

Modaraba Al-Tijarah

Annual Report 2001

CONTENTS

Corporate Information
 Directors' Report
 Auditors' Report
 Balance Sheet
 Profit and Loss Account
 Cash Flow Statement
 Notes to the Accounts
 Pattern of Shareholdings
 Notice of Meeting

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

MANAGEMENT TEAM

Mr. Zafar H. Naqvi	Chief Executive
Mr. Omair Jamal	Chief Operating Officer & Company Secretary
Mr. Zulfiqar Ali	Manager Finance

AUDITORS

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

BANKERS & FINANCERS

Allied Bank of Pakistan
 Muslim Commercial Bank Limited
 Metropolitan Bank Limited

REGISTERED OFFICE

10th Floor, Progressive Square
 Opposite Nursery, Sharae Faisal, Karachi.
 Phones: 4547521-5 Fax: (92-21) 4547526
 E-mail: mali-tij@cyber.net.pk

DIRECTORS' REPORT

The Board of Directors of Al-Mal Corporation Limited have pleasure in presenting 10th Annual Report of Modaraba Al-Tijarah together with Audited Accounts for the year ended June 30, 2001.

1. Operating Results:

A summary of the operating results for the year ended 30th June, 2001 are presented as under:

	<i>(Rs. in '000')</i>	
	<i>2001</i>	<i>2000</i>
Profit after taxation	51	1,319
Operating income / (Loss)	1,753	(3,970)
Operating cost	(2,122)	(2,049)
	(369)	(6,019)

Other Income	455	451
	86	(5,568)
Provision for doubtful debts	(1,502)	(971)
Provision for diminution in value of stock in trade	--	(249)
Provision written back	1,550	8,218
Profit before taxation	134	1,430
Taxation	(83)	(111)
Profit after taxation	51	1,319
Loss brought forward	(48,151)	(49,338)
	(48,100)	(48,019)
Transfer to statutory reserves	(5)	(132)
Loss Carried to the balance sheet	(48,105)	(48,151)
Earnings per certificate	0.01	0.17

2. Statutory Reserve

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

3. Business Operations

The year under review once again witnessed suspension of negative results in business operation of Modaraba Al-Tijarah for consecutive third year. However, improvement in country's economy could not yield significant effect on the results due to some problems specific to Modaraba Al-Tijarah, like liquidity crunch.

All Items of gross operating income have shown a positive trend as compared to the last years figures. Gross operating income was recorded at Rs. 1.75 million as against gross loss of Rs. 3.97 million during the last year. Operating cost remained under strict control of management and restricted to last year's level of Rs. 2.00 million. Thus, modaraba could manage to book a net profit of Rs. 0.051 million viz a viz Rs. 1.30 million during the year 1999-2000.

4. Future Prospects

The Modaraba has re-established its export division which contributed over Rs. 0.400 million towards gross revenue for the year 2000-2001 and is expected to reflect much better results in the year 2001-2002. At the same time we understand that export business is susceptible to adverse international market due to various geo-political reasons. However, the management of your Modaraba is committed to re-establish the foundation for sustainable growth of Modaraba, for which a number of business plans are under active consideration.

5. Auditors

The present auditors, Messrs. Ford, Rhodes, Robson, Morrow, Chartered Accountants, are due for retirement, and being eligible, offer themselves for re-appointment for the year 2001-2002.

6. Pattern of Certificate Holdings

The pattern of certificate holding is attached.

7. Acknowledgement

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

On the behalf of the Board

Syed Iradat Husain
Chairman

Karachi: Dated 21st November, 2001

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed Balance Sheet as at June, 30, 2001 and the related Profit and Loss Account and the Cash Flow Statement, together with the Notes to the Accounts for the year ended June 30, 2001 of Modaraba Al-Tijarah which are modaraba company's (Al-Mal Corporation Limited) representation and we state that we have obtained all the information and explanations which we required and, after due verification thereof, we report that:

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

(b) In our opinion, the Balance Sheet and the Profit and Loss Account have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, and 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 the Cash Flow Statement, which are in agreement with the books of account, exhibit respectively a true and fair view of the state of Modaraba's affairs as at June 30, 2001 and of the Profit and Cash Flows 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: 21st November, 2001

Ford, Rhodes, Robson, Morrow
Chartered Accountants.

