

First Al-Noor Modaraba

Annual Report 1999

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Ismail H. Zakaria	Chairman
Mr. S.M. Aminullah	Chief Executive
Mr. Ellias H. Zakaria	Director
Mr. Yusuf Ayoob	Director
Mr. Suleman Ayoob	Director
Mr. A. Aziz Ayoob	Director
Mr. Zohair Zakaria	Director
Mr. Zain Ayoob	Director
Mr. Qaisar P. Mufti	Director

MODARABA MANAGEMENT COMMITTEE

Mr. Ismail H. Zakaria	Chairman
Mr. S.M. aminullah	Chief Executive
Mr. Zohair Zakaria	Director
Mr. Zain Ayoob	Director
Mr. Yakooob Admaney	Company Secretary
Mr. M. Iqbal Ghazipur	Executive vice President

SECRETARY

Mr. M. Yakooob Admaney

AUDITORS

Khalid Majid Husain Rahman
Chartered Accountants

LEGAL ADVISORS

Chundrigar & Co.

BANKERS

Al-Baraka Islamic Investment Bank Limited
Bank of America
Citibank, N. A.
Credit Agricole Indosuez
Habib Bank Limited
Metropolitan Bank Limited
Muslim Commercial Bank Limited
National Bank of Pakistan
Prime Commercial Bank Limited

REGISTERED OFFICE

First Al-Noor Modaraba
96-A, Sindhi Muslim Society
Karachi.

Telephone No(s): 455 8268 455 3067
455 2974 455 2943

Telex 20357 Noor PK
Fax 455 3137

INVESTORS INFORMATION

STOCK EXCHANGE LISTING

First Al-Noor Modaraba is listed on the Stock Exchanges of Karachi & Lahore.

Daily quotations on the Modaraba Stock can be obtained from leading newspapers.

First Al-Noor Modaraba is listed under "Modaraba".

CERTIFICATE HOLDERS INFORMATION

Enquiries concerning lost Modaraba certificates, dividend payments, change of address, verification of transfer deeds and certificate transfer should be directed to our Registered Office.

SEVENTH REPORT OF THE DIRECTORS OF MODARABA COMPANY FOR THE YEAR ENDED JUNE 30, 1999

The Board of Directors of Al-Noor Modaraba Management (Private) Limited the Management Company of First Al-Noor Modaraba (FAM) has pleasure in presenting the Seventh Directors' report of FAM together with audited accounts for the year ended June 30, 1999.

FINANCIAL RESULTS:

Financial results are summarized below:

	<i>Year ended 30.06.1999</i>	<i>Year ended 30.06.1998</i>
Profit after taxation	16,461,853	11,158,767
Add: Unappropriated profit brought forwards	2,603,227	76,214
	-----	-----
Profit available for appropriation	19,065,080	11,234,981
Appropriation:		
Profit Distribution @ 7 1/2 % (1998: 5%)	15,750,000	10,500,000
Statutory Reserve	3,292,370	2,231,754
General Reserve	--	(4,100,000)
	-----	-----
	19,042,370	8,831,754
	-----	-----
Unappropriated profit carried forward	22,710	2,603,227
	=====	=====

PROFIT DISTRIBUTION

The Boards in its meeting held on December 22, 1999 has approved the distribution of profit of Rs. 0.75 (7 1/2%) per certificate of Rs. 10 each, subject to deduction of zakat and tax at source where applicable, for the year ended June 30, 1999.

An amount of Rs. 3,292,370 has been transferred to statutory reserve in compliance with statutory requirements.

REVIEW OF OPERATIONS

Net profit for the year ended June 30, 1999 of Rs. 16,461,853 was 47.52% higher than

the profit during the corresponding period of last year. This performance has been achieved against a backdrop of difficult and uncertain economic conditions by optimizing all available avenues particularly tight control over operating expenses and aggressive but practical financial strategies.

TAXATION

The Finance Act 1999 has brought an amendment whereby the income of Modaraba on account of trading shall be treated as a separate block of income under presumptive tax regime under sections 80 C and 80 CC at the applicable rates. As a result we had to provide an additional amount of Rs. 25 million under the head "taxation". The effective rate of current year taxation is 74% as against 25% concessional rate of tax made applicable for modaraba by the Government. In fact our pay out to certificate holders would have been atleast 20%, if we were subject to normal rate of taxation applicable to Modarabas.

MILLENNIUM COMPLIANCE

FAM has taken all necessary steps in order to address the millennium compliance issue of Y2K.

BUSINESS OUTLOOK

The expected turnaround in the economy did not materialize during the year under review due to continuing recession. The upcoming year is of special significance with reference to country's economy which is likely to remain under pressure internally as well as externally. The steps to revive the economy would hopefully provide positive results in due course but it will take some time for economy to feel any real impact thereof.

