

Altowfeek Investment Bank Limited

Annual Report 1999

CONTENTS

Corporate Information
Notice of Meeting
Statement U/S 160(1) (b) of the Companies
Ordinance, 1984
Chairman's Report
Auditors' Report to the Members
Balance Sheet
Profit and Loss Account
Statement of Sources and Application of Funds
(Cash Flow Statement)
Notes to the Accounts
Pattern of Share holding

CORPORATE INFORMATION

CHAIRMAN	Mr. Khalid Mahmood Bhaimia - Nominee AIBaraka Investment & Development Co, Jeddah
VICE CHAIRMAN	Mr. Osman A. Suleiman - Nominee AIBaraka Investment & Development Co, Jeddah
CHIEF EXECUTIVE	Mr. Khalid Majid - Nominee AIBaraka Investment & Development Co, Jeddah
DIRECTORS	Mr. Yelcin Oner - Nominee AIBaraka Investment & Development Co, Jeddah Mr. Iftikhar Soomro - Nominee AIBaraka Investment & Development Co, Jeddah Mr. Nasim Beg - Nominee National Investment Trust Mr. Omer Abdullah Sejieny - Nominee Islamic Development Bank, Jeddah
COMPANY SECRETARY	Tariq Aleem
AUDITORS	Sidat Hyder Qamar & Co, Chartered Accountants.
SHARE REGISTRARS	Software (Pvt) Limited 5/79 Usman Block, New Garden Town, Lahore.
REGISTERED OFFICE	63-Shahrah-e-Quaid-e-Azam, Lahore
LEGAL ADVISORS	Salim & Baig Advocates
BRANCHES	-63- Shahrah-e-Quaid-e-Azam, Lahore. -Lakhani Centre, I.I. Chundrigar Road, Karachi.

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the 9th Annual General Meeting of **Altowfeek Investment Bank Limited** will be held at Avari Hotel, Shahrah-e-Quaid-e-Azam, Lahore on Friday 25th February, 2000 at 10.00 A.M. to transact the following business:

ORDINARY BUSINESS

- 1) To confirm the minutes of the last Annual General Meeting of the company held on December 07, 1998.
- 2) To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 1999 together with the Directors' and Auditors' Reports thereon.
- 3) To appoint the auditors for the next term and to fix their remuneration. The present auditors M/s. SIDAT HYDER QAMAR & CO. Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS

4) To approve the remuneration of the Chief Executive. Further, to authorize the Board of Directors to revise the remuneration of the Chief Executive of the company, as and when considered necessary.

A statement under section 160 of the Companies Ordinance 1984 pertaining to the special business is being sent to the shareholders with a copy of the notice.

5) To transact any other business with the permission of the chair.

By order of the Board

Lahore
February 03, 2000

TARIQ ALEEM
COMPANY SECRETARY

NOTES

(i) A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend the meeting and vote for his / her. Form of Proxy is enclosed with the annual report. Proxies in order to be effective, must be received at the registered office of the Company, at least 48 hours before the time of holding the meeting.

(ii) The members are requested to immediately notify the change in address, if any.

(iii) The share transfer books of the Company will remain closed from 17th February, 2000 to 24th February 2000 both days inclusive.

STATEMENT U/S 160(1) (b) OF THE COMPANIES ORDINANCE, 1984

The members approval is sought for the payment of remuneration and the provision of certain other utilities to the Chief Executive as per the bank's service rules and as per recommendations of the Board of Directors of the Company. Further, members approval is sought for authorizing the Board of Directors to revise the remuneration of the Chief Executive as and when considered necessary. For the purpose it is proposed to pass with or without amendment following resolution.

"Resolved that Mr. Khalid Majid Chief Executive shall be paid w.e.f. December 01, 1999 gross remuneration of Rs. 250,000 per month alongwith other benefits as per bank's service rules.

Further resolved that the Board of Directors be and is hereby authorized to revise the remuneration of the Chief Executive of the company from time to time in accordance with the company's rules and policies"

CHAIRMAN'S REPORT TO THE SHAREHOLDERS

The Directors of your bank present to you the results for fiscal year ending 30 June, 1999.

Fiscal year 1999 was worse than fiscal year 1998 and beyond our most pessimistic expectation. The economic and banking environments deteriorated further. In our semi-annual report covering July- December 1998, we had pointed out to you that;

* Debt recovery remained very slow due to legal environment and lack of political will to clean up the situation.

* Continuing unfair taxation treatment for investment banks.

* Increased cost of maintaining blocked foreign currency accounts.

* Lack of business opportunities for investment banks-especially Islamic banks.

In that half year, we had a loss of Rs. 36.4 million. However, economic environment was worse in the second half of the fiscal year, January-June 1999 period.

* The freeze of FCA and forced increase in the cost of maintaining these deposits have compelled our overseas depositors to repatriate their \$'s out of Pakistan, taking an FX hit. This is despite these depositors having paid for forward cover fees to SBP.

* To repay these depositors we had to liquidate our assets- particularly liquid and high quality - thus reducing our income. Our total assets declined by 891 million - or 30% during this fiscal year.

* During the year, our revenue declined by 115 million as a result of this assets shedding.

* On the other hand, our costs only declined by 59 million for the year, leaving us with an

operating loss of 80 million for the year.

* We have provided a further 42.7 million for doubtful assets, consistent with our policies.

