	(3,620,654)
		-----	-----
		2,858,291	(6,976,818)
<b>OTHER INCOME</b>	20	538,727	36,701
		-----	-----
		3,397,018	(6,940,117)
Provision for doubtful/classified debts - net		406,509	2,605,314
Provision for diminution in value of investments			
Long-term investments	8	18,217,030	--
Marketable securities	11.1	205,462	(223,257)
		-----	-----
		18,422,492	(223,257)
		-----	-----
Loss before taxation		(15,431,983)	(9,322,174)
<b>TAXATION</b>	21	( 196,447)	( 4,793,936)
		-----	-----
Loss after taxation		(15,628,430)	(14,116,110)
Loss brought forward		(33,846,071)	(19,729,961)
		-----	-----
Loss carried to the balance sheet		(49,474,501)	(33,846,071)
		=====	=====

The annexed notes form an integral part of these accounts.

Managing Director &  
Chief Executive

Director

Director

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

	1998 Rupees	1997 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net loss before taxation	(15,431,983)	(9,322,174)
Adjustments for .		
Depreciation	516,528	382,390
Amortisation of deferred expenditure	--	1,258,772
Gain on sale of fixed assets	(283,271)	(32,191)
Loss on sale of long-term investments	166,901	100.40
Provision for diminution in value of long-term investments	18,217,030	--
(Profit)/Loss on sale of export quota	(2,913,380)	355.41
Financial charges	8,303	3,620,654
Dividend	(778,229)	(1,181,610)
	-----	-----
Cash generated from operations	14,933,882	4,503,826
	-----	-----
Operating loss before changes in operating assets/liabilities <b>(Increase)/decrease in operating assets</b>	(498,101)	(4,818,348)
Stock-'in-trade	4,394,531	14,744,254
Marketable securities	(25,018)	1,179,578
Trade Debts	1,556,760	(26,176)
Short-term Musharaka	(1,359,401)	1 389,785
Short-term Morabaha	522,841	406,622

Advances, pre-payments and other receivables excluding advance tax and dividend	800,872	(200,147)
	-----	-----
	5,890,585	17,493,916
<b>increase(decrease) in operating liabilities</b>		
Short-term Musharaka	(9,806,400)	(9,771,000)
Creditors, accrued and other liabilities	3,430,776	(184,384)
	-----	-----
	(6,375,624)	(9,955,384)
Cash (outflow)/inflow from operating activities	(983,140)	2,720,184
Financial charges paid	(8,303)	(3,592,033)
Income tax paid	(2,353,849)	(263,938)
	-----	-----
Net cash outflow from operating activities	(3,345,292)	(1,135,787)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(823,918)	(1,901,019)
Long-term investments	--	(98,250)
Proceeds from sale of fixed assets	660,000	93,375
Proceeds from sale of long-term investments	1,138,320	628,374
Proceeds from sale of export quota	3,180,580	1,449,404
Profit received on bank deposits	29,404	81,520
Dividend received	718,222	1,187,811
	-----	-----
Net cash inflow from investing activities	4,902,608	1,441,215
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid	(4,832)	(8,387)
Deferred expenditure paid	--	(230,400)
	-----	-----
Net cash outflow from financing activities	(4,832)	(238,787)
	-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,552,484	66,641
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	901,793	835,152
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	-----	-----
	2,454,277	901,793
	=====	=====
Managing Director & Chief Executive	Director	Director

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

### 1. LEGAL STATUS AND NATURE OF BUSINESS

Modaraba Al-Tijarah is a multipurpose, perpetual Modaraba formed in July, 1991 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 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 operates a funded gratuity scheme for all its employees. Provision is made annually to cover obligations under the scheme.

##### (b) Provident fund

The Modaraba operates an approved provident fund for all its employees. Contributions in respect thereof are made in accordance with terms of the scheme.

