

First Allied Bank Modaraba

Annual Report 1999

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CORPORATE INFORMATION

MODARABA COMPANY

Allied Management Services (private) Limited.
A Wholly owned subsidiary of
Allied Bank of Pakistan Limited.

BOARD OF DIRECTORS

Mr. Rashid M, Chaudhry	Chairman
Mr. M. Salim Shaikh	Director
Syed Jauhar Husain	Director
Mr. I.A. Usmani	Director
Mr. Zahoor A. Siddiqui	Director
Mr. Akhter Ali Khan	Director
Mr. Tahir Saeed Effendi	Chief Executive

COMPANY SECRETARY

Mr. Salman A. Qazalbash

AUDITORS

Rahim Iqbal Rafiq & Company
Chartered Accountants

Saeed Kamran Patel & Company
Chartered Accountants

BANKERS TO THE MODARABA

Allied Bank of Pakistan Limited.

PRINCIPAL PLACE OF BUSINESS

17th Floor, N.I.C. Building, Abbasi Shaheed Road;
Off: Shahrae Faisal, Karachi.
Tel: 5674024 - 6
Fax: 5674023 & 5660136
Email: fabm@digicom.net.pk

SHARES REGISTRAR

Uni Corporate & Financial Services,
Westland Trade Centre, Shaheed-e-Millat Road,
Karachi. Tel: 4313205 - 4313206 Fax: 4313207

CHAIRMAN'S REVIEW

On behalf of the Board of Directors of Allied Management Services (Private) Limited,
The Managers of First Allied Bank Modaraba, ! take pleasure in presenting the 6th
Annual Report of First Allied Bank Modaraba together with the Audited Accounts for the
year ended June 30, 1999, duly approved by the Board of Directors in the meeting held at
Karachi on 24.11.1999.

FINANCIAL RESULTS

	<i>(Rupees in 000's)</i>	
	<i>June, 30</i>	<i>June, 30</i>
	<i>1999</i>	<i>1998</i>
Net Profit before Management Fee	62,831	74,879
Less: Modaraba Company's Management Fee	622	741
Profit for the year	62,209	74,138
Less: Taxation	4,277	8,000
	-----	-----
Net Profit after Taxation	57,932	66,138
Add: Unappropriated Profit brought forward	652	302
	-----	-----
Available for Appropriation	58,584	66,440
	=====	=====
Appropriations:		
Transfer to Statutory Reserve	11,586	13,288
Cash Dividend	43,750	52,500
Unappropriated Profit carried forward	3,248	652
Earning per Certificate before Taxation & Management Fee	Rs.1.79	Rs.2.14
Earning per Certificate after Taxation	Rs.1.65	Rs. 1.89
Dividend per Certificate	Rs.1.25	Rs.1.50

OPERATIONS

The economic conditions of the country during the period under review, remained sluggish, even then your Modaraba has achieved satisfactory results. Total Assets as well as total income have increased over the previous years. Operating results are summarized as under:

Increase in volume of business:

	<i>(Rupees in '000's)</i>		
	<i>June 30,</i>	<i>June 30,</i>	<i>% Increase</i>
	<i>1999</i>	<i>1998</i>	<i>(Decrease)</i>
Total Assets	860,607	837,425	3
Leasing (Net)	275,854	211,508	30
Musharika/Morabaha (Net)	397,414	422,511	(6)
Other Assets including Trading Stock, Investment etc.	187,339	203,406	(8)

	<i>June, 30</i>	<i>June, 30</i>	<i>% Increase</i>
	<i>1999</i>	<i>1998</i>	<i>(Decrease)</i>
Increase in Income:			
Total Income	124,321	122,371	2
Income from Lease Financing	38,403	30,201	27
Income from Musharika / Morabaha Financing	67,365	79,242	(15)
Equity / Shares Net of Provision	3,169	(7,044)	145
Trading	2,485	3,367	(26)
Others	12,899	6,605	(22)

Musharika / Morabaha Financing continued to be the core business segment forming 46% share of the total assets and contributed 54% to the total revenue generated during the period under review. The lease portfolio registered a growth of 23% over the last year. Lease financing forms 32% share of the total assets and it generated total revenue of Rs.38.403 Million, an increase of 27%, over the last year.

The base of lease portfolio was widened during the last year, through micro leasing to the private sector. As a result we have been able to accommodate small borrowers, including salaried class persons thereby diversifying our portfolio and clientele. Recovery position in respect of micro leasing is 100% and no default has occurred. It has encouraged us to allocate more funds to this sector and further diversify our micro leasing.

During the period, the corporate results and announcements were generally disappointing and investment in various companies exposed to high risk due to low business activities.

Hence, the stock market remained sluggish through out the period. Since your Modaraba has been pursuing a prudent policy of making full provision on account of diminution in the value of stock exchange securities, hence, the adverse impact there of has not been felt.