* As a result , we have a loss of 118.8 million for the fiscal year-all to be provided from the shareholder's equity.

* Our 310 million capital has now shrunk to 136.5 million. However, for a true investment bank, this capital is adequate, since investment banks are not in the lending business as commercial banks are. Furthermore, it is not possible to raise new capital in local stock markets anyway.

* On an adjusted basis our operating expenses have been declining as a result of cost controls and closure of branches and functions. We do not foresee significant further reduction in view of necessity to maintain proper controls and separation of functions.

Having begun the process of bad debt recovery well ahead of our peer group, we are cautiously optimistic that we are coming to an end in this cycle, provided customers now perform in accordance with the revised agreements. Post fiscal closing changes in the government and public statements of the country's new Chief Executive are encouraging signs. We hope finally there is a strong political will to enforce the rule of law in all aspects of our activities - especially in commercial dealings.

In previous reports we have brought to your attention the irrationality of current taxation practices - as applied to investment banks in general and your Bank in particular. Despite continuous successes in law, the practical reality is we have not got any refund back from CBR. Our carrying cost is now in excess of Rs. 15 million per year. On top of this are the costs incurred in contesting the claims. It is totally asinine that taxes are first levied and institutions have to pay and then contest to get a refund back - which takes years.

In recent months the Supreme Court has finally given its long overdue judgement on RIBA and banking activities in the country. We are simply delighted that they have spoken out in favour of total transformation of the banking systems. We no longer feel that we are in niche banking in the country. We would now like to take this judgement a step further and offer truly Islamic products, especially on the liability side. We have begun the process and inshallah in the year 2000, we will have some interesting products for the market place. This should help in turning around our position in the market place.

Mr. Faisal Jamall who had been with the Bank since inception and whose last position was Acting CEO, left the Bank and the country. We are fortunate that we have Mr. Khalid Majid, who had been incharge of all activities other than the Karachi Branch. Your Board has been highly pleased to appoint him the new Chief Executive Officer of the Bank. We welcome him and look forward to greater contributions in the coming period.

We are cautiously optimistic about the recent changes in the country, especially at the micro level at least. We want to see political will to change the way banking activities are conducted especially where enforcement of contract and banking law are concerned. We do not believe financial institutions should become risk averse due to the fear of either customer activities not working out or for fear of being judged by hindsight. Economic revival is critical for the country and your Bank is part of the bigger picture. However, it is too early for us to predict a total turnaround in our fortunes. We are cautiously optimistic for coming years.

On behalf of the shareholders and the Board, we thank the staff for their continuing dedication. We also thank our customers for continuing to direct their business to our bank - especially when good customers have a range of choices.

For and on behalf of the Board of Directors

Khalid Mahmood Bhaimia
Chairman

Dated: January 24, 2000

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **ALTOWFEEK INVESTMENT BANK LIMITED** as at 30 June 1999 and the related profit and loss account and statement of sources and application of funds (cash flow statement), together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

a) In our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii) the expenditure incurred during the year was for the purpose of the Company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the statement of sources and application of funds (cash flow statement), together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at and 30 June, 1999 and of the loss and the changes in sources and application of funds (cash flow statement), for the year then ended;

d) in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

LAHORE:
Dated: January 26, 2000

SIDAT HYDER QAMAR & CO.
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1999

	<i>Note</i>	<i>Rupees '000</i>	
		<i>1999</i>	<i>1998</i>
SHARE CAPITAL RESERVES AND LIABILITIES			
SHARE CAPITAL			
Authorised capital			
100,000,000 ordinary shares of Rs. 10/- each		1,000,000	1,000,000
		=====	=====
Issued, subscribed and paid-up capital:			
31,000,000 ordinary shares of Rs. 10/- each			
fully paid up in cash		310,000	310,000
		-----	-----
RESERVES			
Statutory reserve	3	25,826	25,826
Accumulated (Loss)		(199,314)	(80,499)
		-----	-----
		(173,488)	(54,673)
		-----	-----
SHAREHOLDERS' EQUITY		136,512	255,327
CUSTOMER DEPOSITS - Due after one year	4	306	5,200
CURRENT LIABILITIES			
Customer deposits - Due within one year	4	1,878,871	2,543,267
Accrued and other liabilities	5	67,103	169,886
Unclaimed dividend		231	231
Provision for taxation		1,200	1,125
		-----	-----
		1,947,405	2,714,509
COMMITMENTS AND CONTINGENT LIABILITIES	6	--	--
		-----	-----
		2,084,223	2,975,036
		=====	=====
ASSETS			
CURRENT ASSETS			
Cash and bank balances	7	243,014	63,843
Advances, prepayments and other receivables	8	166,622	233,154
Investments	9	230,751	848,183
Morabaha finance	10	1,257,391	1,524,621
		-----	-----
		1,897,778	2,669,801
LONG TERM MORABAHA FINANCE	10	8,818	125,168
LONG TERM INVESTMENTS	11	129,253	131,033
LONG TERM ADVANCES AND SECURITY DEPOSITS	12	1,822	8,197