#### 2.3. Tangible 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 disposal during the year, depreciation is charged proportionately to the period of use. Profit or loss on disposal of assets is included in income currently.

**2.4. 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.

**2.5 Deferred expenditure**

Expenses incurred in connection with 'the purchase of export quota are amortised over three years effective from the year of its utilization.

**2.6. Stock-in trade**

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

2.6.2 Cost signifies in relation to

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

**2.7. 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.

**2.8. Foreign currency transactions**

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

**2.9. Taxation**

Provision for current taxation is based on taxable income at the current rates 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. Debit balance on deferred tax account is not set-up as an asset.

**2.10 Revenue recognition**

2.10.1 Profit generated from morabaha transactions is recognised as income at the time of sale.

2.10.2 Return on short-term investments is recognised as income on an accrual basis.

2.10.3 Dividend income is recognised at the time of closure of share transfer books of the company declaring dividend.

2.10.4 Sales are recorded on despatch of goods,

**3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL**

	1998 Rupees	1997 Rupees
6,449,815 (1997: 6,449,815) Modaraba Certificates of Rs. 10 each fully paid in cash	64,498,150	64,498,150
1,128,000 (1997: 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
	=====	=====

**4. SHORT-TERM MUSHARAKA- SECURED**

with Modaraba- Secured (note 4.1)	5,940,000	15,358,000
with Bank - Secured	--	388,400
	-----	-----
	5,940,000	15,746,400
	=====	=====

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 the current year Modaraba has not paid any profit due to Musharaka Partner.

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

Creditors	113,459	1,299,931
Advances from customers/others	4,812,028	--
Accrued liabilities	71,146	237,305
Profit payable on musharaka finance	--	28,621
Others net of zakat- note 5.1	734,587	705,183
	-----	-----
	5,731,220	2,271,040
	=====	=====

5.1 This represents the profit realised on PLS accounts. 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

Letters of credit	1,877,963	--
Letters of guarantee issued to customs	--	83,000
Refer to note 15.1 regarding taxation	389,774	--

#### 7. TANGIBLE FIXED ASSETS

Description	Cost		Depreciation					
	At June 30, 1997	Additions (deletions) during the year	At June 30, 1998	Rate	At June 30, 1997	Charged/ (on disposals) for the year	At June 30, 1998	Written down value at June 30, 1998
	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees
Office premises	3,184,406	--	3,184,406	5	106,147	159,220	265,367	2,919,039
Furniture & fixtures	522,754	3,400	526,154	20	137,356	93,738	231,094	295,060
Plant & machinery	--	796,518	796,518	10	--	136,110	136,110	660,408
Equipment	503,586	--	503,586	10	149,837	50,359	200,196	303,390
Vehicle	833,814	24,000	24,000	20	382,784	77,101	2,800	21,200
		(833,814)				(457,085)		
<b>Total</b>	<b>5,044,560</b>	<b>823,918</b>	<b>5,034,664</b>		<b>776,124</b>	<b>516,528</b>	<b>835,567</b>	<b>4,199,097</b>
		(833,814)				(457,085)		
1997	1,191,273	4,004,802	5,044,560		484,065	382,390	776,124	4,268,436
		(151,515)				(90,331)		

#### 7.1 DISPOSAL OF FIXED ASSETS

Particulars	Cost of assets Rupees	Accumulated depreciation Rupees	Written down value Rupees	Sale proceeds Rupees	Mode of disposal	Particulars of purchaser
Vehicle	380,790	234,140	146,650	330,000	Negotiation	Syed Riaz Ahmed Ittehad Motors, Madina Baa Apart. Show Room No. 13, Muslimabad, New M.A. Jinnah Rd. Karachi.
Vehicle	294,050	93,116	200,934	200,000	Negotiation	Mrs. Rais Bano O-9/7, Florida Homes, Defence Ext. V, Sea View, D. H. A. Karachi.
Vehicle	158,974	129,829	29,145	130,000	negotiation	Mr. Nasir Iqbal 34-C, 22nd Street, Phase II, Defence Housing Authority Karachi.
	833,814	457,085	376,729	660,000		