While your Modaraba has mobilized arrangements for substantial resources yet your Board has decided to exercise extreme caution in handing trading business to ensure to maintain the business growth. A fine balance of energetic efforts and professional prudence is needed to be maintain of which your management is fully aware of and capable to achieve.

ACKNOWLEDGMENT

The Boards thanks the regulatory authorities for their continuous guidance and co-operation and placed on record its appreciation of the services rendered by the staff members for their hard work, dedication and commitment in discharge of their responsibilities in a difficult situation.

AUDITORS

The present auditors Messrs Khalid Majid Hussain Rehman & Company, Chartered Accountants being due for retirement, have offered themselves for re-appointment for the year ending June 30, 2000. Subject to approval by Registrar of Modaraba Companies & Modarabas, their appointment has been confirmed by the Board.

Karachi: December 22, 1999

On behalf of the Board

S. M. AMINULLAH
Chief Executive

AUDITOR'S REPORT TO CERTIFICATE HOLDERS

We have audited the annexed Balance Sheet as at June 30, 1999 and the related Profit and Loss Account and Statement of Changes in Financial Position together with the Notes to the Financial Statements for the year ended June 30, 1999 of First Al-Noor Modaraba which are Modaraba Company's [Al-Noor Modaraba Management (Private) Limited] representation and we state that we have obtained all the information and explanation which we required and, after due verification thereof, we report that:

a) in our opinion proper books of account have been kept by the Modaraba Company in respect of First Al-Noor Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, and Modaraba Companies and Modaraba Rules, 1981;

b) in our opinion, the Balance Sheet and the Profit and Less Account have been

drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, and Modaraba Companies 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, 1999 and the profit and the changes in the financial position for the year ended on that date;

ii) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980; was deducted and deposited in the Central Zakat Fund under Section 7 of that Ordinance; and

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

Karachi: December 22, 1999

Khalid Majid Husain Rahman
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1999

	Note	RUPEES	
		1999	1998
CAPITAL AND RESERVES			
Authorized capital 40,000,000 modaraba certificates of Rs. 10 each		400,000,000	400,000,000
Issued, subscribed and paid up capital	3	210,000,000	210,000,000
Statutory reserve	4	20,419,709	17,127,339
Unappropriated profit		22,710	2,003,227
		230,442,419	229,730,566
DEFERRED LIABILITY - Staff gratuity		1,179,547	--
CURRENT LIABILITIES			
Short term running finance	5	59,987,752	--
Creditors, accrued expenses and other liabilities	6	13,854,025	5,086,305
Management fee payable		5,108,437	2,368,877
Income tax payable		9,578,111	11,545,189
Profit payable		15,750,000	10,500,000
		104,278,325	29,500,371
CONTINGENCIES	8	--	--
		335,900,291	259,230,937
TANGIBLE FIXED ASSETS	9	2,292,858	2,624,878
CURRENT ASSETS			
Stock-in-trade	10	93,900,906	14,652,518
Trade debts	11	5,346,863	5,597,087
Morabaha receivables	12	34,098,000	25,627,125
Musharika investments	13	65,000,000	--
Investment in listed securities	14	18,562,620	19,583,955
Short term investments	15	68,596,000	122,966,411

Advances, deposits, prepayments and other receivables	16	17,846,927	6,382,735
Cash and bank balances	17	30,256,117	61,796,228
		-----	-----
		333,607,433	256,606,059
		-----	-----
		335,900,291	259,230,937
		=====	=====

The annexed notes form an integral part of these financial statements.

Chief Executive

Director

Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 1999

		<i>RUPEES</i>	
	<i>Note</i>	<i>1999</i>	<i>1998</i>
Profit from trading operations	18	33,122,376	631,140
Profit from morabaha operations	19	1,911,942	4,219,000
Return on investments	20	27,697,461	23,059,752
		-----	-----
		62,761,779	27,909,892
		-----	-----
Operating expenses	21	8,915,376	7,473,567
Financial charges	22	1,085,996	2,296,423
		-----	-----
		10,001,372	9,769,990
		-----	-----
Operating profit		52,760,407	18,139,902
Other income	23	2,250,508	11,854,478
		-----	-----
		55,010,915	29,994,380
		-----	-----
(Reversal of)/provision for diminution in the value of investments		(1,181,891)	3,936,736
		-----	-----
		56,192,806	26,057,644
Modaraba Company's management fee	24	5,108,437	2,368,877
		-----	-----
Profit before taxation		51,084,369	23,688,767
Provision for taxation	25	34,622,516	12,530,000
		-----	-----
Profit after taxation		16,461,853	11,158,767
Unappropriated profit brought forward		2,803,227	76,214
		-----	-----
Profit available for appropriations		19,065,080	11,234,981
		-----	-----
APPROPRIATIONS:			
Profit distribution in cash @71/2 % (1998: @ 5%)		15,750,000	10,500,000
Transfer to statutory reserve		3,292,370	2,231,754
Transfer from general reserve		--	(4,100,000)
		-----	-----
		19,042,370	8,631,754
		-----	-----
Unappropriated profit carried forward		22,710	2,603,227
		=====	=====
Earnings per certificate - Basic	26	0.78	0.53

The annexed notes form an integral part of these financial statements.