DEFERRED TAX ASSET		39,365	31,387
TANGIBLE FIXED ASSETS	13	7,187	9,450
		-----	-----
		2,084,223	2,975,036
		=====	=====

The annexed notes form an integral part of these accounts

CHAIRMAN

CHIEF EXECUTIVE

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

	<i>Note</i>	<i>Rupees '000</i>	
		<i>1999</i>	<i>1998</i>
INCOME			
Profit on morabaha finance		176,379	245,826
Profit on bank deposits		26,509	16,006
Non fund based income		2,641	7,357
Dividend income		27,293	11,698
Profit from investments	14	25,351	96,124
Profit on disposal of fixed assets		1,572	137
Other Income		2,871	--
		-----	-----
		262,616	377,150
EXPENDITURE			
Return on deposits		298,710	367,759
Administrative & Operating expenses	15	44,046	34,199
		-----	-----
		342,756	401,958
OPERATING LOSS BEFORE PROVISIONS			
		80,140	24,808
PROVISIONS			
Doubtful morabaha financing		35,556	(2,230)
Doubtful receivables		5,417	3,311
Diminution in the value of long term unquoted investments		1,780	--
		-----	-----
		42,753	1,081
LOSS BEFORE TAXATION			
		122,893	25,889
TAXATION			
Current	16	3,900	11251
Deferred		(7,978)	--
		-----	-----
		(4,078)	1 125
LOSS FOR THE YEAR AFTER TAX			
		118,815	27,014
ACCUMULATED LOSS BROUGHT FORWARD			
		80,499	53,485
ACCUMULATED LOSS CARRIED FORWARD TO BALANCE SHEET			
		-----	-----
		199,314	80,499
		=====	=====
Earnings per share - Basic and diluted	22	(3.83)	(0.87)
		=====	=====

The annexed notes form an integral part of these accounts,

CHAIRMAN

CHIEF EXECUTIVE

**STATEMENT OF SOURCES AND APPLICATION OF FUNDS (CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1999**

		<i>Rupees' 000</i>	
		<i>1999</i>	<i>1998</i>
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(122,893)	(25,889)
Adjustments for:			

Gain on investments	(25,351)	(96,124)
Gain on disposal of fixed assets	(1,572)	(137)
Depreciation	2,025	2,515
Provisions	42,755	1,081
	-----	-----
	17,855	(92,665)
	-----	-----
OPERATING LOSS BEFORE CHANGES IN OPERATING ASSETS (INCREASE)/DECREASE IN OPERATING ASSETS	(105,038)	(118,554)
Advances, prepayments and other receivables	94,467	(2,891)
Morabaha finance	348,025	385,756
	-----	-----
(DECREASE) IN OPERATING LIABILITIES		
Customer deposits	(669,290)	(100,947)
Accrued and other liabilities	(102,783)	(3,602)
	-----	-----
NET CASH FLOWS FROM OPERATING ACTIVITIES BEFORE DIVIDEND AND INCOME TAX	(434,619)	159,762
Dividend paid	--	(19)
Income Tax paid	(37,176)	(28,951)
	-----	-----
NET CASH FLOWS FROM OPERATING ACTIVITIES	(471,795)	130,792
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of short term investments	642,782	(294,113)
Purchase of long term investments	--	(30,913)
Advances and security deposits	6,375	(834)
Purchase of fixed assets	(637)	(2,666)
Sale proceeds of fixed assets	2,446	3,523
	-----	-----
NET CASH FLOWS FROM INVESTING ACTIVITIES	650,966	(325,003)
	-----	-----
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	179,171	(194,211)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	63,843	258,054
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF YEAR	243,014	63,843
	=====	=====

CHAIRMAN

CHIEF EXECUTIVE

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1999

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

AITowfeek Investment Bank Limited is a Public Limited Company Incorporated in Pakistan under the Companies Ordinance, '1984. The Company is quoted on the Karachi, Lahore and Islamabad Stock Exchanges. The Company has been registered as an "Investment Bank" to carry on Investment finance business in accordance with the objects and functions contained in SRO 585(1)/87 dated July 13, 1987 and further in accordance with the principles of Islamic Banking.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These accounts have been prepared under the historical cost convention modified by adjustment of exchange differences as referred to in note no. 2.6.

2.2 Tangible Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to income using the straight line method over the expected useful lives of the assets.

A half year's depreciation is charged on additions made in the second half of the year and deletions in the first half, while a full year's depreciation is charged on assets deleted during the second half of the year.

Normal repairs and maintenance and gains or losses on disposal of fixed assets are taken to the Profit and Loss Account. Major renewals and improvements are capitalised.

2.3 Investments

Long term quoted and unquoted investments are stated at cost. Provision for diminution in value

is made only if considered other than temporary.

Short term quoted investments are carried at market value.

Quoted investments purchased under resale arrangements are included under short term investments until resale. Profit and losses are recognised on a time proportion basis.

2.4 Provision for taxation

Current

Provision for current taxation is based upon taxable income at current rates of tax and applicable rules and regulations currently in force.

Deferred.

The company accounts for deferred taxation using the liability method on major timing differences

2.5 Revenue Recognition

Return on finance provided and placements with banks and financial institutions is recognised on a time proportion basis.

Dividend income is recognised if declared on or before the balance sheet date.

Fees and commissions are taken to income on an actual receipts basis except guarantee commission received in advance which is taken to income on a straight line basis over the period of the guarantee.

2.6 Foreign Currencies

Assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing on the balance sheet date. Foreign currency deposit liabilities subject to forward exchange cover are translated at rates prevailing on dates when these deposits were received. Forward cover fee is amortised over the period of the forward contract.

Other foreign currency transactions are translated at rates prevailing on the date of the transactions.