#### 8. LONG TERM INVESTMENTS

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

	No. of Certificates / shares		Average cost per Certificate/ share	Cost	Market value
	1998	1997	Rupees	Rupees	Rupees
<b>MUTUAL FUNDS</b>					
23rd ICP	23,000	23,000	11.76	270,489	40,250
24th ICP	49,900	49,900	10.00	499,000	249,500
<b>GOVERNMENT SECURITIES</b>					
National Investment Trust - Units	95,000	95,000	15.60	1,482,000	641,250
<b>ASSOCIATED MODARABA</b>					
Modaraba AI-Mali (Managed by AI-Mal Corporation Limited)	437,631	437,631	15.34	6,711,871	1,444,182
<b>ASSOCIATED UNDERTAKING</b>					
AI-Mal Securities and Services Limited	103,000	103,000	9.88	1,018,060	206,000
<b>LEASING COMPANIES</b>					
Union Leasing Limited	52,020	43,350	23.81	1,238,405	156,060

**TEXTILE SPINNING**

Sana Industries Limited	1,500	1,500	78.00	117,000	104,850
Idrees Textile Mills Limited	22,000	22,000	15.52	341,336	44,000
Gadoon Textile Mills Limited	5,000	5,000	59.55	297,750	65,000

**TEXTILE COMPOSITE**

Ghazi Fabrics International Limited	35,100	35,100	9.22	323,653	38,610
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**SYNTHETIC AND RAYON**

Ibrahim Fibre Limited	35,000	35,000	17.87	625,275	169,750
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**SUGAR**

Chashma Sugar Mills Limited	41,700	41,700	10.88	453,727	417,000
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**CEMENT**

Pioneer Cement Limited	17,500	17,500	43.32	758,051	52,500
Dadabhoj Cement Industries Limited	24,000	24,000	35.13	843,200	84,000
Facto Cement Industries Limited	15,000	15,000	60.20	903,046	75,000
D. G. Khan Cement Company Limited	8,279	8,279	59.13	489,578	38,497

**AUTOS AND ALLIED ENGINEERING**

Indus Motor Company Limited	33,800	33,800	50.18	1,696,149	270,400
Agri Autos Industries Limited (Rs. 5 each)	324,058	324,058	7.50	2,430,435	388,870

**FOOD AND ALLIED**

Indus Fruits Products Limited	34,000	34,000	7.72	262,483	73,100
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**ENGINEERING**

Crecent Steel & Allied Products Limited	7,603	6,612	63.53	483,000	155,862
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**FUEL AND ENERGY**

Karachi Electric Supply Corporation Ltd.	327	27,327	38.41	12,559	2,698
Marl Gas Company Limited	22,925	22,925	33.61	770,464	412,650

**TRANSPORT AND COMMUNICATION**

Pakistan International Airlines Corporat	25,850	25,850	16.81	434,514	90,475
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**CHEMICALS AND PHARMACEUTICALS**

Fauji Fertilizer Company Limited	--	2,800	--	--	--
Searle Pakistan Limited	15,968	13,886	74.84	1,195,049	219,560

				23,657,094	5,440,064
Less: Provision for diminution in value of investments				(18,217,030)	--
				-----	-----
				5,440,064	5,440,064
				=====	=====
				24,962,315	8,728,342
				=====	=====

**1998**                      **1997**  
**Rupees**                      **Rupees**

**9. DEFERRED EXPENDITURE**

Opening balance		
Export quota	267,200	3,100,383
Less: Export quota sold - WDV	267,200	1,804,811
	-----	-----
	--	1,295,572
Add: Export quota purchased	--	230,400
	-----	-----
	--	1,525,972
Less: Amortized during the year		
Export quota	--	1,258,772
	-----	-----
	--	267,200
	=====	=====