Chief Executive

Director

Director

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1999**

	<i>Note</i>	<i>RUPEES</i>	
		<i>1999</i>	<i>1998</i>
Cash flows from operating activities	27	(154,952,391)	32,703,868
Cash flows from investing activities			
Additions to fixed assets		(214,325)	(326,100)
Sale proceeds of fixed assets		200,000	200,000
Dividend received		380,374	775,828
Return on investment in portfolio management schemes		5,968,939	16,605,901
Return on certificate of investment under PLS term deposit		--	165,487
Return on musharika investments		10,991,918	--
Investment in listed securities		2,203,226	34,074,942
Net cash from investing activities		19,530,132	51,496,058
Cash flows from financing activities			
Dividend paid		(10,476,015)	(15,750,000)
Net cash (used in) financing activities		(10,476,015)	(15,750,000)
Net (decrease)/increase in cash and cash equivalents		(145,898,274)	68,449,926
Cash and cash equivalents at beginning of the year		184,762,639	116,312,713
Cash and cash equivalents at end of the year	28	38,864,365	184,762,639

The annexed notes from an integral part of these financial statements.

Chief Executive

Director

Director

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

1. LEGAL STATUS AND NATURE OF THE BUSINESS

First Al-Noor Modaraba was formed under the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 and the Rules framed there under and is managed by Al-Noor Modaraba Management (Pvt) Limited, the Modaraba Company. The Modaraba was floated on October 19, 1992 and commenced business on November 2, 1992. The Modaraba is a multipurpose, perpetual modaraba and is currently engaged in financing, investing, and domestic and international trading activities. The Modaraba is listed on the Karachi and Lahore Stock Exchanges.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These financial statements have been prepared under the historical cost convention.

2.2 Staff gratuity

The Modaraba operates an unfunded gratuity scheme covering all permanent employees. Provision to cover this obligation is made annually and is calculated on the basis of last drawn salary and length of service of the employees.

2.3 Fixed assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to income applying reducing balance method whereby cost of an assets is written off over its estimated useful life. Full year's depreciation is charged on additions while no depreciation is charged on assets disposed off during the year. Maintenance and normal repairs are charged to income as and when incurred. Gains and losses, if any, on disposal of fixed assets are taken to profit and loss account.

2.4 Stock - in - Trade

Finished goods are valued at the lower of cost determined on the first-in-first-out basis and net realizable value except goods in transit which are stated at invoice value plus other charges paid thereon. Net realizable value signifies the selling price in the ordinary course of business less cost of completion and cost necessarily to be incurred to make the sale.

Packing material are valued at moving average cost.

2.5 Investments

Investments in listed securities are carried at the lower of cost and market value determined on aggregate portfolio basis.

Other investments are carried at cost.

Gains and losses on disposal of investments are taken to profit and loss account.

2.6 Revenue recognition

- a) Sales are recognized on dispatch of goods to customers.
- b) Dividend income is recognized when right to receive dividend is established. Until last year, it was recognized on receipt basis. Had there been no change in policy, the income for the year would have been reduced by Rs. 58,783.
- c) Return on investments and deposits with banks are recognized on accrual basis.

2.7 Taxation

2.7.1 Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits available, if any, except for items covered under presumptive tax regime, for which provision is made according to the presumptive tax rates, provided in the Income Tax Ordinance. 1979.

2.7.2 Deferred

The Modaraba accounts for deferred taxation using the liability method on all significant timing differences.

2.8 Foreign currency transactions

Transaction in foreign currencies are converted into Pak rupees at the rate of exchange ruling on the date of transaction.

Monetary assets and liabilities in foreign currencies are translated into Pak rupees at the rate of exchange ruling at the balance sheet date, while those covered under forward exchange contracts are valued at the contractual rates. The exchange difference arising from translations at the balance sheet date is taken to income currently.