BALANCE SHEET AS AT JUNE 30, 2001

	<i>Note</i>	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
ASSETS			
NON-CURRENT ASSETS			
Fixed assets- tangible	3	4,527,001	4,962,092
Long term investments	4	3,756,881	4,630,967
Deferred expenditure	5	76,158	358,493
		-----	-----
		8,360,040	9,951,552
CURRENT ASSETS			
Stock-in-trade	6	1,467,144	12,233,600
Short term investments	7	997,626	2,068,814
Trade debts	8	8,964,937	--
Short term musharaka	9	4,926,514	2,439,554
Short term morabaha	10	--	--
Advances, deposits, prepayments and other receiva	11	4,222,464	4,549,635
Cash and bank balances	12	7,781,771	4,692,525
		-----	-----
		28,360,456	25,984,128
		-----	-----
TOTAL ASSETS		36,720,496	35,935,680
		=====	=====
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Certificate capital			
Authorised - 10,000,000 (2000: 10,000,000)			
Certificates of Rs. 10 each		100,000,000	100,000,000
		-----	-----
Issued, subscribed and paid-up	13	75,778,150	75,778,150
Reserves	14	(47,610,835)	(47,662,265)
		-----	-----
Certificate holder's equity		28,167,315	28,115,885
NON-CURRENT LIABILITIES			
Long term advance	15	1,500,000	1,500,000
CURRENT LIABILITIES			
Creditors, accrued and other liabilities	16	6,657,566	5,908,804
Unclaimed profit distribution		395,615	410,991
		-----	-----
		7,053,181	6,319,795
COMMITMENT AND CONTINGENCY			
	17		
		-----	-----
TOTAL EQUITY AND LIABILITIES		36,720,496	35,935,680
		=====	=====

The annexed notes form an integral part of these accounts.

Zafar H. Naqvi
Chief Executive

Maqbool Hussain
Managing Director

S. Iradat Husain
Chairman

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2001**

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
Operating income/(loss)	18	1,753,265	(3,969,847)
Operating cost	19	2,121,794	2,048,600
		(368,529)	(6,018,447)
Other income	20	454,599	450,752
		86,070	(5,567,695)
Provisions written back	21	48,122	6,998,486
Profit before taxation		134,192	1,430,791
Taxation		82,762	111,341
Profit after taxation		51,430	1,319,450
Transfer to statutory reserve: 10% (2000: 10%)		(5,143)	(131,945)
		46,287	1,187,505
Accumulated losses brought forward		(48,150,562)	(49,338,067)
Accumulated losses carded forward		(48,104,275)	(48,150,562)
Earnings per certificate	22	0.01	0.17

The annexed notes form an integral part of these accounts.

Zafar H. Naqvi
Chief Executive

Maqbool Hussain
Managing Director

S. Iradat Husain
Chairman

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2001**

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		134,192	1,430,791
Adjustments for:			
Depreciation		427,890	586,913
Amortisation of deferred expenditure		282,335	282,336
Gain on sale of fixed assets		(4,300)	(8,200)
Provision for diminution in value of stock-in-trade		--	248,918
Loss on sale of long term investments		1,656,703	5,938,362
Provision - write-back on long term investments		(1,734,251)	(7,173,979)
Profit on sale of export quota		--	(472,761)
Dividend		(1,193,944)	(1,138,609)
Cash generated from operations		(565,567)	(1,737,020)
Operating profit before changes in operating assets/liabilities		(431,375)	(306,229)
(Increase)/decrease in operating assets			
Stock-in-trade		10,766,456	2,034,500
Marketable securities		1,071,188	(534,328)
Shod term Musharaka		(2,486,960)	344,187
Shod term Morabaha		--	221,225
Trade debts		(8,964,937)	--
Advances, prepayments and other receivables excluding advance tax and dividend		292,988	(825,815)
		678,735	1,239,769
(Decrease)/increase in operating liabilities			
Short-term Musharaka		--	(5,940,000)