Exchange differences are taken to income.

2.7 Retirement Benefits

The company operates a contributory provident fund scheme covering all regular employees. Equal monthly contribution are made to the fund by the company and employees.

2.8 Provision for Doubtful Financing

The Company provides for doubtful financing in accordance with NBFIs Rules issued by the State Bank of Pakistan as applicable to non-banking financial institutions.

3. STATUTORY RESERVE

This reserve has been created in compliance with NBFIs Circular No. 1 of December 5, 1991 issued by the State Bank of Pakistan.

Rupees' 000

3.1 Statement of changes in equity	Share capital	Statutory reserve	Accumulated loss	Total
Balance as at 01 July 1998	310,000	25,826	(80,499)	255,327
Net loss for the year	--	--	(118,815)	(118,815)
Balance as at 30 June 1999	310,000	25,826	(199,314)	136,512

4. CUSTOMER DEPOSITS

	1999	1998
Due after one year	306	5,200
Due within one year	1,878,871	2,543,267
	1,879,177	2,548,467

These can be reclassified as under:

Deposits from banks and financial institutions	1,160,381	1,354,179
Deposits from government of Pakistan	128,271	--
Deposits from corporate and other clients	590,525	1,194,288
	1,879,177	2,548,467

Certificates of Deposit issued by the Company range in maturity from 30 days to 5 years and offer expected returns on a profit/loss sharing basis ranging from 10% to 17.87% (1998: 12.5% to 17%) per annum for Pak. Rupees and 1.5% to 7.5% (1998: 3.5% to 8.375%) per annum for various foreign currencies.

Included in the above are foreign currency deposits equivalent to Rs. 1,060.381 Million (1998 - Rs. 934.04 Million) and mobilised from various companies of the Dallah Albaraka Group.

	<i>Rupees' 000</i>	
	<i>1999</i>	<i>1998</i>
5. ACCRUED AND OTHER LIABILITIES		
Margin deposits	28,845	35,719
Accrued expenses and other liabilities	2,908	2,426
Accrued return on deposits	31,934	106,263
Excise duty payable	3,361	10,736
Withholding taxes payable	55	42
Cheques awaiting clearance	--	14,700
	-----	-----
	67,103	169,886
	=====	=====

6. COMMITMENTS AND CONTINGENT LIABILITIES

6.1 Outstanding for:

Commitments in respect of forward exchange contracts in respect of foreign currency deposits with State Bank Atlas Lease Company Limited	1,116,681	1,843,307
Acceptance / undertaking against documentary credits	--	25
Guarantees issued	14,883	36,280
Sale / repurchase agreements	69,682	113,198
	38,840	84,831
	-----	-----
	1,240,086	2,077,641
	=====	=====

6.2 Taxation

The Company has used income tax rates applicable to public limited companies (other than banking companies) in its returns filed since inception and has not acknowledged tax liability amounting to Rs. 52.81 million (1998: Rs. 19.608 million). The appeal filed with Honourable Income tax Appellate Tribunal against levy of tax at the rates applicable to banking companies has been decided in favour of the company. However, department has filed the petition with Honourable High Court against the decision of Income Tax Appellate Tribunal which is pending for decision. No provision has been made in these accounts to reflect the additional tax liability, in case the Company is assessed as a banking company.

Income tax liability amounting to Rs. 4.903 million for the assessment years 1994-95 to 1996-97 has not been acknowledged by the company. Appeals filed with the Commissioner of Income Tax (Appeals) are still pending for decision.

Tax returns for the years 1997-98 and 1998-99 have been filed and decision awaited.

7. CASH AND BANK BALANCE

With banks:		
- Current accounts	9,064	7,878
- PLS deposits	233,920	41,225
	-----	-----
	242,984	49,103
Cheques in clearing	--	14,700
Cash in hand	30	40
	-----	-----
	243,014	63,843
	=====	=====

	<i>Rupees' 000</i>	
	<i>1999</i>	<i>1998</i>

8. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances - Considered good	(Note 8.1)	3,297	3,424
Advance Tax		96,464	63,112

Prepayments	1,244	6,378
Accrued Return on:		
- Morabaha finance	36,990	113,771
- Deposits with banks	3,454	2,595
Excise duty receivable	4,149	4,096
Due from Brokers and Clients	10,058	10,132
Forward Cover Fee	16,034	29,419
Other Receivables	11,342	10,220
	-----	-----
	183,032	243,147
Less: Provision for doubtful receivables	(16,410)	(9,993)
	-----	-----
	166,622	233,154
	=====	=====

8.1 This balance comprises advance given to chief executive and executives, representing secured house building and vehicle advances as per service rules and are recoverable in equal monthly installments. The maximum outstanding balance during the period was Rs. 5.2 million (1998: Rs. 5.9 Million). This was also the maximum outstanding balance at the end of any month during the period.

This advance includes Rs. 2.562 million (1998: Rs. 2.770 million) given to Chief Executive of the company.