CASH DIVIDEND

The Board takes great pleasure in declaring a Cash Dividend @ 12.5% i.e. Rs.1.25 per certificate for the year ending June 30, 1999. The management of First Allied Bank Modaraba believes in distributing entire profit to its certificate holders hence, as against 10% entitlement it has retained only 1% of the Profit, as management fee.

FUTURE STRATEGY

In the perspective of the revised priorities of the Government and the efforts being made at domestic and international level we expect that economy will pick-up in near future thus opening up new profitable avenues for investment. The strengthening of institutional frame work, decentralization of powers down the line and implementation of transparent policies aiming at good governance will help creating healthy financial and economic environment and reversing the trend of falling profitability. Your Modaraba is well poised to avail the opportunities.

Anticipating healthy investment environment the Board of Directors has approved floating Musharika Based Valuable Income Securities (M-VIS) of Rs. 100.00 Million for raising long term funds at competitive rates from capital market in a purely Islamic way. The mandate for the rating of M-VIS Investment has been awarded to DCR-VIS Credit Rating Company Limited.

ACKNOWLEDGMENTS

The Board wishes to place on record its appreciation and gratefulness to the certificate holders for their continued confidence in the Modaraba, Securities and Exchange Commission, Registrar Modaraba Companies and Modarabas and State Bank of Pakistan especially NBFIs Department, for the guidance provided by them from time to time and to the staff for their dedication and hard work, who made the achievement of these results possible.

For and on behalf of the Board

Karachi
November 24, 1999

RASHID M. CHAUDHRY
CHAIRMAN

RAHIM IQBAL RAFIQ & CO.

Chartered Accountants
180 - Sindhi Muslim Co-operative
Housing Society, Karachi

SAEED KAMRAN PATEL & CO.

Chartered Accountants
2nd Floor, Blund Markaz, Blue Area
Islamabad.

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed Balance Sheet as at June 30, 1999 and the related Profit and Loss Account and Cash Flow Statement, together with the notes to the accounts for the year then ended June 30, 1999 of First Allied Bank Modaraba which are Modaraba Company's [Allied Management Services (Private) 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 accounts have been kept by the Modaraba Company in respect of First Allied Bank 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 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, exhibits 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 financial position for the year ended on that date;

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

(iii) The business conducted, investment made and expenditure incurred by the Modaraba are in accordance with the Objects, terms and conditions of the Modaraba.

RAHIM IQBAL RAFIQ & CO.
Chartered Accountants

SAEED KAMRAN PATEL & CO,
Chartered Accountants

Karachi:

Dated: Nov, 24, 1999.

BALANCE SHEET AS AT JUNE 30, 1999

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
CAPITAL AND RESERVES			
Authorised			
50,000,000 (1997: 50,000,000)			
Modaraba certificates of Rs. 10/-each		500,000,000	500,000,000
		=====	=====
Issued, Subscribed, and Paid - up capital	3	350,000,000	350,000,000
Statutory Reserve	4	71,074,746	59,488,243
Unappropriated profit		3,248,270	652,263
		424,323,016	410,140,506
LONG TERM MUSHARIKA FINANCE	5	300,000,000	270,000,000
LONG TERM SECURITY DEPOSITS		23,195,385	26,640,948
CURRENT LIABILITIES			
Short Term Musharika Finance	6	28,000,000	33,000,000
Current portion of Long Term Security Deposits		8,624,860	--
Accrued and Other Liabilities	7	22,113,975	21,392,387
Unclaimed Profit		9,599,760	7,451,138
Proposed Profit Distribution		43,750,000	52,500,000
Taxation		1,000,000	16,300,000
		-----	-----
		113,088,595	130,643,525
		-----	-----
CONTINGENCIES & COMMITMENT	8	860,606,996	837,424,979
		=====	=====
FIXED ASSETS - TANGIBLE	9	158,590	219,050
DEFERRED COSTS	10	--	955,416
NET INVESTMENT IN LEASE FINANCE			
	11	206,111,511	168,754,841
LONG TERM MUSHARIKA FINANCE	12	73,759,010	81,170,571
LONG TERM INVESTMENT	13	28,399,000	25,619,000
LONG TERM DEPOSIT	14	400,000	--
CURRENT ASSETS			
Stock - in - Trade		4,598,415	17,875,367
Trade Debts - Secured	15	10,254,251	11,415,256
Current Portion of Long Term Assets	16	110,925,764	97,053,330
Short Term Morabaha Finance - Secured	17	25,000,000	55,000,000
Short Term Musharika Finance - Secured	18	257,472,649	232,039,806
Short Term Investments	19	23,759,005	18,122,093

Accrued Profit	20	98,974,260	58,708,716
Advances, Prepayments, and Other Receivables	21	5,293,095	13,171,942
Cash and Bank Balance	22	15,501,446	57,319,585
		-----	-----
		551,778,885	560,706,101
		-----	-----
		860,606,996	837,424,979
		=====	=====