Creditors, accrued and other liabilities	781,787	3,342,275
	-----	-----
	781,787	(2,597,725)
	-----	-----
Cash (outflow)/inflow from operating activities	1,029,147	(1,664,185)
Financial charges paid	--	(1,139,532)
Income tax paid	(93,094)	(91,009)
	-----	-----
Net cash (outflow)/inflow from operating activities Total c/f.	936,053	(2,894,726)
	-----	-----
Net cash (outflow)/inflow from operating activities Total b/f.	936,053	(2,894,726)
	-----	-----
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	--	(40,777)
Proceeds from sale of fixed assets	11,500	350,000
Proceeds from sale of long term investments	951,635	2,911,193
Proceeds from sale of export quota	--	1,486,270
Profit received on bank deposits	66,975	30,483
Dividend received	1,138,459	1,141,516
	-----	-----
Net cash inflow/(outflow) from investing activities	2,168,569	5,878,685
	-----	-----
CASH FLOW FROM FINANCING ACTIVITIES		
Long term deposit	--	1,500,000
Profit paid	(15,376)	(8,568)
Deferred expenditure paid	--	(355,970)
	-----	-----
Net cash inflow I (outflow) from financing activities	(15,376)	1,135,462
	-----	-----
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT	3,089,246	4,119,421
	-----	-----
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	4,692,525	573,104
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF T 12	7,781,771	4,692,525
	=====	=====

The annexed notes form an integral part of these accounts.

Zafar H. Naqvi
Chief Executive

Maqbool Hussain
Managing Director

S. Iradat Husain
Chairman

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2001

1. LEGAL STATUS AND NATURE OF BUSINESS

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Staff retirement benefits

(a) Staff gratuity

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

- Expected long term rate of increase in salary level 12 percent per annum.
- Expected long term rate of interest 12 percent per annum.
- Discount rate used to determine the actuarial present value is 12 percent per annum.

<i>Description</i>	<i>Cost</i>	<i>depreciation</i>	<i>value</i>	<i>proceeds</i>	<i>on disposal</i>	<i>disposal</i>	<i>Particulars of purchaser</i>
			Rupees				
Vehicle	24,000	16,800	7,200	11,500	4,300	Negotiation	Mr. Ramji S/o Kanji, Old Kumwarwada Road, Karachi.
Furniture and fixtures	74,508	74,507	1	--	(1)	--	--

4. LONG TERM INVESTMENTS

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

<i>No. of shares/ certificates/units</i>		<i>Name of Investee</i>	<i>Average cost per share/ certificate/unit</i>	<i>2001 Market Value</i>	<i>Cost</i>	<i>2000 Cost</i>
<i>2000</i>	<i>2001</i>			<i>Rupees</i>		<i>Rupees</i>
ASSOCIATED UNDERTAKING						
103,000	103,000	Al-Mal Securities and Services Li	9.8841	257,500	1,018,060	1,018,060
ASSOCIATED MODARABA						
437,631	279,131	Modaraba Al-Mali [Managed by Al-Mal Corporation]	15.3368	1,465,438	4,280,984	6,711,871
OTHERS						
MUTUAL FUNDS						
14,000	14,000	Twenty Third ICP Mutual Fund	11.7604	18,900	164,646	164,646
11,900	11,900	Twenty Fourth ICP Mutual Fund	10.0000	16,065	119,000	119,000
GOVERNMENT SECURITIES						
95,000	95,000	National Investment Trust Limited	15.6000	926,250	1,482,000	1,482,000
LEASING COMPANY						
45,323	45,323	Union Leasing Company Limited	20.7011	201,687	938,237	938,237
TEXTILE SPINNING						
1,500	1,500	Sana Industries Limited	78.00	58,500	117,000	117,000
TEXTILE COMPOSITE						
100	--	Ghazi Fabrics International Limited	--	--	--	922
SUGAR						
11,700	--	Chashma Sugar Mills Limited	--	--	--	127,301
CEMENT						
279	--	D.G. Khan Cement Company Limit	--	--	--	16,499
AUTOS AND ALLIED ENGINEERING						
33,800	33,800	Indus Motor Company Limited	50.1819	378,560	1,696,149	1,696,149
2,058	2,058	Agriauto Industries Limited (Rs.5)	7.4985	7,100	15,432	15,435
ENGINEERING						
7,103	7,103	Crescent Steel & Allied Products L	63.5275	101,928	451,236	451,236
FUEL AND ENERGY						
327	--	Karachi Electric Supply Corporatio	--	--	--	12,559
425	--	Mari Gas Company Limited	--	--	--	14,284
TRANSPORT AND COMMUNICATION						
350	--	Pakistan International Airlines Cor	--	--	--	5,882
CHEMICALS AND PHARMACEUTICALS						
19,760	21,736	Searle Pakistan Limited	54.9802	324,953	1,195,049	1,195,049
				3,756,881	11,477,793	14,086,130
		Provision for diminution in value of long term investments	note 4.1	--	(7,720,912)	(9,455,163)
				3,756,881	3,756,881	4,630,967