9. INVESTMENTS - QUOTED

Associated Undertaking

Paramount Leasing Limited		70,817	70,817
6,884,900 ordinary shares of Rs. 10 each			
Equity held 27.54%			
Others			
Ordinary shares of Joint Stock companies	(Note 9.1)	121,049	671,438
Modaraba certificates	(Note 9.2)	7,705	7,705
Other certificates	(Note 9.3)	40,243	51,298
		-----	-----
		259,814	801,258
Add / (Less): Provision for appreciation / diminution in value		(9,063)	46,925
		-----	-----
		230,751	848,183
		=====	=====

9.1 Ordinary Shares of Joint Stock Companies of Rs. 10 each (fully paid)

Name of Company	No. of Shares	1999		1998	
		Cost	Market Value	Cost	Market Value
Askari Commercial Bank Ltd.	326	8	4	37	14
Fauji Jordan Fertilizer Co. Ltd.	--	--	--	9,000	9,000
Sazgar Engineering Works Ltd.	904,000	9,040	11,300	9,040	5,876
Spencer & Company Ltd.	5,040	740	1,108	2,731	3,489
Sana Industries Ltd.	59,800	5,605	3,752	5,605	4,180
Emco Industries Ltd.	1,201,250	9,463	6,006	4,463	1,838
Pak Suzuki Motors	800	37	20	37	28
Searle Pakistan Ltd.	416,518	5,000	5,000	--	--
Crescent Textile Mills Ltd.	126,678	3,927	950	3,927	995
American Life Insurance Co. Ltd.	48,000	2,307	595	3,749	1,482
Ravi Textile Mills Ltd.	523,000	1,831	523	3,021	604
Gulistan Textile Mills Ltd.	30,308	2,970	1,121	2,970	1,159
Crown Textile Mills Ltd.	445,155	4,336	779	4,336	824
Fazal Textile Mills Ltd.	5	--	--	--	--
Shadman Cotton Mills Ltd.	300	--	2	--	--
Crescent Steel and Allied Products Ltd.	6	--	--	--	--
National Development Leasing Corporation.	250	--	1	--	--
Pakistan Industrial Leasing Corporation.	300	--	2	--	--
Saudi Pak Leasing Company.	23	--	--	--	--
Dewan Salman Fibres Ltd.	1,860	--	46	--	--
Essa Cement Industries Ltd.	2,641	22	19	22	2
Gharibwal Cement Ltd.	--	--	--	36	3
Millat Tractors Ltd.	200	16	12	16	8
Sitara Chemical Industries Ltd.	19	1	--	1	--
Trust Leasing Ltd.	--	--	--	4	1
Umer Fabrics Ltd.	--	--	--	3	1

Platinum Commercial Bank Ltd.	--	--	--	501,491	559,179
Nishat (Chunian) Ltd.	--	--	--	4	3
D.G. Khan Cement Ltd.	--	--	--	2	--
AI-Faisal Investment Bank Ltd.	--	--	--	9,000	9,000
Commercial Union Life Assurance Ltd.	--	--	--	9,000	9,000
P.I.A.C.	--	--	--	9,000	9,000
Knoll Pharmaceuticals Ltd.	--	--	--	9,000	9,000
Telecard Ltd.	--	--	--	29,000	30,178
Bank of Punjab.	7	--	--	--	--
First Capital Securities Ltd.	23	--	--	--	--
Altern Energy Ltd.	5,574,000	55,742	59,720	55,730	63,277
Fidelity Investment Bank Ltd.	10	--	--	--	--
Dhan Fibres Ltd.	1,087,000	5,000	5,000	--	--
Japan Power Company Ltd.	1,250,000	5,000	5,000	--	--
Pakistan Telecom Ltd.	249,300	5,000	5,000	209	112
Tri Pak Films Ltd.	259,000	5,000	5,000	--	--
Soneri Bank Ltd.	320	--	4	--	--
Shakarganj Sugar Mills Ltd.	344	4	3	4	2
		121,049	110,967	671,438	718,255

9.2 Modaraba Certificates of Rs. 10 each

<i>Name of Company</i>	<i>No. of Shares</i>	<i>1999</i>		<i>1998</i>		<i>Rupees' 000</i>
		<i>Cost</i>	<i>Market Value</i>	<i>Cost</i>	<i>Market Value</i>	
First Alnoor Modaraba	784,400	7,419	2,942	7,419	3,373	
First Confidence Modaraba	130	3	1	3	--	
Financial Link Modaraba	28,000	283	25	283	25	
		7,705	2,968	7,705	3,398	

9.3 Other Certificates

LTV Redeemable Capital Cert.	3,737	243	351	299	351
23rd ICP Mutual Fund	--	--	--	1	--
Unit Trust of Pakistan	8,000	40,000	45,648	50,998	55,362
		40,243	45,999	51,298	55,713

10. MORABAHA FINANCE

Morabaha Finance		1,385,499	1,733,524
Provision against doubtful morabaha		(119,290)	(83,735)
		1,266,209	1,649,789
Due after one year		(8,818)	(125,168)
		1,257,391	1,524,621

These are facilities to corporate and other customers. Provision for doubtful accounts has been computed in accordance with Non Banking Financial Institution (NBFI) Rules issued by the State Bank of Pakistan. Morabaha Finance facilities are principally secured by hypothecation of or charge on assets of customers, mortgage of property of customers, lien over bank deposits, bank guarantees and pledge of shares of listed companies. These advances do not include any financing to Directors, Chief Executive, other executives or associated companies.