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

Tahir Saeed Effendi
Chief Executive

Akhter Ali Khan
Director

I.A. Usmani
Director

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

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
INCOME	23	115,295,075	116,748,634
EXPENDITURES			
Operating Expenses	24	5,706,437	5,439,730
Financial Charges		52,405,061	38,439,175
Adjustment in Provision for diminution in the Value of Short Term Investments		(3,167,345)	775,822
Provision for doubtful debts		3,378,121	3,613,000
		-----	-----
		(58,322,274)	(48,267,727)
		-----	-----
		56,972,801	68,480,907
OTHER INCOME	25	5,859,068	6,398,620
		-----	-----
		62,831,869	74,879,527
Modaraba Company's Management Fee	26	(622,098)	(741,381)
		-----	-----
Profit for the year before taxation		62,209,771	74,138,146
Provision for Taxation	27		
-Prior		3,277,261	--
-Current		1,000,000	8,000,000
		-----	-----
		(4,277,261)	(8,000,000)
		-----	-----
Profit for the year after taxation		57,932,510	66,138,146
Unappropriated Profit brought forward		652,263	302,182
		-----	-----
		58,584,773	66,440,328
APPROPRIATION			
Transferred to Statutory Reserves		(11,586,503)	(13,288,065)
Amount of profit distribution @ 12.5 % (1998 - Amount of profit distribution @ 15%)		(43,750,000)	(52,500,000)
		-----	-----
Unappropriated Profit carried forward		3,248,270	652,263
		=====	=====
Earning Per Share - Basic	28	1.65	1.89

These accounts should be read in conjunction with the annexed notes.

Tahir Saeed Effendi
Chief Executive

Akhter Ali Khan
Director

I.A. Usmani
Director

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

	1999	1998
	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year	62,209,771	74,138,146
Adjustment for:		
Amortization of deferred cost	955,416	636,044
Depreciation	85,460	80,460
Diminution in value of investments - net	(3,167,345)	775,822
Financial Charges	52,405,061	38,439,175
Provision for doubtful debts	3,378,121	3,613,000
	-----	-----
	53,656,713	43,545,101
	-----	-----
	115,866,484	117,683.25
CHANGES IN WORKING CAPITAL		
(INCREASE)/DECREASE IN CURRENT ASSETS		
Stock - in - trade	13,276,952	22,893,170
Trade debts	(91,286)	(7,276,560)
Short term morabaha finance	30,000,000	24,313,000
Short term musharika finance	(25,432,843)	(64,048,206)
Short term investments	(2,469,567)	22,598,867
Certificate of investment	--	10,000,000
Accrued profit	(40,265,544)	(15,274,739)
Advances, prepayments & other receivables	7,878,847	(2,186,777)
	-----	-----
Net (Increase) / decrease in current assets	(17,103,441)	(8,981,245)
INCREASE / (DECREASE) IN CURRENT LIABILITIES		
Security deposits	--	(152,000)
Current portion of long term security deposits	8,624,860	--
Accrued & other liabilities	(5,156,768)	6,505,047
	-----	-----
Net Increase / (decrease) in current liabilities	3,468,092	6,353,047
	-----	-----
Cash (outflow)/generated from operation	102,231,134	115,055,049
	-----	-----
	1999	1998
	Rupees	Rupees
Dividend paid	(50,351,378)	(50,393,096)
Taxes paid	(19,577,261)	--
Financial Charges paid	(46,526,704)	(35,012,807)
Long term security deposits received	(3,445,563)	9,857,396
	-----	-----
	119,900,906)	(75,548,507)
	-----	-----
Net cash (used in) / from operating activities	(17,669,772)	39,506,542
CASH FLOW FROM INVESTING ACTIVITIES		
Purchased fixed assets	(25,000)	(173,281)
Long term musharika finance	20,354,064	(54,675,363)
Deferred expenditure	--	(41,250)
Long term investments	(2,780,000)	(23,619,000)
Long term deposit	(400,000)	--
Assets leased out	(66,297,431)	(80,965,843)

Net cash used in investing activities	(49,148,367)	(159,474,737)
CASH FLOW FROM FINANCING ACTIVITIES		
Musharika finance obtained	25,000,000	150,000,000
Net cash from financing activities	25,000,000	150,000,000
Net increase / (decrease) in cash & bank balances	(41,818,139)	30,031,805
Cash & bank balances at the beginning of the year	57,319,585	27,287,780
Cash & bank balances at the end of the year	15,501,446	57,319,585
	=====	=====
Tahir Saeed Effendi Chief Executive	Akhter Ali Khan Director	I.A. Usmani Director

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

1. MODARABA AND ITS OPERATIONS

First Allied Bank Modaraba is a multipurpose, perpetual Modaraba formed under the Modaraba Companies and Modaraba (floatation and control) Ordinance, 1980 and the rules framed thereunder and is managed by Allied Management Services (Private) Limited, a company incorporated in Pakistan. The Modaraba is listed on the Karachi, Lahore and Islamabad Stock Exchanges.

The Modaraba is currently engaged in various Islamic modes of financing and business, including leasing, morabaha, musharika arrangements, trading in listed securities and other commodities.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These financial statements have been prepared on the basis of 'historical cost convention'.