**10. STOCK-IN-TRADE**

Trading sto - in hand	2,333,878	2,555,997
- in process with third party	--	1,463,521
- finished with third party	12,899,868	15,608,759
	-----	-----
	15,233,746	19,628,277
	=====	=====

**11. MARKETABLE SECURITIES**

Unless stated otherwise the holdings are in ordinary certificates/ shares of Rs. 10 each.	No. of Certificates / shares	Average cost per Certificate/ share	Cost	Market value
	1998	1997	Rupees	Rupees.
				Rupees

**MUTUAL FUNDS**



Golden Arrow Selected Stock Fund Limited	19,000	19,000	9.38	178,173	21,850
<b>MODARABAS</b>					
Unicap Modaraba [Managed by Chartered Management Services (Private) Limited]	12,340	12,340	19.18	236,663	15,425
First Equity Modaraba [Managed by Premier Financial Services (Private) Limited]	15,100	15,100	9.61	145,079	64,175
First Punjab Modaraba [Managed by Punjab Modaraba Services (Private) Limited]	28,224	28,224	14.17	399,964	98,784
Modaraba AI-Mali [Managed by AI -Mal Corporation Limited]	117,000	20,500	2.94	344,364	386,100
Allied Bank Modaraba [Managed by Allied Management Services (Private) Limited]	2,000	--	7.08	14,160	11,800
<b>LEASING COMPANIES</b>					
Natover Motor Lease Limited	15,000	15,000	18.17	272,555	75,000
Crecent Leasing Corporation Limited	17,600	17,600	26.09	459,270	140,800
<b>INVESTMENT COMPANIES/BANKS</b>					
Jahangir Siddiqui Limited	8,398	7,999	41.34	347,186	251,940
<b>TEXTILE SPINNING</b>					
Service (Textile) Industries Limited	3,300	3,300	25.49	84,103	14,355
Indus Dyeing & Manufacturing Company Ltd	7,840	7,840	7.47	58,542	31,360
<b>TEXTILE COMPOSITE</b>					
Nishat Mills Limited	2,695	--	42.12	113,500	22,099
<b>FUEL AND ENERGY</b>					
Ibrahim Energy Limited	6,875	6,875	26.57	182,700	49,844
Nishat Tek Limited	--	5,000	--	--	--
<b>AUTO AND ALLIED</b>					
AI-Ghazi Tractors Limited (Rs. 5)	--	1,787	--	--	--
<b>SYNTHETIC AND RAYON</b>					
Pakistan Synthetic Limited	7,500	7,500	34.03	255,249	37,500
<b>CEMENT</b>					
Maple Leaf Cement Factory Limited	5,625	5,625	38.93	219,000	18,000
<b>GLASS AND CERAMICS</b>					
Medi Glass Limited	23,662	23,662	9.79	231,725	29,578
Frontier Ceramics Limited	15,000	15,000	8.02	120,238	52,500
<b>TRANSPORT AND COMMUNICATION</b>					
Pakistan Telecommunication Corporation Limited	3,000	--	28.15	84,450	49,200
<b>MISCELLANEOUS</b>					
Mandviwalla Mauser Plastic Industries Limited	40,000	40,000	10.11	404,276	120,000
Turbo Tec. Limited	33,300	33,300	7.54	251,095	29,970
				-----	-----
				4,402,292	1,520,280
Less: Provision for diminution in value of investments - (note 11.1)				(2,882,012)	--
				-----	-----
				1,520,280	1,520,280
				=====	=====
1997 : ( Net of provision of Rs. 2,676,550 )				1,495,262	1,495,262
				=====	=====

**1998**                      **1997**  
**Rupees**                      **Rupees**

**11.1 Provision for diminution in value of investments**

Balance as at July 1,	2,676,550	2,899,807
Provisio made/(written back) during the		

year	205,462	(223,257)
	-----	-----
Balance as at June 30,	2,882,012	2,676,550
	=====	=====
<b>12. TRADE DEBTS</b>		
Considered good - secured	1,923,245	2,329,485
Considered doubtful - unsecured - note 12.1	2,464,517	2,464,517
	-----	-----
	4,387,762	4,794,002
Less: Provision for doubtful debts	2,464,517	1,313,997
	-----	-----
	1,923,245	3,480,005
	=====	=====

12.1: Strenuous efforts are being made to recover the above sum.