11. LONG TERM INVESTMENTS

<i>Name of Company</i>	<i>1999</i>		<i>1998</i>	
	<i>No. of Shares</i>	<i>Cost</i>	<i>No. of Shares</i>	<i>Cost</i>
Quoted:				
Associated Companies				
Jahangir Siddiqui & Co. Ltd.	2,807,533	92,660	2,007,533	92,660
Equity held 20.64%				
Others:				

Legler Nafees Denim Mills Ltd.	1,469,786	30,873	1,469,786	30,873
		-----		-----
(Market Value Rs. 110,682 Million)		123,533		123,533
		=====		=====

<i>Name of Company</i>	<i>1999</i>		<i>1998</i>	
	<i>No. of Shares</i>	<i>Cost</i>	<i>No. of Shares</i>	<i>Cost</i>
Unquoted: (Ordinary shares of Rs. 10 each)				
First Capital Investment (Private) Ltd. (Chief Executive: Mr. Salman Taseer) Equity held: 13.15% Value of investment based on the net assets shown in the audited accounts 30 June 1998 is Rs. 2.294 million	250,000	2,500	250,000	2,500
Information System Associates (Private) Ltd. (Chief Executive: Mr. Samiullah Bajwa)	500,000	5,000	500,000	5,000
		-----		-----
		7,500		7,500
		-----		-----
		131,033		131,033
Less: Provision for diminution in value of unquoted investments		(1,780)		--
		-----		-----
		129,253		131,033
		=====		=====

	<i>1999</i>	<i>1998</i>
12. LONG TERM SECURITY DEPOSITS		
Advances to staff- considered good	1,006	2,562
Lahore Stock Exchange Membership (Seat)	--	4,000
Lahore Stock Exchange Office	--	271
Deposit against leased assets	--	37
Telephone and other security deposits	216	727
Central Depository Company, Karachi	600	600
	-----	-----
	1,822	8,197
	=====	=====

13. TANGIBLE FIXED ASSETS

	<i>Office Equipment</i>	<i>Furniture & Fixtures</i>	<i>Motor Vehicles</i>	<i>Leasehold Improvements</i>	<i>Total</i>
Cost at 01-07-98	5,053	3,805	4,542	2,691	16,091
Additions	36	121	480	--	637
Disposals	(360)	(453)	(398)	(328)	(1,539)
	-----	-----	-----	-----	-----
30-06-99	4,729	3,473	4,624	2,363	15,189
	=====	=====	=====	=====	=====
Depreciation:					
Rate % (Straight Line)	10%	10%	20%	10%	
	-----	-----	-----	-----	-----
At 1-07-98	2,230	1,514	1,782	1,115	6,641
Charge for year	483	359	936	247	2,025
On disposals	(114)	(165)	(258)	(127)	(664)
	-----	-----	-----	-----	-----
30-06-99	2,599	1,708	2,460	1,235	8,002
	-----	-----	-----	-----	-----
Net Book Value 30-06-99	2,130	1,765	2,164	1,128	7,187
	=====	=====	=====	=====	=====
Net Book Value 30-06-98	2,823	2,214	2,760	1,653	9,450
	=====	=====	=====	=====	=====

13.1 DISPOSAL OF FIXED ASSETS

<i>Asset</i>	<i>Cost</i>	<i>Book Value</i>	<i>Sale Proceeds</i>	<i>Mode of Disposal</i>	<i>Sold To</i>	<i>Rupees' 000</i>
--------------	-------------	-------------------	----------------------	-------------------------	----------------	--------------------

Furniture & fixtures	80	34	-- Scrapped	Written off
Furniture & fixtures	30	25	24 As per Co. Policy	Mazhar Dar, Ex-Employee.
Furniture & fixtures	50	26	26 As per Co. Policy	Arif Ali Hashmi, Ex-Employee.
Furniture & fixtures	293	205	300 Negotiation	Crescent Investment Bank Ltd.
Bicycle	2	--	-- As per Co. Policy	Kazim Khan, Ex-Employee.
Suzuki Mehran	155	--	77 As per Co. Policy	Mazhar Dar, Ex-Employee.
Toyota Corolla	62	31	355 Negotiation	Zain ul Abideen, New Muslim Town
Mitsubishi Pajero	122	98	1,510 Negotiation	Deluxe Motors, Jail Road, Lahore.
Honda CG 125	58	12	29 As per Co. Policy	Saad Yahya Malik, Muslim Town, Lhr.
Lease Hold Improvement	206	113	113 Negotiation	Gulrez Rasheed, Z-595, LCCHS, Lhr.
Lease Hold Improvement	122	85	-- Scrapped	Written off
4 Mobile Sets	82	52	6 Negotiation	Teleshop, Hall Road, Lahore.
Mobile Set	13	9	-- Scrapped	Written off
Fax Machine	20	14	6 Bid from Employee	Khalid Majid, 4-Abid Majid Road.
Photocopier	150	105	-- Branch Closed	Written off
Computer	42	30	-- Branch Closed	Written off
Fax Machine	22	15	-- Branch Closed	Written off
2 Stabilizers	4	3	-- Branch Closed	Written off
Epson LQ-1170	26	18	-- Branch Closed	Written off
	1,539	875	2,446	

1999

1998

14. PROFIT ON INVESTMENT

Profit on sale of investments	81,337	34,117
Mark to market valuation adjustment	(55,986)	62,007
	25,351	96,124

15. ADMINISTRATIVE AND OPERATING EXPENSES**Staff Related**

Salaries and other benefits	7,234	9,085
Lease Rentals and costs	25	1,245
Traveling and conveyance	6,907	5,795
Repairs and maintenance	379	316
Entertainment	123	135
Insurance	396	564