Aggregate market value as at June 30, 2000

4,630,967

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
4.1 Provision for diminution in value of long term investments			
Balance as at July 1		9,455,163	16,629,142
Provision (write-back) during the year		(1,734,251)	(7,173,979)
		-----	-----
Balance as at June 30		7,720,912	9,455,163
		=====	=====

5. DEFERRED EXPENDITURE

Export quota:			
Balance as at July 1		847,009	1,947,552
Add: Purchased during the year		--	355,970
		-----	-----
Less: Sold during the year		847,009	2,303,522
		--	(1,456,513)
		-----	-----
Less: Amortisation	5.1	847,009	847,009
		(770,851)	(488,516)
		-----	-----
		76,158	358,493
		=====	=====

5.1 Amortisation

Opening balance		488,516	649,184
Charge for the year		282,335	282,336
		-----	-----
Less: Reversed during the year on sale		770,851	931,520
		--	(443,004)
		-----	-----
		770,851	488,516
		=====	=====

6. STOCK-IN-TRADE

Finished goods -in hand		1,467,144	1,433,600
- with third parties		--	11,048,918
		-----	-----
Less: Provision for diminution in value of stock-in-trade		1,467,144	12,482,518
		--	(248,918)
		-----	-----
		1,467,144	12,233,600
		=====	=====

7. SHORT TERM INVESTMENTS

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

<i>No. of shares/ certificates/units</i>		<i>Name of Investee</i>	<i>Average cost per share/ certificate/unit</i>	<i>2001 Market Value</i>	<i>Cost</i>	<i>2000 Cost</i>
<i>2000</i>	<i>2001</i>			<i>Rupees</i>		<i>Rupees</i>
ASSOCIATED MODARABA						
Modaraba Al-Mali						
180,500		--[Managed by Al-Mal Corporation	--	--	--	698,705
OTHERS						
MUTUAL FUNDS						
5,000	50,000	Twenty Third ICP Mutual Fund	1.5136	67,500	75,678	16,000
12,500	12,500	Twenty Fourth ICP Mutual Fund	2.7741	16,875	34,676	34,676
MODARABAS						
Unicap Modaraba						
[Managed by Chartered Management						
12,340	12,340	Services (Private) Limited]	19.1785	4,319	236,663	236,663
First Equity Modaraba						
[Managed by Premier Financial Services						
15,100	15,100	(Private) Limited]	9.0680	95,885	136,927	136,927
First Punjab Modaraba						

4,724	[Managed by Punjab Modaraba Services 4,724 (Private) Limited]	5.8137	19,605	27,464	27,464
LEASING COMPANIES					
15,000	15,000 Natover Lease & Refinance Limite	18.1703	75,000	272,555	272,555
20,240	25,614 Crescent Leasing Corporation Limi	16.9149	153,491	433,259	433,259
12,500	--Union Leasing Company Limited	--	--	--	47,158
INVESTMENT COMPANY					
8,398	3,196 Jahangir Siddiqui & Company Limi	29.8076	108,984	95,265	347,186
TEXTILE SPINNING					
3,300	3,300 Service (Textile) Industries Limited	25.4858	11,550	84,103	84,103
516	--Indus Dyeing and Manufacturing Limited (Rs.5 each)	--	--	--	3,350
TEXTILE COMPOSITE					
195	--Nishat Mills Limited	--	--	--	5,260
800	--Ghazi Fabrics International Limited	--	--	--	2,796
Total Carried Forward			553,209	1,396,590	2,346,102
Total Brought Forward			553,209	1,396,590	2,346,102
FUEL AND ENERGY					
6,375	7,650 Ibrahim Energy Limited	22.1448	68,085	169,408	169,408
--	4,000 Genertech Pakistan Power Compan	6.7115	17,200	26,846	--
--	4,500 Hub Power Company Limited	21.4104	86,625	96,347	--
SYNTHETIC AND RAYON					
7,500	7,500 Pakistan Synthetics Limited	34.0333	72,750	255,250	255,250
CEMENT					
2,625	2,625 Maple Leaf Cement Factory Limite	20.6419	11,943	54,185	54,185
1,000	5,500 Pioneer Cement Limited	2.7867	13,750	15,327	5,180
GLASS AND CERAMICS					
16,662	16,662 Medi Glass Limited	6.1069	9,164	101,754	101,754
14,500	14,500 Frontier Ceramics Limited	7.4091	14,500	107,432	107,432
CHAMICALS AND PHARMACEUTICALS					
3,800	2,000 Fauji Fertilizers Company Limited	39.1500	72,100	78,300	150,441
MISCELLANEOUS					
36,000	Mandviwala Mauser and Plastic Industries 36,000 Limited	10.1069	45,000	363,849	363,849
33,300	33,300 Turbo Tec. Limited	7.5404	33,300	251,095	251,095
			997,626	2,916,383	3,804,696
Provision for diminution in value of marketable securi note 7.1			--	(1,918,757)	(1,735,882)
			997,626	997,626	2,068,814
Aggregate market value as at June 30, 2000					2,068,814