2.2 Taxation

Current

Provision for current taxation is based on taxable income at current tax rates after taking into account tax rebates and tax credit available, if any.

Deferred

The modaraba accounts for deferred taxation on all major timing differences using the liability method.

2.3 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation, Depreciation is charged to income applying the straight line method based on the useful life of the asset. Normal repair of assets is charged to income currently.

Full year's depreciation is charged on additions while no depreciation is charged on assets disposed off during the year.

2.4 Deferred costs

Expenditure incurred in connection with floatation of Modaraba has been written off over a period of five years.

2.5 Stock - in - trade

These are stated at lower of cost and net realizable value determined on weighted average cost basis.

2.6 Investments

Long term

Long term investments are stated at cost. The effect of permanent diminution, if any, in the value of investment is charged to profit and loss account.

Short term

Short term investments in listed securities are stated at lower of cost or market value determined on an aggregate portfolio basis. The effect of permanent diminution, if any, in the value of investment is charged to profit and loss account.

2.7 Revenue recognition

-- For lease transactions, the unearned lease income is deferred and amortized to income over the term of lease, so as to produce a constant rate of return on the net investment.

- Profit on morabaha and musharika finance is accrued on time basis.

- Dividend income is recognised at the time of declaration,

- Profit on sale of goods is recognised on despatch of goods.

2.8 Provision for doubtful debts

The provision for doubtful debts is maintained which, in the judgement of Management, is adequate to provide for potential losses on Lease, Musharika and Morabaha receivables, that can be reasonably anticipated. The provision is increased / decreased by charging / crediting the income.

3. ISSUED, SUBSCRIBED & PAID - UP CAPITAL

30,000,000 Modarabs Certificates of
Rs. 10/- each fully paid in cash

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
	300,000,000	300,000,000

5,000,000 Modaraba Certificates of
Rs. 10/- each issued as fully paid
bonus certificates

	50,000,000	50,000,000
	-----	-----
	350,000,000	350,000,000
	=====	=====

4. STATUTORY RESERVE

Opening balance

	59,488,243	46,200,178
(4.1)	11,586,503	13,288,065
	-----	-----
	71,074,746	59,488,243
	=====	=====

4.1 In accordance with State Bank of Pakistan regulations for Non - Bank Financial Institutions, Modaraba is required to transfer 20% of its profit after tax to statutory reserve until the reserve equals its paid up capital and there after 5% of its profits are required to be transferred to reserve. The reserve is not available for distribution.

5. LONG TERM MUSHARIKA FINANCE - SECURED

This represents assistance from Allied Bank of Pakistan Limited on Musharika basis for the period of three years, and is secured by way of floating first charge on unencumbered assets of the management company. Musharika profits would be payable on quarterly / semi annually basis,

6. SHORT TERM MUSHARIKA FINANCE

It represents finance obtained from First Ibrahim Modaraba (FIM) and International Multi Leasing Corporation. The rate of profit applicable to these finances are 20% and 24%, per annum respectively,

7. ACCRUED AND OTHER LIABILITIES

Accrued expenses
Accrued profit

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
	134,162	158,397
	18,894,792	13,016,436

Advance from customers		1,029,338	5,535,777
Management fee		622,098	741,381
Penalty account	(7.1)	3,369	49,400
Others		1,430,216	1,890,996
		-----	-----
		22,113,975	21,392,387
		=====	=====

7.1 This represents recovery from the customers which could only be used for charitable purpose only, as per the directive of the Religious Board.

8. CONTINGENCIES & COMMITMENTS

Letter of credit		--	52,711,900
		=====	=====

9. FIXED ASSETS - TANGIBLE

Particulars	Cost		Rate %	Depreciation		Written down Value as at June 30, 1999
	As at July 01, 1998	Additions/ (deletions)		As at June 30, 1999	As at July 01, 1998	
Furniture and fixture	26,805	--	10	9,442	2,681	12,123
Computer equipment	388,896	25,000	20	187,209	82,779	269,988
	-----	-----		-----	-----	-----
Rupees	415,701	25,000		196,651	85,460	282,111
	=====	=====		=====	=====	=====
Rupees - 1998	242,420	173,281		116,191	80,460	196,651
	=====	=====		=====	=====	=====

10. DEFERRED COST

	1999 Rupees	1998 Rupees
Modaraba floatation expenses		
Musharika floatation expenses	5,281,942	5,281,942
Commission and brokerage on issue of Modaraba Certificates	955,416	955,416
Preliminary expenses	1,025,557	1,025,557
	58,926	58,928
Less: Amortization	-----	-----
Opening balance	7,321,841	7,321,841
Amortized during the year	6,366,425	5,729,781
	955,416	636,644
	-----	-----
	(7,321,841)	(6,366,425)
	-----	-----
	--	955,416
	-----	-----