### 13. SHORT-TERM MUSHARAKA

Secured - considered good - note 13.1	758,700	1,247,625
Unsecured - considered good	3,453,522	2,094,121
Unsecured - considered doubtful	3,575,965	2,897,919
	-----	-----
	7,788,187	6,239,665
Less: Provision for classified debts - note 13.2	4,334,665	4,145,544
	-----	-----
	3,453,522	2,094,121
	=====	=====

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

13.2 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 are being made to recover the above sums.

### 14. SHORT-TERM MORABAHA

Secured - considered good - note 14.1	371,090	779,854
Unsecured - considered good	29,709	143,786
Unsecured - considered doubtful	3,565,860	4,576,888
	-----	-----
	3,966,659	5,500,528
Less: Provision for classified debts - note 14.2	3,565,860	4,576,888
	-----	-----
	400,799	923,640
	=====	=====

14.1 The above represents sum 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, and shares of listed companies.

14.2 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.

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

	1998	1997
	Rupees	Rupees
Advances - considered good -	13,412	49,336
Advance income tax - note 15.1	536,299	--
Deposits	96,313	--
Prepayments	24,300	75,892
Dividend receivable	86,581	26,574
Export rebate receivable	1,271,052	1,944,337
Less: Provision for doubtful debts	293,000	--
	-----	-----
	978,052	1,944,337
Sundry receivables	2,845,685	2,904,173
Less: Provision for doubtful debts	489,000	704,104
	-----	-----
	2,356,685	2,200,069
	-----	-----
	4,091,642	4,296,208
	=====	=====

15.1 This includes Rs. 494,887 paid under protest against the liability amounting to Rs. 589,774 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 thereagainst 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 the Musharaka Partner. The Modaraba's assessment has been completed upto the assessment year 1997-98 (corresponding accounting year ended June 30, 1997).

**16. CASH AND BANK BALANCES**

Security papers in hand	22,495	25,725
Cash at bank on		
PLS saving accounts	1,753,183	292,017
Current accounts	166,495	332,501
Foreign currency accounts	512,104	251,550
	-----	-----
	2,454,277	901,793
	=====	=====

**17. INCOME FROM TRADING**

Sales		
Exports	4,370,789	59,141,112
Local	6,064,041	910,182
	-----	-----
	10,434,830	60,051,294
Cost of sales		
Opening stock	19,628,277	34,241,728
Purchases	2,752,706	26,465,470
Other direct costs	2,825,476	18,504,867
	-----	-----
	25,206,459	79,212,065
Closing Stock	(15,233,746)	(19,628,277)
	-----	-----
	9,972,713	59,583,788
	-----	-----
Income	462,117	467,506
Profit to Musharaka partners	--	(198,019)
	-----	-----
	462,117	269,487
	=====	=====

**1998**                      **1997**  
**Rupees**                      **Rupees**

**18. DIVIDEND INCOME**

From Associated Modaraba	310,074	588,644
- Modaraba Al-Mali	468,155	592,966
Others	-----	-----
	778,229	1,181,610
	=====	=====