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
7.1 Provision for diminution in value of marketable securities			
Balance as at July 1		1,735,882	2,780,130
Provision made / (write-back) during the year		182,875	(1,044,248)
Balance as at June 30		1,918,757	1,735,882
8. TRADE DEBTS			
Considered good - unsecured		8,964,937	--
Considered doubtful- unsecured	8.1	2,464,517	2,464,517
		11,429,454	2,464,517

Provision for doubtful debts	(2,464,517)	(2,464,517)
	-----	-----
	8,964,937	--
	=====	=====

8.1 Efforts are being made to recover the above sum.

9. SHORT TERU MUSHARAKA

Secured - considered good	9.1	5,067,796	2,578,700
Unsecured - considered good		617,418	619,554
Unsecured - considered doubtful		3,575,965	3,575,965
		-----	-----
		9,261,179	6,774,219
Provision for classified debts	9.2	(4,334,665)	(4,334,665)
		-----	-----
		4,926,514	2,439,554
		=====	=====

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

9.2 Provision has been made in accordance with the Securities & Exchange Commission of Pakistan (SECP's) Prudential Regulations for modarabas. Efforts are being made to recover the above sums.

10. SHORT TERM MORABAHA

Unsecured - considered doubtful		3,658,520	3,658,520
Provision for classified debts	10.1	(3,658,520)	(3,658,520)
		-----	-----
		--	--
		=====	=====

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

11. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances - considered good		--	75,576
Advance income-tax	11.1	827,668	817,336
Deposits		146,394	146,394
Prepayments		27,785	185,847
Dividend receivable		61,794	6,309
Export rebate receivable		1,467,602	1,373,495
Provision for doubtful receivable	11.2	(1,171,851)	(1,028,925)
		-----	-----
		295,751	344,570
Sales tax receivable		571,398	447,395
Sundry receivables:			
Considered good		2,112,569	1,927,103
Considered doubtful		3,116,536	2,176,208
		-----	-----
		5,229,105	4,103,311
Less: Provision for doubtful receivables	11.2	(2,937,431)	(1,577,103)
		-----	-----
		2,291,674	2,526,208
		-----	-----
		4,222,464	4,549,635
		=====	=====

11.1 Including in this is Rs.589,774 which was paid under protest against the liability assessed by the Deputy Commissioner of Income-tax for the assessment year 1994-95 (corresponding accounting year ended June 30, 1994), the recovery of which depends on the outcome of appeal filed before Income-tax Appellate Tribunal. No provision 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 Musharaka Partner.

The Modaraba's assessments has been completed upto the assessment year 2000-2001 (corresponding accounting year ended June 30, 2000)

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

12. CASH AND BANK BALANCES

Security papers in hand		18,015	19,505
Cash with banks:			

These are secured against the charge on the Modaraba's assets amounting to Rs.140 million.

17.2 Contingency

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

18. OPERATING (LOSS) / INCOME

Income from trading	18.1	467,775	147,280
Musharaka income		240,005	--
Commission on confirming business		888,009	405,867
Dividend	18.2	1,193,944	1,138,609
Loss on sale of investments		(1,036,468)	(6,134,364)
Gain on sale of export quota		--	472,761
		1,753,265	(3,969,847)

18.1 Income from trading

Sales:			
Exports		5,015,616	4,717,602
Local		11,050,663	2,050,460
		16,066,279	6,768,062
Cost of sales:			
Opening stock		12,448,263	14,517,018
Purchases		2,039,548	1,726,680
Other direct costs		2,577,837	2,825,347
		4,617,385	4,552,027
Closing stock		(1,467,144)	(12,448,263)
		15,598,504	6,620,782
		467,775	147,280