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

<i>Modaraba Certificates of Rs. 10 each</i>	<i>RUPEES</i>	
	<i>1999</i>	<i>1998</i>
20,000,000 Fully paid in cash	200,000,000	200,000,000
1,000,000 Issued as fully paid bonus certificates	10,000,000	10,000,000
----- 210,000,000 =====	----- 210,000,000 =====	----- 210,000,000 =====

4. STATEMENT OF CHANGES IN EQUITY

	<i>Capital</i>		<i>Reserves</i>	<i>Revenue</i>	<i>Total</i>
	<i>Issued, subscribed and paid-up</i>	<i>Reserve under NBFIs</i>	<i>General reserve</i>	<i>Unappropriated profit</i>	
	<i>Rupees</i>				
Balance as at June 30, 1997	210,000,000	14,895,585	4,100,000	76,214	229,071,799
Net Profit for the year	--	--	--	11,158,767	11,158,767
Profit distribution in cash	--	--	--	(10,500,000)	(10,500,000)
Transfer to profit and loss accou	--	--	(4,100,000)	4,100,000	--
Transfer to profit and loss accou	--	2,231,754	--	(2,231,754)	--
-----	-----	-----	-----	-----	-----
Balance as at June 30, 1998	210,000,000	17,127,339	--	2,603,227	229,730,566
Net profit for the year	--	--	--	16,461,853	16,461,853
Transfer from profit and loss acc	--	3,292,370	--	(3,292,370)	--
Proposed dividend	--	--	--	(15,750,000)	(15,750,000)
-----	-----	-----	-----	-----	-----
Balance as at June 30, 1999	210,000,000	20,419,709	--	22,710	230,442,419
=====	=====	=====	=====	=====	=====

In accordance with the State Bank of Pakistan regulations for Non-Banking Financial Institutions (NBFIs), the Modaraba is required to transfer 20% of its after tax profits to statutory reserve until the reserve equals the paid-up capital. Thereafter, 5% of the after tax profits are required to be transferred to the reserve.

5. SHORT TERM RUNNING FINANCE-Secured

Short term running finance facilities available at the balance sheet date from commercial banks under mark-up arrangements were Rupees 60,000,000 (1998: Nil) payable on demand. The rate of mark-up applicable to these facilities is per annum. These facilities are secured by hypothecation of the Modaraba's stock-in-trade and book debts.

	<i>RUPEES</i>	
	<i>1999</i>	<i>1998</i>
6. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES		
Trade creditors	104,280	--
Accrued expenses	3,590,759	417,781
Custom duty payable	4,398,842	4,398,842
Advance from customers	3,528,117	50,000
Insurance premium payable	625,406	6,895
Payable to clearing & forwarding agents	405,160	12,100
Unclaimed profit distribution	126,796	102,811
Others	201,773	97,876
Return on US dollar deposit (note 7)	872,892	--

13,854,025	5,086,305
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7. RETURN ON US DOLLAR DEPOSIT

This represents interest received on US dollar deposit placed as bank guarantee against delivery of disputed goods. The management intends to get approval from Registrar Modarabas for donating this amount to charitable institutions.

8. CONTINGENCIES

In a suit filed with the Sindh High Court, pertaining to 1,901,472 metric tons of edible oil imported from Singapore, the Modaraba has disputed the amount of duty and surcharge levied by the Collector of Customs. The Court rejected the appeal and ordered to deposit cash for the disputed amount of duty. The Modaraba filed an appeal in the Supreme Court against the decision of the Sindh High Court. The Supreme Court in its interim order allowed the Modaraba to get release of goods against bank guarantee until the matter is decided. However, the Modaraba has fully provided for the duty and surcharge of Rs. 4,398,842 being claimed by the Collector of Customs on the quantity of consignment.

9. TANGIBLE FIXED ASSETS

	<i>COST</i>		<i>DEPRECIATION</i>		<i>Written down value as at June 30, 1999</i>	<i>Rate of Depreciation per annum (%)</i>
	<i>As at July 1, 1998</i>	<i>Additions/ (Deletions)</i>	<i>As at June 30, 1999</i>	<i>For the year</i>		
Computer equipment	977,190	85,800	1,062,990	99,366	665,524	20
Office equipment & appliances	861,364	78,325	939,689	68,926	319,386	10
Furniture and fixture	521,695	50,200	571,895	37,564	233,836	10
Vehicles	3,125,715	(360,220)	2,765,495	234,257	1,828,465	20
1999	5,485,964	214,325 (360,220)	5,340,069	440,113	3,047,210	2,292,858
1998	5,446,018	326,100 (286,155)	5,485,963	528,174	2,881,085	2,624,878