11. NET INVESTMENT IN LEASE FINANCE

Lease rentals receivable -Gross	398,991,174	313,031,783
Residual value	31,820,250	26,640,953
	-----	-----
Unearned lease income	1,125,108,433	117,051,414
Accrued lease income	24,076,162	7,291,924
	-----	-----
	(149,184,595)	(124,343,338)
	-----	-----
	281,626,829	215,329,398
	-----	-----
Overdue rentals	18,182,192	5,192,640
Current portion	51,560,607	37,560,071
Provision for doubtful dues	5,772,519	3,821,846
	-----	-----
	(75,515,318)	(46,574,557)
	-----	-----

206,111,511 168,754,841

Included in lease finance are amounts outstanding since 1996 and rescheduled in January 1998 in respect of Pakland Cement Ltd. equal to Rs. 35.976 million and Saadi Cement Ltd. equal to Rs.71.61 million. The rescheduling was made against security of additional unencumbered assets of Rs.27.80 million. Provision has therefore been made for the period subsequent to October, 1998 as per Prudential regulations.

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
12. LONG TERM MUSHARIKA FINANCE - SECURED		
Musharika finance	115,117,132	135,471,196
Overdue	31,832,334	3,250,630
Current portion	9,350,631	51,049,995
Provision for overdue installments	175,157	--
	-----	-----
	(41,358,122)	(54,300,625)
	-----	-----
	73,759,010	81,170,571
	=====	=====

13. LONG TERM INVESTMENTS

The nominal value of these certificates / shares is Rs. 10/- each

<i>Name of Company</i>	<i>1999</i>		<i>1998</i>	
	<i>No. of Certificates</i>	<i>Rupees</i>	<i>No. of Certificates</i>	<i>Rupees</i>
Al-Meezan Mutual Fund Ltd.	200,000	2,000,000	2,000,000	2,000,000
Universal Leasing (13.1)	1,462,800	14,628,000	14,628,000	14,628,000
Samint Textile Ltd. (13.1)	1,499,000	11,771,000	999,000	8,991,000
	-----	-----	-----	-----
	3,161,800	28,399,000	2,661,800	25,619,000
	=====	=====	=====	=====

13.1 These investments were transferred in the year 1998 from short term to long term investments at market value prevalent on the date of transfer in view of the management's decision to hold these investments for a longer period.

13.2 The aggregate market value of these investments as on June 30, 1999 amounted to Rs, 20,877,4001- (1998: Rs, 25,619,000/-). No provision has however, been made as the decline is regarded by the management as temporary.

14. LONG TERM DEPOSIT

This represents the amount paid as security deposit to Central Depository Company.

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
15. TRADE DEBTS		
Trade Debtors	11,506,542	11,415,256
Less: Provision for Doubtful Debts	(1,252,291)	--
	-----	-----
	10,254,251	11,415,256
	=====	=====

16. CURRENT PORTION OF LONG TERM ASSETS

Current portion of lease rentals receivable	69,742,799	42,752,711
Current portion of long term musharika finance	41,182,965	54,300,625
	-----	-----
	110,925,764	97,053,336
	=====	=====

17. SHORT TERM MORABAHA FINANCE

This represents funds provided on morabaha basis to a party and is secured against the pledge of stock, first charge on fixed assets, and pledge of shares.

Also refer Note No. 29

18. SHORT TERM MUSHARIKA FINANCE

This represents funds provided on musharika basis whereby the Modaraba's participation in profit varies from 20% to 26% per annum and is secured by first charge and floating charge on fixed assets, pledge and hypothecation of stock and shares, and mortgage of personal property.

Also refer Note No. 29

19. SHORT TERM INVESTMENT

Investment in shares of

Quoted Companies	(19.1)	23,759,005	18,122,093
		=====	=====

19.1 Investment in shares of Quoted Companies

The nominal value of these shares/certificates are of Rs. 10/-each unless stated otherwise.

<i>Number of Shares</i>		<i>Sector and Name of Company</i>		
<i>1999</i>	<i>1998</i>		<i>1999</i>	<i>1998</i>
			<i>Rupees</i>	<i>Rupees</i>
MUTUAL FUNDS				
393,420	393,420	Confidence Mutual Fund	3,934,200	3,934,200
283,500	260,000	I.C.P. S.E.M.F.	8,240,105	7,960,670
LEASING COMPANIES				
23,900	23,900	Ibrahim Leasing Limited	467,965	467,407
41,400	36,000	Union Leasing Limited	802,178	801,350
SYNTHETIC AND RYON				
61,000	1,000	Dhan Fiber Limited	842,310	41,090
FUEL AND ENERGY				
17,500	17,500	Mari Gas Company Limited	559,461	559,111
31,160	23,225	Sui Northern Gas Pipe Line Co. Ltd	723,998	392,200
25,547	31,160	Sui Southern Gas Co. Ltd.	392,491	723,575
103,000	103,000	Southern Electric Company Limited	1,834,890	1,834,890
260,000	260,000	Japan Power Generation Limited	2,306,500	2,285,980
50,000	--	Hub Power Company Limited	718,000	--
6,000	--	Pakistan State Oil	469,150	--
TRANSPORT AND COMMUNICATION				
10,000	10,000	P.T.C. Limited	185,100	185,100
268,500	268,500	P.I.A.C.	3,960,830	3,949,038
CHEMICAL AND PHARMACEUTICAL				
42,300	31,250	Engro Chemicals	2,988,610	2,700,565
33,723	29,976	Searle Pakistan Limited	1,020,989	1,017,314
85,000	85,000	FFC Jordan Fertilizer	1,478,125	1,477,425
100,000	100,000	ICI (Pakistan) Limited	1,811,700	1,801,450
10,000	--	Fauji Fertilizer	509,910	--
FOOD AND ALLIED				
6,600	6,180	Lever Brothers (Pakistan) Limited (Rs. 50/- each)	6,690,534	6,536,034
GLASS AND CERAMICS				
1,350	1,350	Medi Glass Limited - Bonus Shares	--	--
			-----	-----
			39,937,046	37,407,479