18.2 Dividend

From modarabas			
- Associated modaraba		801,496	614,831
From others			
- Associated company		77,250	--
- Others		315,198	523,778
		1,193,944	1,138,609

19. OPERATING COSTS

Salaries and allowance		568,876	527,650
Subscription		107,550	107,100
Legal and professional		43,310	44,733
Rent, rates and taxes		279,173	110,832
Printing and stationery		50,110	36,50
Telephone		10,125	5,046
Postage		4,351	11,400
Fuel and conveyance		48,332	38,000
Share registrar services		120,000	120,000
Repairs, maintenance and office renovation		10,688	383
Office refreshment		4,864	--
Advertisement		21,718	--
Insurance expenses		15,557	14,699
Auditors' remuneration	19.1	86,589	85,884
Depreciation		427,890	586,913
Amortisation of deferred expenditure	5.1	282,335	282,336
Bank charges		2,678	4,451
Miscellaneous expenses		37,648	72,673
		2,121,794	2,048,600

19.1 Auditors' remuneration

Audit fee		80,000	80,000
Out of pocket expenses		6,589	5,884
		86,589	85,884

20. OTHER. INCOME

Gain on sale of fixed assets	4,299	8,200
Exchange (loss)	--	(294)
Rent income	420,000	420,000
Miscellaneous income	30,300	22,846
	-----	-----
	454,599	450,752
	=====	=====

21. PROVISIONS (MADE) / WRITTEN BACK

Provision write-back on long term investments	1,734,251	1,044,248
Provision (made) / write-back for diminution in value of short term investments	(182,875)	7,173,979
Provision write-back on shod term morabaha	--	57,205
Provision (made) for export rebate receivable	(142,926)	(428,925)
Provision (made) for doubtful receivables	(1,360,328)	(599,103)
Provision (made) for diminution in value of stock-in-trade	--	(248,918)
	-----	-----
	48,122	6,998,486
	=====	=====

22. EARNINGS PER CERTIFICATE

Earnings per certificate is calculated by dividing the profit after taxation for the year by the number of certificates outstanding at the year end as follows:

Profit after tax for the year	51,430	1,319,450
	=====	=====
Weighted average number of certificates outstanding during the year	7,577,815	7,577,815
	=====	=====
Earnings per certificate	0.01	0.17
	=====	=====

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

23. 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:

	2001		2000	
	<i>Officers Rupees</i>	<i>Other Employees Rupees</i>	<i>Officers Rupees</i>	<i>Other Employees Rupees</i>
Salaries	319,970	--	300,820	--
House rent	116,212	--	121,771	--
Conveyance and other allowances	89,110	--	68,919	--
Retirement benefits	43,584	--	36,140	--
	-----	-----	-----	-----
	568,876	--	527,650	--
	-----	-----	-----	-----
Number of persons	4	--	4	--
	=====	=====	=====	=====

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
--	-------------	------------------------	------------------------

24. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Dividend		878,476	614,331
Brokerage expense	24.1	244,780	167,355
Rent income		420,000	420,000
Share registrar services		120,000	120,000
Reimbursement of salaries and perquisites		324,136	304,591
Loan from Modaraba Management Company	15.1	--	1,500,000

24.1 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.

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

24.3 Maximum amount due to associated undertakings at the end of any month during the year was Rs.4,890,000

(2000: Rs.7,079,532).

25. MARK-UP RATE RISK

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

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

27. 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 transactions with specific counterparties, and continually assessing the credit worthiness of counterparties.

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

The Modaraba seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains security when appropriate. Concentration of credit risk on trade debts, morabaha financing and musharaka financing with parties are indicated in the following table by the percentage of total balance receivable from these parties in the specified industries/sectors.