9.1 Disposal of fixed assets

	<i>Original cost</i>	<i>Accumulated depreciation</i>	<i>Book value</i>	<i>Sales proceeds</i>	<i>Gain on disposal</i>	<i>Mode of disposal</i>	<i>Particulars of Purchaser</i>
<i>Rupees</i>							
Vehicle-Suzuki Margalla	360,200	253,966	106,234	200,000	93,766	Negotiation	Mrs. Asma Sultan E-1/1, Iqbal Centre, M.A. Jinnah Road, Karachi
1998	286,155	103,015	183,139	200,000	18,881		

RUPEES

10. STOCK-IN-TRADE

	<i>1999</i>	<i>1998</i>
Packing material	253,283	81,949
Finished goods		
In hand	92,431,866	14,570,569
In transit	1,215,757	--

93,900,906	14,652,518
------------	------------

11. TRADE DEBTS - Unsecured

Trade debts	6,665,828	6,836,070
Less: Provision as per NBFIs rules	1,318,965	1,238,983
	5,346,863	5,597,087

12. MORABAHA RECEIVABLES - Unsecured

Morabaha receivables	34,098,000	25,731,500
Less: Provision as per NBFIs rules	--	104,375
	34,098,000	25,627,125

These represent sales on deferred payment basis with specified profit margins.

13. MUSHARIKA INVESTMENTS

The Modaraba has entered into musharika agreement under which the Modaraba has provided funds for working capital requirements on profit and loss sharing basis. Expected rate of profit is 21% per annum.

14. INVESTMENT IN LISTED SECURITIES

Associated undertaking (Note 14.1)	16,407,225	16,407,225
Other listed companies (Note 14.2)	13,379,350	15,582,576
	29,786,575	31,989,801
Less: Provision for diminution in market value of investments	(11,223,955)	(12,405,846)
	18,562,620	19,583,955
Aggregate market value of listed securities	18,562,620	19,583,955

14.1 Investments in associated undertakings

1998 No. of Shares/ certificates of Rs. 10 each	1999 No. of Shares/ certificates of Rs. 10 each	RUPEES	
		1999	1998
110,000	110,000 Al-Noor Sugar Mills Ltd.	1,623,000	1,623,000
50,980	54,463 Reliance Insurance Company Ltd.	1,645,065	1,645,065
702,203	702,203 Shahmurad Sugar Mills Ltd.	13,139,160	13,139,160
		16,407,225	16,407,225

14.2 Investments in other listed Companies

400	400 20th ICP Mutual Funds	9,246	9,246
12,522	13,774 Adamjee Insurance Ltd.	1,096,406	1,096,406
47,500	47,500 Al-Towfeek Investment Bank Ltd.	975,827	975,827
5,050	5,005 Berger Paints Pakistan Ltd.	285,760	285,760
50	50 Brothers Textile Mills Ltd.	--	--
200	200 Burewala Textile Mills Ltd.	9,850	9,850
9,000	9,000 B.R. R Capital Modaraba (Managed by: BRR Capital Management Co. Ltd.)	185,515	185,515
6,875	6,875 Cherat Cement Ltd.	418,740	418,740

115,000	115,000 Dhan Fibres Ltd.	1,350,275	1,350,275
295	295 D. G Khan Cement Company Ltd.	16,804	16,804
1,133	1,359 Engro Chemicals Pakistan Ltd.	68,313	68,313
10,000	10,000 Fauji Fertilizer Company Ltd.	876,540	876,540
575	575 Gul Ahmed Textile Mills Ltd.	12,741	12,741
27,000	27,000 Habib Sugar Mills Ltd.*	388,850	388,850
8.50	8,500 Ibrahim Energy Ltd.	463,650	463,650
60.38	60,382 ICI Pakistan Ltd.	1,261,862	1,201,862
15,000	15,000 Kohinoor Power Company Ltd.	648,250	648,250
10,000	10,000 Mirpurkhas Sugar Mills Ltd.	484,550	484,550
125	333 Metropolitan Bank Ltd.	--	--
958	1,238 National Foods Ltd.	24,150	24,150
1,000	1,000 National Motors Ltd.	33,500	33,500
2,520	2,898 Packages Ltd.	274,000	274,000
13,500	13,500 Pakland Cement Ltd.	594,440	594,440
6,006	7,207 Pakistan State Oil Company Ltd.	1,036,528	1,036,528
12,000	12,000 Pakistan Synthetics Ltd.	760,800	760,800
5,670	5,670 Sail Textile Mills Ltd.	216,318	216,318
8,850	9,956 Searle Pakistan Ltd.	608,200	608,200
231	254 Sui Southern Gas Company Ltd.	3,212	3,212
71,000	71,000 Tristar Shipping Lines Ltd.	998,720	998,720
7,400	7,400 Trust Leasing Corp. Ltd.	276,303	276,304
85,000	-- Tri-Pack Films Ltd.	--	2,203,225
		-----	-----
		13,379,350	15,582,576
		=====	=====

* Ordinary Shares of face value of Rs.5 each.