Less:

Provision for diminution in the value of investments

Opening Balance

19,345,386 18,569,564

Adjustment during the year

(3,167,345) 7,758,221

16,178,041) (19,345,386)-----
23,759,005 18,122,093

=====

The aggregate market value of quoted companies / modarabas was Rs. 23,759,005/- (1998: Rs. 18,122,093 /).

	1999	1998
	Rupees	Rupees
20. ACCRUED PROFIT		
-lease finance	24,076,162	7,291,924
-morabaha finance	8,415,411	11,610,698
-musharika finance	63,409,496	38,655,743
-dividend income	288,125	564,375
-bank deposits	27,115,066	525,976
-muccudam income	--	60,000
	-----	-----
	98,974,260	58,708,716
	=====	=====

21. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advance income tax	954,717	11,175,206
Advance against letter of credit	--	24,548
P repayments	131,006	31,082
Advance to staff	--	16,000
CED Receivable	608,711	--
Others	3,598,661	1,925,106
	-----	-----
	5,293,095	13,171,942
	=====	=====

22. CASH AND BANK BALANCES

Cash		
-in hand	3,051	5,000
Stamps in hand	12,233	14,970
With Banks		
-current accounts	7,347,085	49,648,478
-dividend account	7,939,077	7,451,137
-cash reserve with State Bank of Pakistan	200,000	200,000
	-----	-----
	15,486,162	57,299,615
	-----	-----
	15,501,446	57,319,585
	=====	=====

23. INCOME

Lease operations	38,402,787	30,201,549
Morabaha	5,350,245	12,081,000
Musharika	62,014,497	67,160,896
Trading	2,484,947	3,366,803
Profit / (Loss) on sale of investment	2,325	(6,267,837)
Return on bank deposit	7,040,274	10,206,223
	-----	-----
	115,295,075	116,748,634
	=====	=====

	1999	1998
	Rupees	Rupees

23.1 Trading

Sales (Net)	23,485,439	44,488,187
-------------	------------	------------

Cost of sales

Opening stock	17,875,367	40,768,537
Purchases	7,723,540	182,282,141
Closing stock	(4,589,415)	(17,875,367)
	-----	-----
	(21,000,492)	(41,121,384)
	-----	-----
	2,484,947	3,366,803
	=====	=====

24. OPERATING EXPENSES

Salaries		521,004	391,696
Stationery and Printing		755,052	651,753
Annual listing / subscription fee		315,000	309,167
Auditors' remuneration	24.1	60,000	60,000
Legal and professional fee		1,244,403	1,646,249
Professional tax		200,000	200,000
Advertisement		58,380	70,360
Travelling and conveyance		22,715	23,811
Muccadam		225,000	157,000
Postage		416,384	409,250
Excise duty		44,000	45,000
Depreciation		85,460	80,460
Amortization of deferred cost		955,416	636,644
Insurance expenses		--	34.95
Bad Debts Written off		76,062	--
Miscellaneous		727,561	643,395
		-----	-----
		5,706,437	5,439,730
		=====	=====

Office space, utilities, and related expenditures, and services of staff members responsible for managing the affairs of Modaraba have been provided by Allied Management Services (Private) Limited.

24.1 Auditors' remuneration

	1999			1998		
	<i>Rahim Iqbal Rafiq & Co.</i>	<i>Saeed Kamran Patel & Co.</i>	<i>Total</i>	<i>Rahim Iqbal Rafiq & Co.</i>	<i>Saeed Kamran Patel & Co.</i>	<i>Total</i>
Audit fee	30,000	30,000	60,000	30,000	30,000	60,000
	-----	-----	-----	-----	-----	-----
	30,000	30,000	60,000	30,000	30,000	60,000
	=====	=====	=====	=====	=====	=====

1999	1998
<i>Rupees</i>	<i>Rupees</i>

25. OTHER INCOME

Front - end fee	1,257,499	1,520,814
Documentation and processing fee	197,868	1,257,871
Dividend income	2,497,165	3,105,225
Roll - over fee	--	1,500
Project examination fee	10,793	
Preliminary appraisal fee	45,990	212.57
Mukkadmage	155,000	150,000
Others	1,694,753	142,640
	-----	-----
	5,859,068	6,398,620
	=====	=====

26. MODARABA COMPANY'S MANAGEMENT FEE

Management fee at the rate of one percent of net profit of the Modaraba for the year has been charged by Allied Management Services (Private) Limited.