<i>Industry sector</i>	<i>2001</i>		<i>2000</i>	
	<i>Rupees</i>	<i>%</i>	<i>Rupees</i>	<i>%</i>
Textile and Garments	10,792,200	77.69	1,917,263	78.59
Distributors, Wholesalers and Ret	715,420	5.15	505,420	20.72
Steel, Engineering and Autos	14,735	0.11	16,871	0.69
Technology	2,369,096	17.05	--	--
	13,891,451	100.00	2,439,554	100.00

28. FINANCIAL ASSETS AND LIABILITIES AS ON JUNE 30, 2001**Financial assets and liabilities**

	<i>Mark-up/profit bearing</i>			<i>Non-mark-up bearing</i>			<i>Total</i>
	<i>Maturity upto one year</i>	<i>Maturity after one year upto five years</i>	<i>Sub-Total</i>	<i>Maturity upto one year</i>	<i>Maturity after one year upto five years</i>	<i>Sub-Total</i>	
Financial assets							
Long term investments	--	--	--	--	3,756,881	3,756,881	3,756,881
Deferred expenditure	--	--	--	76,158	--	76,158	76,158
Short term investments	--	--	--	997,626	--	997,626	997,626
Trade debts	--	--	--	8,964,937	--	8,964,937	8,964,937
Short term musharaka	4,926,514	--	4,926,514	--	--	--	4,926,514
Short term morahaba finances	--	--	--	--	--	--	--
Advances, other asset and other receivable	--	--	--	3,394,796	--	3,394,796	3,394,796
Cash and bank balances	18,783	--	18,783	7,744,973	--	7,744,973	7,763,756
	4,945,297	--	4,945,297	21,178,490	3,756,881	24,935,371	29,880,668
Financial liabilities							
Long term advance	--	--	--	--	1,500,000	1,500,000	1,500,000
Accrued and other liabilities	--	--	--	6,657,566	--	6,657,566	6,657,566
Unclaimed profit distribution	--	--	--	395,615	--	395,615	395,615
	--	--	--	7,053,181	1,500,000	8,553,181	8,553,181

29. GENERAL

29.1 Corresponding year's figures have been reclassified wherever necessary for the purpose of comparison.

29.2 Figures have been rounded off to the nearest rupee.

Zafar H. Naqvi
Chief Executive

Maqbool Hussain
Managing Director

S. Iradat Husain
Chairman

PATTERN OF SHAREHOLDINGS

Number of Certificate Holders	Certificate Holding		Total Certificates Held
	From	To	
525	1	100	24510
242	101	500	56025
774	501	1000	497062
450	1001	5000	861062
62	5001	10000	402860
31	10001	15000	364559
15	15001	20000	250424
5	20001	25000	113028
5	25001	30000	136530
8	30001	35000	259544
2	35001	40000	75454
4	40001	45000	170165
1	45001	50000	47520
3	50001	60000	165854
1	90001	100000	99198
2	100001	125000	225366
1	125001	150000	149806
2	200001	250000	454140
1	300001	350000	309478
1	350001	400000	399492
1	700001	800000	719942
1	800001	900000	851920
1	900001	1000000	943876
-----			-----
2138			7577815
=====			=====

CATEGORIES OF SHAREHOLDERS

Particulars	Shareholders	Shareholding	Percentage
Individuals	2105	3291106	43.43
Insurance Companies	4	439290	5.80
Joint Stock Companies	3	16244	0.21
Financial Institutions	8	1659253	21.90
Investment Companies	7	820954	10.83
Modaraba Companies	9	1350577	17.82
Others	2	391	0.01
-----		-----	-----
	2138	7577815	100.00
=====		=====	=====

NOTICE OF 2ND ANNUAL REVIEW MEETING

NOTICE IS HEREBY GIVEN THAT THE 2nd Annual Review Meeting of certificate holders of Modaraba Al-Tijarah will be held at Hotel Faran, Opp. Nursery, Sharea Faisal, Karachi on Monday, 24th December, 2001 at 9:00 A.M. sharp to transact the following business;

AGENDA

1. To Confirm minutes of 1st Annual Review Meeting.
2. To review performance of Modaraba Al - Tijarah during the year ended 30th June, 2001
3. To transact any other business with the permission of Chair.

Place: Karachi
Dated: 21st November, 2001

Omar Jamal
Company Secretary

Note:

1. Certificate holders are requested to notify any change in their address immediately.
2. The certificate transfer book of the Modaraba shall remain closed from 13th December, 2001 to 25th December, 2001

(both days inclusive). All transfers received by our certificate Registrar, Al-Mal Securities & Services Limited at 10th Floor, Progressive Square, Sharea Faisal, Karachi before the close of business on 12th December, 2001, will be treated valid for attending Annual Review Meeting.

3. Copy of the minutes of the 1st Annual Review Meeting will be available to the members on request, free of charge.