The face value of shares/certificates is of Rs.10 each unless otherwise stated.

15. SHORT TERM INVESTMENTS

These represent temporary placements with banks and other financial institutions under portfolio management schemes. The Modaraba has given specific instructions to the investees to re-invest the funds only in such modes as are permissible under the injunctions of Islam.

RUPEES

1999 **1998**

16. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances -- considered good

-- For purchase of goods	157,280	--
-- To staff	34,551	--
-- For expenses	272,732	31,969
Deposits	760,988	458,489
Prepayments	314,221	318,719
Profit due on:		
-- Short term investments	15,498,210	4,878,780
-- PLS Bank deposits	40,166	398,637
Sales tax refundable	368,638	126,042
Others (Note 16.1)	400,141	170,099
	-----	-----
	17,846,927	6,382,735
	=====	=====

16.1 This includes receivable from an associated undertaking amounting to Rs. 305,194 (1998: Rs. 133,935).

17. CASH AND BANK BALANCES

Cash in hand	--	112,469
Cash at bank on:		
PLS accounts	320,566	16,532,810
Current accounts (Note 17.1)	29,935,551	22,957,600
Foreign currency account	--	22,193,349

30,256,117	61,796,228
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17.1 Current accounts include Rs. 750,000 (1998: Rs. 150,000) kept with the State Bank of Pakistan to comply with the requirements of NBFIs regulations.

RUPEES

1999 **1998**

18. PROFIT FROM TRADING OPERATIONS

Sales [including export sales of Rs. 14,159,076
(1998: Rs. 5,898,505)]

387,615,979 78,749,443

Less: Cost of goods sold (Note 18.1)

354,663,603 78,118,303

33,152,376 821,140

18.1 Cost of goods sold

Opening stock of finished goods

14,570,569 --

Purchases of finished goods

430,515,958 82,921,284

Packing material consumed:

Opening stock

81,949 --

Purchases

742,996 259,150

824,945 259,150

Less: Closing stock

(253,283) (81,949)

571,662 177,201

Freight and related export expenses

1,437,280 543,270

447,095,469 84,841,755

Less: Closing stock of finished goods

92,421,866 14,570,569

354,663,603 78,118,302

19. PROFIT FROM MORABAHA OPERATIONS

Morabaha sales

11,961,942 25,314,000

Less: Morabaha cost

10,050,000 21,095,000

1,911,942 4,219,000

20. RETURN ON INVESTMENTS

Return on musharika investments

10,991,918 --

(Loss) / gain on sale of listed securities

(263,200) 1,430,342

Dividend Income

380,374 775,828

Profit on Certificates of Investment under

PLS Term Deposit from a Commercial Bank

-- 9,651

Return on investment in portfolio

management scheme

16,588,369 20,843,931

27,697,461 23,059,752

RUPEES

1999 **1998**

21. OPERATING EXPENSES

Salaries and other staff benefits (Note 21.1)

2,707,330 2,333,487

Provision for staff gratuity (Note 21.2)

1,179,547 --

Rent, rates and taxes

289,234 277,408

Postage and Telephone	391,023	183,069
Printing and stationery	156,925	168,411
Fee & subscription	496,479	311,846
Legal and professional charges	438,950	200,000
Travelling and conveyance	913,472	146,030
Entertainment	70,489	54,043
Repair and maintenance	441,745	574,562
Electricity, airconditioning and other charges	165,000	300,000
Amortisation of deferred cost	--	390,977
Depreciation	440,110	526,174
Auditor's remuneration (note 21.2)	96,250	79,676
Advertisement and publicity	89,641	119,444
Provision for doubtful debts	79,982	1,343,358
Storage charges	408,226	23,490
Insurance	283,180	295,510
Donations	26,000	30,500
Zakat	383	247
Others	241,410	115,335
	-----	-----
	8,915,376	7,473,567
	=====	=====

21.1 Remuneration to officers and employees

The aggregate amount of remuneration charged in these financial statements, including all benefits to officers and employees of the Modaraba are as under:-

	1999			1998		
	Officers Rupees	Employees Rupees	Total Rupees	Officers Rupees	Employees Rupees	Total Rupees
Remuneration	888,267	420,082	1,308,349	854,267	367,775	1,222,042
Allowances and other benefits	847,366	551,615	1,398,981	752,071	359,374	1,111,445
	-----	-----	-----	-----	-----	-----
	1,735,633	971,697	2,707,330	1,606,338	727,149	2,333,487
	=====	=====	=====	=====	=====	=====
Number of persons	3	8	11	3	8	11
	=====	=====	=====	=====	=====	=====

In addition to above, officers have been provided Modaraba maintained car.