Premises Related:

Rent, rates and taxes	3,370	3,193
Repairs and maintenance	424	530
Insurances	82	177
Security services	343	432

Other Operating Expenses:

Director's Fee	45	--
Telephone and telex	1,634	2,315
Fines and penalties	366	23
Bank charges	72	196
Printing and stationary	745	966
Consultancy charges	7,312	1,205
Auditors' remuneration (Note 15.1)	272	123
Courier and postage	144	197
Subscriptions and fees	573	256
Depreciation	2,025	2,515
Utilities	2,292	1,726
Advertising and promotion	284	129
Legal and other consultancy charges	4,428	1,056
Brokerage commissions	2,712	62
Registrar services fees	132	154
Morabaha and other write off	1,190	--
Miscellaneous	537	1,804
	44,046	34,199

Rupees' 000

1999

1998

15.1 Auditors' Remuneration

Audit fee	200	100
Other advisory services	12	--

Out of pocket expenses	60	23
	-----	-----
	272	123
	=====	=====

16. CURRENT TAX

Current taxation includes Rs. 2.7 million paid as additional tax under section 89 of the Income Tax Ordinance, 1979

17. TRANSACTION WITH ASSOCIATED UNDERTAKINGS

Deposits received (cumulative)	723,322	934,030
Profits paid on deposits received	34,003	41,648
Guarantees and Letters of credit on account of Customers	24,000	56,232
Securities transactions - aggregate of purchases and sales (on behalf of the Company and its customers)	1,144,106	3,130,383

18. REMUNERATION OF DIRECTORS AND EXECUTIVES

	<i>Chief Executive</i>		<i>Executives</i>		<i>Total</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
Managerial						
Remuneration	609	471	1,727	2,547	2,336	3,018
House rent						
Allowance	273	212	778	1,145	1,051	1,357
Utilities	60	47	172	255	232	302
Provident fund	61	118	144	351	205	469
Conveyance allowance	--	--	11	7	11	7
	-----	-----	-----	-----	-----	-----
	1,003	848	2,832	4,305	3,835	5,153
	=====	=====	=====	=====	=====	=====
Number of Persons	1	1	7	11	8	12

In addition to the above, the Chief Executive and some executives are provided free use of cars and reimbursement of residential telephone & electricity expenses within prescribed limits.

19. INTEREST RATE RISK

Interest rate risk and sensitivity of company's financial liabilities and financial assets as at 30 June 1999 can be evaluated from the following:

<i>Description</i>	<i>Note</i>	<i>Total</i>	<i>Exposed to Interest Rate Price Risk</i>			<i>Exposed to Interest Rate Cash Flow Risk</i>			<i>Not Exposed to Interest Rate Risk</i>
			<i>within one year</i>	<i>More than one year & upto five years</i>	<i>Above five years</i>	<i>within one year</i>	<i>More than one year & upto five years</i>	<i>Above five years</i>	
LIABILITIES									
Customer deposits	4	1,879,177	1,878,871	306	--	--	--	--	--
Accrued and other liabilities	5	67,103	--	--	--	--	--	--	67,103
Unclaimed dividends		231	--	--	--	--	--	--	231
Provision for taxation		1,200	--	--	--	--	--	--	1,200
Share Capital and reserves		136,512	--	--	--	--	--	--	136,512
		-----	-----	-----	-----	-----	-----	-----	-----
Total		2,084,223	1,878,871	306	--	--	--	--	205,046
		=====	=====	=====	=====	=====	=====	=====	=====
ASSETS									
Cash and bank balances	7	243,014	233,920	--	--	--	--	--	9,094
Advances, prepayments and other receivables		166,622	3,297	--	--	--	--	--	163,325
Investments	8	230,751	--	--	--	--	--	--	230,751
Morabaha finance	10	1,257,391	1,257,391	--	--	--	--	--	--
Long term morabaha finance		8,818	--	8,818	--	--	--	--	--
Long term investments	11	129,253	--	--	--	--	--	--	129,253
Long term advances and security deposits	12	1,822	--	1,006	--	--	--	--	816
Deferred tax asset		39,365	--	--	--	--	--	--	39,365
Tangible fixed assets	13	7,187	--	--	--	--	--	--	7,187
		-----	-----	-----	-----	-----	-----	-----	-----
Total		2,084,223	1,494,608	9,824	--	--	--	--	579,791

Total interest rate sensitivity gap	--	(384,263)	9,518	--	--	--	--	374,745
Cumulative interest rate sensitivity gap	--	(384,263)	(374,445)	--	--	--	--	--
Unrecognized Financial Assets								
and financial liabilities	6							
Outstanding for:								
Forward exchange contracts	1,116,681	--	--	--	--	--	--	1,116,681
Acceptances/undertakings against documentary credits	14,883	14,883	--	--	--	--	--	--
Guarantees issued	69,682	69,682	--	--	--	--	--	--
Sale/repurchase agreement	38,840	--	--	--	--	--	--	38,840

19.1 Weighted average interest rates by currencies for financial assets and financial liabilities are as follows.

	<i>LOCAL CURRENCY</i>	<i>FOREIGN CURRENCY US DOLLAR</i>
	<i>%</i>	<i>%</i>
LIABILITIES		
Customer deposits	14.71	5.40
ASSETS		
Deposit accounts	11.00	--
Morabaha finance	13.25	--
Advances to company's executives	3.00	--

20. CREDIT RISK

The company's credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits company's exposure to credit risk through monitoring of clients' credit exposure, review and conservative estimates of provisions for doubtful receivable and through the prudent use of collateral for large amounts of credit. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in different avenues.