27. TAXATION

The income tax assessment of the modaraba has been completed upto the assessment year 1998-99. The Deputy Commissioner of Income tax (DCIT) has made certain disallowance out of Profit and loss account expenses in the assessment year 1998-99 against which the company has preferred an appeal before the commissioner of Income Tax (Appeals) [CIT(A)], which is pending for adjudication.

Provision for taxation is not required for the year ended June 30, 1999 as the clause (102E) of Part 1 of Second Schedule of the income Tax Ordinance, 1979 has exempted the non - trading income of modaraba from tax provided 90% of their total Profit in a year is distributed to their certificate holders.

Provision for minimum tax liability under Section 80-D of the Income Tax Ordinance, 1979 has been accounted for in the accounts on the trading profit of the modaraba.

28. EARNING PER SHARE-BASIC

Profit for the year after taxation	Rupees	57,932,510	66,138,146
		=====	=====
Weighted average number of shares		35,000,000	35,000,000
		=====	=====
Earning Per Share	Rupees	1.65	1.89

29. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge on obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the credit worthiness of counterparties.

Concentration of credit risk arise when number of counterparties are engaged in similar business activities, or have similar economic feature that would cause their ability to meet contractual obligation to be similarly affected by changes in economic, political, or other conditions.

Maximum credit risk in respect of Net Investment in Lease Finance, Long Term Musharika Finance and Short Term Morabaha and Musharika Finance is to the extent of the amount mentioned in Note 11, 12, 17, and 18 respectively to the financial statements.

Details of sector wise analysis is given below:

INDUSTRY SECTOR	1999 Rupees	%
SUGAR AND ALLIED	30,000,000	4.46
CEMENT	108,420,488	16.1
CHEMICAL AND FERTILIZER	11,842,257	1.76
ELECTRICAL AND ELECTRONICS	53,790,321	7.99
ENERGY, OIL, AND GAS	45,629,968	6.78
FINANCIAL INSTITUTIONS	103,609,303	15.39
HEALTH AND PHARMACEUTICALS	5,713,846	0.85
TEXTILE COMPOSITE	90,935,028	13.51
TEXTILE WEAVING	6,362,846	0.95
TRANSPORT AND COMMUNICATIONS	38,896,893	5.78
FOOD, TOBACCO, AND BEVERAGES	107,187,501	15.92
OTHERS	70,880,483	10.53
	673,268,934	100.00
	=====	=====

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of long-term investment and book value as at June 30, 1999 is as follows:

	Rupees
Book value	28,399,000
Fair value	20,877,400

Fair value over book value	7,521,600
	=====

No provision for decline in market value has been made as in the opinion of management the decline is temporary.

The fair value of all other financial assets and financial liabilities is estimated to approximate their carrying value.

31. RISK EXPOSURE - MARK-UP RATE / RATE OF PROFIT & LOSS

The information about the company's exposure to mark-up / profit and loss rate risk as at June 30, 1999 based on contractual refinancing or maturity dates which ever is earlier is as follows:

	<i>PROFIT/MARK-UP & BEARING</i>		<i>NON-PROFIT/ MARK-UP BEARING</i>	<i>TOTAL</i>
	<i>Less than one year</i>	<i>One year to five years</i>		
Financial Assets				
Net investment in lease finance	69,742,799	211,884,030	--	281,626,829
Long term musharika finance	41,182,965	73,934,167	--	115,117,132
Long term investments	--	--	28,399,000	28,399,000
Long term deposits	--	--	400,000	400,000
Trade debts	--	--	11,506,542	11,506,542
Short term morabaha finance	25,000,000	--	--	25,000,000
Short term musharika finance	257,472,649	--	--	257,472,649
Short term investments	--	--	23,759,005	23,759,005
Advances, prepayments, other receivables & accrued profit	--	--	103,181,632	103,181,632
Cash and bank balances	10,284,065	--	5,217,381	15,501,446
	=====	=====	=====	=====
	403,682,478	285,818,197	172,463,560	861,964,235
	=====	=====	=====	=====
Financial Liabilities				
Long term musharika finance	--	300,000,000	--	300,000,000
Long term deposits	--	--	23,195,385	23,195,385
Short term musharika finance	28,000,000	--	--	28,000,000
Accrued & Other Liabilities	--	--	31,738,835	31,738,835
Unclaimed profit	--	--	9,599,760	9,599,760
	=====	=====	=====	=====
	28,000,000	300,000,000	64,533,980	392,533,980
	=====	=====	=====	=====
On balance sheet gap	375,682,478	(14,181,803)	107,929,580	
	=====	=====	=====	
Cumulative mark-up / profit rate sensitivity gap (a)	375,682,478	361,500,675		
	=====	=====		