21.2 This includes past service cost amounting to Rs.904,038.

21.3 Auditor's remuneration

Audit fee	60,000	70,099
Fee for advisory services	5,000	--
Out-of-pocket expenses	11,250	9,676
	-----	-----
	96,250	79,676
	=====	=====

22. FINANCIAL CHARGES

Profit on short term running finance	852,100	--
Profit paid on musharika	--	157,962
Guarantee commission	101,752	301,362
Bank charges and commission	107,335	46,086
Charges on document retirement	24,809	1,791,013
	-----	-----
	1,085,996	2,296.42
	=====	=====

23. OTHER INCOME

Consultancy and service charges	36,000	2,050,000
Profit on bank deposits	385,727	6,118,728

Net exchange difference	1,573,006	3,507,489
Profit on disposal of fixed assets	93,766	16,861
Miscellaneous	162,009	161,400
	-----	-----
	2,250,508	11,854,478
	=====	=====

24. MODARABA COMPANY'S MANAGEMENT FEE

Al-Noor Modaraba Management (Private) Limited has charged management fee on the basis of ten percent of the profit before tax for the year of the Modaraba.

25. PROVISION FOR TAXATION

Current:		
- for the year	37,861,845	11,739,163
- for prior year	(3,239,329)	790,837
	-----	-----
	34,622,516	12,530,000
	=====	=====

25.1 Net deferred tax debit arising on temporary timing differences amounting to Rs. 675,280 (1998: Rs. 374,751) has not been recognised as a matter of prudence.

26. EARNINGS PER CERTIFICATE

Basic		
Profit after tax (Rupees)	16,461,853	11,158,767
	=====	=====
Number of modaraba certificates issued	21,000,000	21,000,000
	=====	=====
Earnings per certificate (Rupees)	0.78	0.53
	=====	=====

RUPEES

1999 1998

27. CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation	51,084,369	23,888,767
Less: Dividend income	(380,375)	(775,828)
Return on investment in portfolio management scheme	(16,588,369)	(20,843,931)
Return on certificate of investment under PLS term deposit	--	(9,651)
Return on musharika investment	(10,991,918)	--
Gain on disposal of fixed assets	(93,766)	(16,861)
Add: (Reversal of)/provision for diminution in the value of investments	(1,181,891)	3,936,736
Depreciation	440,110	526,174
Provision for doubtful debts	79,982	1,343,358
Provision for gratuity	1,179,547	--
Provision for doubtful debts written back	(104,375)	--
Amortization of deferred costs	--	390,977
	-----	-----
Operating profit before working capital changes	23,443,314	8,239,741
Increase/(decrease) in current assets		
Stock-in trade	(79,248,388)	(5,884,060)
Trade debts	170,243	71,218
Morabaha receivables	(8,366,500)	33,695,074
Musharika investments	(65,000,000)	--
Advance, deposits, prepayments and other receivables	(844,762)	810,552
	-----	-----
	(153,289,407)	28,692,784

Increase/(decrease) in current liabilities		
Creditors, accrued expenses and other liabilities	8,743,736	(740,196)
Management fee payable	2,739,560	308,724
	-----	-----
	11,483,296	(431,472)
Taxes paid	(36,589,594)	(3,797,185)
Net cash (used in) /generated from operating activities	-----	-----
	(154,952,391)	32,703,868
	=====	=====

RUPEES

1999	1998
-------------	-------------

28. CASH AND CASH EQUIVALENTS

Cash and bank balances	30,256,117	61,796,228
Short term running finance	(59,987,752)	--
Short term investment	68,596,000	12,296,641
	-----	-----
	38,864,365	184,762,639
	=====	=====

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 counter-parties, and continually assessing the credit worthiness of counter-parties.

A sector wise break clown of trade, debts, musharika and modaraba finances.

	1999	%
	Rupees	
Sugar	8,784,000	8.31%
Shares and securities	25,314,000	23.93%
Non-banking financial institutions	65,000,000	61.46%
Others	6,665,828	6.30%
	-----	-----
	105,763,828	100%
	=====	=====

In addition, the Modaraba has made investments in portfolio management scheme.

30. CURRENCY RISK

Currency risk is the risk that the value of financial instrument will fluctuate due to changes in foreign exchange rates. Exchange gain or loss may arise on the receipt of foreign currency trade debts amounting to US dollar 63,114.