**19. ADMINISTRATIVE COST**

Salaries and allowances	716,436	1,413,559
Subscription	113,100	114,600
Legal and professional	33,691	281,851
Rent, rates and taxes	67,513	193,424
Printing and stationary	41,939	79,184
Telephone	39,793	60,156
Postage	19,923	28,535
Fuel and conveyance	34,926	80,590
Share registrar services	192,000	192,000
Repairs, maintenance and office renovation	42,079	80,167
Electricity charges	103,463	117,198
Insurance expenses	58,643	101,498
Auditors' remuneration - note 19.1	64,687	167,350
Depreciation	516,528	382,390
Amortisation of deferred expenditure	--	1,258,772
Bank charges	8,290	6,275
Miscellaneous expenses	56,933	88,131
	-----	-----
	2,109,944	4,645,680
	=====	=====

**19.1 Auditors' remuneration**

Audit fee	60,000	60,000
Special audit fee	--	80,000
Other services	--	16,500

Out-of-pocket expenses	4,687	10,850
	-----	-----
	64,687	167,350
	=====	=====
<b>20. OTHER INCOME</b>		
Gain on sale of fixed assets	283,271	32,196
Exchange gain	165,439	3,905
Miscellaneous income	90,017	600
	-----	-----
	538,727	36,701
	=====	=====
<b>21. TAXATION</b>		
-- current	177,630	310,622
-- prior years	18,817	4,483,314
	-----	-----
	196,447	4,793,936
	=====	=====

**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:

	1998		1997	
	Officers	Other Employees	Officers	Other Employees
	Rupees	Rupees	Rupees	Rupees
	-----	-----	-----	-----
Salaries	183,931	253,467	498,884	329,166
House rent	82,756	104,293	224,505	134,623
Conveyance and other allowances	18,390	73,599	140,235	86,146
	-----	-----	-----	-----
	285,077	431,359	863,624	549,935
	=====	=====	=====	=====
Number of persons	2	5	3	6

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

1998	1997
Rupees	Rupees

**23. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS**

Brokerage expenses - note 23.1	5,150	26,047
Musharaka profit charged to profit and loss account	--	3,620,654
Reimbursement of salaries and perquisites	206,638	231,269
Musharaka finance	2,470,000	7,458,000

23.1 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.

**24. GENERAL**

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

24.2 Figures have been rounded off to the nearest rupee.

Managing Director & Chief Executive                      Director                      Director

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

Number of Certificate Holders	Certificate Holdings		Total Certificates Held
	From	To	
486	Holding from 1	to 100	Certificates 22290
234	" 101	to 500	" 51347

780	"	501	to	1000	"	500098
460	"	1001	to	5000	"	875448
60	"	5001	to	10000	"	387486
32	"	10001	to	15000	"	375422
16	"	15001	to	20000	"	268825
4	"	20001	to	25000	"	92628
5	"	25001	to	30000	"	137830
9	"	30001	to	35000	"	292444
1	"	35001	to	40000	"	35466
4	"	40001	to	45000	"	170259
1	"	45001	to	50000	"	47520
3	"	50001	to	60000	"	165854
1	"	90001	to	100000	"	99198
2	"	100001	to	125000	"	225546
1	"	125001	to	150000	"	149806
2	"	200001	to	250000	"	454140
1	"	300001	to	350000	"	309478
1	"	350001	to	400000	"	399492
1	"	700001	to	800000	"	722442
1	"	800001	to	900000	"	851920
1	"	900001	to	1000000	"	942876
-----						
2106						7577815
=====	=====	=====	=====	=====	=====	=====

**CATEGORIES OF CERTIFICATE HOLDERS  
AS AT JUNE, 30 1998**

Categories of Certificate Holders	Number	Certificates Held	Percentage
Individuals	2073	3281520	43.30
Insurance Companies	4	439290	5.80
Joint Stock Companies	3	16344	0.22
Financial Institutions	8	1668753	22.02
Investment Companies	7	820954	10.83
Modaraba Companies	9	1350563	17.82
Others	2	391	0.01
-----			-----
<b>TOTAL</b>	<b>2106</b>	<b>7577815</b>	<b>100.00</b>
=====	=====	=====	=====