21. FAIR VALUE OF THE FINANCIAL INSTRUMENTS

The carrying value of financial assets and financial liabilities approximates their fair value as reflected in the financial statements except those stated as long term investment as referred to in Note 11.

22. EARNINGS PER SHARE

There is no dilutive effect on the basic earnings per share of the company which is based on:

	<i>Rupees' 000</i>	
	<i>1999</i>	<i>1998</i>
Loss after taxation	118,815	27,014
Weighted average no. of shares	31,000,000	31,000,000
Earnings per share	(3.83)	(0.87)

23. NO. OF EMPLOYEES

Total number of employees at the year end was 32 (1998: 38)

24. PARENT ENTERPRISE

Albaraka Investment and Development Co., Jeddah is the Parent Enterprise of the company.

25. CORRESPONDING FIGURES

Corresponding figures for previous period have been rearranged as required to conform with the current year's presentation.

CHAIRMAN

CHIEF EXECUTIVE

PATTERN OF SHARE HOLDING AS ON JUNE 30, 1999 FORM 34

<i>FROM</i>	<i>TO</i>	<i>NO. OF SHARE HOLDERS</i>	<i>TOTAL SHARES HELD</i>
1	100	107	10,700
101	500	936	430,000
501	1000	1,195	1,169,400
1001	5000	426	1,044,500
5001	10000	58	450,600
10001	15000	14	175,300
15001	20000	12	222,700
20001	25000	10	243,200
25001	30000	2	51,700
30001	35000	2	64,100
35001	40000	1	40,000
45001	50000	3	147,700
60001	65000	1	61,300
65001	70000	1	69,800
90001	95000	1	90,500
95001	100000	1	98,800
120001	125000	1	121,900
145001	150000	1	150,000
180001	185000	1	185,000
245001	250000	1	250,000
1360001	1365000	1	1,364,400
1545001	1550000	1	1,550,000
1745001	1750000	1	1,747,000
2660001	2665000	1	2,661,400
8595001	8600000	1	18,600,000
		2,779	31,000,000

<i>SHARE HOLDERS</i>	<i>NO. OF SHARE HOLDERS</i>	<i>TOTAL SHARES HELD</i>	<i>PERCENTAGE %</i>	
1. Individuals	2,730	4,112,100	13.26	
2. Financial Institutions	3	34,400	0.11	
3. Public Limited Companies	5	163,900	0.53	
4. Private Limited Companies	6	50,600	0.16	
5. Banking/Investment Companies	15	23,612,000	76.17	
6. Insurance Companies	6	202,000	0.65	
7. Modarabas	11	156,200	0.50	
8. Leasing Companies	1	6,400	0.02	
9. Proprietor/Partnership	1	1,000	0.00	
10. Others	1	2,661,400	8.59	
		2,779	31,000,000	100.00

DALLAH ALBARAKA GROUP BANKS AND INVESTMENT COMPANIES

Banks/Companies marked have a branch network

- Banque Albaraka D' Algerie - Algeria Villa # 11, Site Said Hamdine, Hydra	Telephone: (213 2) 745627/8 Fax: (213 2) 742525 Telex: 67928 BARAK DZ
- Albaraka Islamic Bank B.S.C. (E.C) - Bahrain P.O. Box 1882, Manama	Telephone: (973) 274 488 Fax: (937) 274 499

Also has branches in Pakistan

Al Amin Securities Company - Bahrain P.O. Box 3190, Manama	Telephone: (966-2) 671 0000 Fax: (996-2) 669 3152
--	--

Dallah Albakara Holding Company E.C. - Bahrain P.O. Box 1882, Manama	Telephone: (966-2) 671 0000 Fax: (966-2) 669 4572
--	--

Al Tawfeeq Company for Investment Funds - Cayman Islands P.O. Box 11, George Town, Grand Cayman, BWI	Telephone: (966-2) 671 0000 Fax: (966-2) 669 3152
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- Egyptian Saudi Finance Bank-Egypt P.O. Box 75	Telephone: (20-2) 3542608 Fax: (20-0) 3542911
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Garden City, Cairo

Telex: ESF BK UN

- Jordan Islamic Bank - Jordan

P.O. Box 926225 Amman

Telephone: (962-6) 666325

Fax: (962-6) 666326

Al Braka Bank - Jordan

P.O. Box 113/5683, Beirut

Telephone: (9611) 865262

Fax: (9611) 4784161

AlBaraka Investment & Development Co. - Saudi Arabia

P.O. Box 6854, 21452 Jeddah

Telephone: (966-2) 671 0000

Fax: (966-2) 669 4264

- Al Baraka Bank Limited - South Africa

P.O. Box 4395, Durban 4000

Telephone: (27-31) 3072972

Fax: (27-31) 3052631

Telex: 605730 ALYOSR SJ

- Albaraka Bank - Sudan

P.O. Box 3583, Khartoum

Telephone: (24-911) 773043

Telex: 22555 BARAKA SD

- Beit Ettamwil Saudi Tounsi - B.E.S.T. Bank - Tunisia

88 Avenue Hedi Chaker, 1002 Tunis

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