31. MARK-UP RATE RISK EXPOSURE

The information about modaraba's exposure to mark-up rate risk based on contractual refinancing or maturity dates whichever is earlier is as follows:

	1999			Total	1998			Total
	Mark-up bearing		Non-Mark-up bearing		Mark-up bearing		Non-Mark-up bearing	
	Less than one month	One month to one year			Less than one month	One month to one year		
Financial Assets								
Trade debts	--	--	5,348,883	5,346,863	--	--	5,597,087	5,597,087
Morabaha receivables	--	--	34,098,000	34,098,000	--	--	25,627,125	25,627,125
Musharika investments	--	65,000,000	--	65,000,000	--	--	--	--

investment in listed securities	--	--	18,562,620	18,562,620	--	--	19,583,955	19,583,955
Short term investments	--	68,596,000	--	68,596,000	--	122,966,411	--	122,966,411
Advances, deposits, prepayments and other receivables	--	--	17,068,143	17,068,143	--	--	6,032,047	6,032,047
Cash and Bank balances	320,566	--	29,935,551	30,256,117	16,532,810	22,193,349	23,070,069	61,796,228
	320,566	133,596,000	105,011,177	238,927,743	16,532,810	145,159,760	79,910,283	241,602,853
Financial Liabilities								
Short term running finance	59,987,752	--	--	89,987,752	--	--	--	--
Deferred liability								
Staff gratuity	--	--	1,179,547	1,179,547	--	--	--	--
Creditors, accrued expenses and other liabilities	--	--	10,632,564	10,632,564	--	--	5,036,305	5,036,305
Management fee payable	--	--	5,108,437	5,108,437	--	--	2,398,877	2,398,877
	59,987,752	--	16,920,548	76,908,300	--	--	7,435,182	7,435,182
On balance sheet gap (a)	(59,667,186)	133,596,000	88,090,629	--	16,532,810	145,159,760	72,475,101	--
Total mark-up rate sensitivity gap Rupees	(59,667,186)	133,596,000	--	--	16,532,810	145,159,760	--	--

(a) The on balance sheet gap represents the net amounts of on-balance sheet items.

The effective mark-up rates for financial assets and liabilities are as follows:

	1999	1998
	%	%
Financial assets		
Musharika investments	21.00	--
Short term investments	19.00	21.00
Cash and bank balances	8.00	8.00
Financial liabilities		
Short term running finance	19.00	--

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of all financial assets and financial liabilities is estimated to approximate their carrying value as at June 30, 1999.

RUPEES

1999 **1998**

33. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Profit on deposits with a commercial bank	362,078	905,668
Charges on document retirement paid to a commercial bank	40,527	1,791,013
Import charges paid to a commercial bank	23,325	848,956

Profit on certificates of investment on PLS term deposit with a commercial bank	--	9,651
Guarantee commission paid to a commercial bank	70,715	28,546
Insurance	3,180,780	779,519
Electricity and air-conditioning charges	165,000	300,000

34. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison.

Chief Executive**Director****Director**

**PATTERN OF HOLDING OF THE CERTIFICATE HELD
BY THE CERTIFICATEHOLDERS AS AT JUNE 30, 1999**

<i>Number of Certificate Holders</i>	<i>Certificate Holding</i>		<i>Total Certificates Held</i>
	<i>From</i>	<i>To</i>	
49	1	100	2,180
72	101	500	26,795
145	501	1000	91,445
282	1001	5000	599,830
43	5001	10000	264,325
21	10001	15000	236,380
8	15001	20000	146,420
1	20001	25000	22,500
4	30001	35000	133,830
3	35001	40000	115,935
2	40001	45000	83,215
1	45001	50000	50,000
7	50001	55000	364,770
2	85001	90000	179,120
3	100001	105000	310,030
1	105001	110000	110,000
1	130001	135000	130,500
1	150001	155000	152,500
1	205001	210000	208,425
1	385001	390000	386,600
1	520001	525000	521,220
1	780001	785000	784,400
1	890001	895000	892,500
1	2025001	2010000	2,006,430
1	2080001	2085000	2,084,880
1	2200001	2205000	2,205,000
1	4195001	4200000	4,200,000
1	4690001	4695000	4,690,770
----- 656 =====			----- 21,000,000 =====

**CATEGORIES OF CERTIFICATE HOLDING
AS AT JUNE 30, 1999**

<i>Categories of Certificate Holders</i>	<i>Numbers</i>	<i>Certificate Held</i>	<i>Percentage</i>
1 Individual	633	2,496,260	11.89 %
2 Joint Stock Companies	4	4,415,530	21.03 %
3 Investment Companies	6	347,615	1.65 %

4 Insurance Companies	4	909,950	4.33 %
5 Financial institutions	8	12,780,645	60.86 %
6 Modaraba Companies	1	50,000	0.24 %
	-----	-----	-----
	656	21,000,000	100.00 %
	=====	=====	=====