(a) The effective rate of mark-up / profit and loss for financial assets and liabilities are as follows:

<i>Financial Assets</i>	<i>1999 %</i>
Net investment in lease finance	18 to 27
Long term musharika finance	18 to 26
Short term morabaha finance	21
Short term musharika finance	20 to 26
Cash and bank balances	14 to 15
31.1 Financial Liabilities	
Long term musharika finance	16 to 17
Short term musharika finance	18 to 24

32. FINANCE IN EXCESS OF 20% OF INVESTEE'S PAID-UP CAPITAL

Finance in excess of 20% of the paid-up capital of the investee company was outstanding in respect of the following parties:

NAME OF THE INVESTEE	DATE OF DISBURSEMENT	AMOUNT SANCTIONED	SHORT TERM FINANCE	PAID-UP CAPITAL		EXCESS AMOUNT
				100%	20%	
Sunflo Citrus Limited	04-03-06	25.00 m	Morabaha			
	09-10-96	40.00 m	Musharika			
	20-02-97	5.00 m	Musharika	265.00 m	53.00 m	17.00 m
		----- 70.00 m				
Quice Food Industries Ltd.	23-11-96	25.00 m	Musharika			
	05-11-97	4.00 m	Musharika			
		----- 29.00 m		106.875 m	21.37 m	7.63 m

The above facilities are however not in excess of the 20% of the paid-up capital of the modaraba.

33. TRANSACTIONS WITH ASSOCIATED UNDERTAKING

Profit earned on bank deposits placed with Allied Bank of Pakistan Limited amounting to Rs. 7,040,274/- (1998: Rs, 8,055,402/-).

Financial expenses charged on long term musharika obtained from Allied Bank of Pakistan Limited, amounting to Rs. 46,527,123/- (1998: Rs, 32,052,877/-),

34. OTHER INFORMATION

The Modaraba has made an assessment of its computer system related to the year 2000 problem and is satisfied that the same is Y2K compliant.

35. FIGURES

- Of Prior Year have been re - arranged, wherever necessary for the purpose of Comparison.

- Have been rounded off nearest to rupee.

Tahir Saeed Effendi
Chief Executive

Akhter Ali Khan
Director

I.A. USMANI
Director

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

NUMBER OF CERTIFICATE HOLDERS	FROM	TO	TOTAL CERTIFICATES HELD
3713	1	100	269,425
4946	101	500	1,717,518
8768	501	1000	5,415,142
2415	1001	5000	5,261,632
415	5001	10000	2,790,323
136	10001	15000	1,644,820
38	15001	20000	677,671
20	20001	25000	446,546
21	25001	30000	597,172
5	30001	35000	161,449
6	35001	40000	225,033
4	40001	45000	168,816
7	45001	50000	336,601
3	50001	55000	155,782
6	55001	60000	352,399
3	60001	65000	185,153
2	65001	70000	137,165
1	70001	75000	70,400

5	75001	80000	386,749
1	80001	85000	83,100
1	85001	90000	90,000
3	95001	100000	296,600
2	105001	110000	218,000
3	115001	120000	352,112
1	120001	125000	121,849
2	130001	135000	261,777
1	240001	245000	243,216
1	370001	375000	375,000
1	405001	410000	405,500
1	455001	460000	456,300
1	1470001	1475000	1,471,750
1	6995001	2630000	2,626,000
-----			-----
20534			35,000,000
=====			=====

**CATEGORIES OF
CERTIFICATE
HOLDERS**

**NUMBER OF
CERTIFICATE
HOLDERS** **TOTAL
CERTIFICATES
HELD** **PERCENTAGE**

INDIVIDUALS	20,458	24,046,777	68.71
INVESTMENT COMPANIES	16	357,719	1.02
INSURANCE COMPANIES	4	104,916	0.30
JOINT STOCK COMPANIES	30	7,424,826	21.21
FINANCIAL INSTITUTION	6	2,697,650	7.71
MODARABA COMPANIES	10	144,198	0.41
OTHERS*	10	223,914	0.64
-----			-----
	20,534	33,000,000	100.00
=====			=====

DETAIL OF OTHERS*

M/s KAMRAN HOSIERY	
DYEING BLEACHING MILLS	583
M/s MURTAZYI BUILDERS	583
M/s SOLOMAN STANDARDSCHOOL	583
M/s UNITED TRADERS	583
M/s MUSLIM MODEL GINNING, PRESSING, COTTON FACTORY & OIL MILLS	68,666
M/s JEDDAH CORPORATION	1,166
M/s ALLIED MANAGEMENT GROUP	130,350
M/s AMI TRADING COMPANY	20,000
M/s GOLDEN SECURITIES SERVICES	1,400

	223,914
=====	

INCLUDES 110 BENEFICIAL OWNERS AS PER LIST APPEARING ON CDC