

Altowfeek Investment Bank Limited

Annual Report 2000

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CORPORATE INFORMATION

CHAIRMAN	Mr. Khalid Mahmood Bhaimia - Nominee AlBaraka Investment & Development Co, Jeddah
VICE CHAIRMAN	Mr. Osman A. Suleiman - Nominee AlBaraka Investment & Development Co, Jeddah
CHIEF EXECUTIVE	Mr. Khalid Majid - Nominee AlBaraka Investment & Development Co, Jeddah
DIRECTORS	Mr. Yelcin Oner - Nominee AlBaraka Investment & Development Co, Jeddah Mr. Iftikhar Soomro - Nominee AlBaraka Investment & Development Co, Jeddah Mr. Firasat Ali - Nominee National Investment Trust Dr. Omar Zuhair Hafiz - Nominee Islamic Development Bank, Jeddah
COMPANY SECRETARY	Mr. Tariq Aleem
AUDITORS	Sidat Hyder Qamar & Co, Chartered Accountants.
SHARE REGISTRAR OFFICE	63-Sharah-e-Quaid-e-Azam 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 10th Annual General Meeting of **AITowfeek Investment Bank Limited** will be held at Avari Hotel, Shahrah-e-Quaid-e-Azam, Lahore on Monday 8th January, 2001 at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS

- 1) To confirm the minutes of the last Extra-ordinary General Meeting of the company held on June 05, 2000.
- 2) To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2000

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.

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

By order of the Board

Lahore
December 17, 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) Account holders and sub-account holders, holding book entry securities of the .Company in CDS of Central Depository Co. of Pakistan Ltd., who wish to attend the Annual General Meeting are requested to please bring original National Identity Card with copy thereof duly attested by their Bankers for identification purpose.

(iii) The share transfer books of the Company will remain closed from January 01, 2001 to January 08 2001 both days inclusive.

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

CHAIRMAN'S REPORT

In the name of Allah, the most Gracious, the most Merciful

Dear Shareholders,

I am pleased to present our results for the fiscal year ending 30 June 2000.

The fiscal year was full of changes in the country with change of Government in October 1999. However, there has not been much positive development in the overall revival of the economy. Foreign investment has evaporated, IMF discussions are going on and on and HUBCO issue remains unresolved. GDP grew by 4.8% but mostly on back of agriculture sector with good cotton, wheat and rice crops but poor sugar cane crop. On the other hand-Rupee-\$ volatility has increased with Rupee sliding below Rs. 60, stock markets reflect wide swings including a major crash, and Rupee rates after being brought down are rising again.

In this volatile environment your Bank has done rather well showing:

- * Operating profits of Rs. 29,435 million.
- * Post tax profits of Rs. 27,202 million.
- * Shareholders equity has gone up to Rs. 163 million.
- * Bad debt recovery of Rs. 128 million in cash.
- * No new credit provision during the year - reflecting adequacy of provision made in this part.
- * Capital Adequacy ratio of 13.9%.
- * Administrative expenses are down by 38% as compared to previous fiscal year.
- * No. of employees are down to 28, from 32 of previous year.
- * Managed to get a refund of 44 million from CBR - which was never due to the Tax Department.
- * Disinvested from Paramount Leasing Company.

During the year your Bank's Board had 2 Board changes:

* Dr. Omar Zohair Hafiz, Head of Islamic Bank, Islamic Development Bank, Jeddah joined replacing Omar Abdullah Sejiyen. Dr. Hafiz is no stranger since he was a Board Member before.

* We lost Nasim Baig, as a result of his move from NIT. He was on our Board for 2 years. Mr. Firasat All has been appointed by NIT.

On your behalf we thank the departing Directors for their contribution during a very difficult period for your Bank

and now look forward to the two new Directors to provide their insight into how to go forward in this new Millennium.

We are not so optimistic about coming year. Current conditions do not provide a basis for optimism. Bank's ability to go after defaulting customers has not changed. The legal process remains slow and very expensive. Without clear political will to change the current legal / regulatory environment banks will not be able to fully enforce their rights against difficult commercial customers in quick time.

Furthermore, we see a very narrow niche for investment banking especially Islamic Banking. we would not like to extrapolate last year's results to current year since funding costs have already gone up. this will obviously affect your Bank's results in coming fiscal year. Moreover, credit recovery remains an unknown due to legal process and stock markets are volatile.

Thus, our strategy remains defensive for the next fiscal year. We would continue to operate cautiously with focused attention. The asset portfolio would continue to be structured to maintain the investment risk at a manageable level. Special emphasis would be placed on recovery of the portfolio. Prudent Murabaha financing and earning from the non-funded activities. Our ability to keep cost of funds low is dictated by market forces.

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 Mohamood Bhaimia
Chairman

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **ALTOWFEEK INVESTMENT BANK LIMITED** as at 30 June 2000 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.

It is the responsibility of the Company's management to establish and maintain a system of internal control and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, 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 conform with approved accounting standards as applicable in Pakistan, and, 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

30 June, 2000 and of the profit and its changes in sources and application of funds (cash flow), for the year then ended; and

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

LAHORE:
Dated: 084 2-2000

SIDAT HYDER, QAMAR & CO.
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 2000

	Note	Rs. in '000'	
		2000	1999
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	31,271	25,826
Accumulated Loss	4	(177,557)	(199,314)
		-----	-----
		(146,286)	(173,488)
		-----	-----
SHAREHOLDERS' EQUITY		163,714	136,512
CUSTOMER DEPOSITS - Due after one year	5	--	306
CURRENT LIABILITIES			
Customer deposits - Due within one year	5	1,091,966	1,878,871
Creditors, accrued and other liabilities	6	87,083	67,103
Unclaimed dividend		231	231
Provision for taxation		2,500	1,200
		-----	-----
		1,181,780	1,947,405
COMMITMENTS AND CONTINGENT LIABILITY	7	--	--
		-----	-----
		1,345,494	2,084,223
		=====	=====
ASSETS			
CURRENT ASSETS			
Cash and bank balances	8	217,477	243,014
Advances, prepayments and other receivables	9	114,463	166,622
Investments	10	97,723	183,109
Morabaha finance	11	583,559	1,257,391
		-----	-----
		1,013,222	1,850,136
LONG TERM MORABAHA FINANCE	11	111,462	8,818
LONG TERM INVESTMENTS	12	171,895	176,895
LONG TERM ADVANCES AND SECURITY DEPOSITS			
DEFERRED TAX ASSET	13	3,435	1,822
TANGIBLE FIXED ASSETS	14	39,028	39,365
		-----	-----
		6,452	7,187

1,345,494	2,084,223
=====	=====

Auditors' Report to the members is annexed hereto.
The annexed notes from 1 to 25 form an integral part of these accounts.

CHAIRMAN / DIRECTOR

CHIEF EXECUTIVE

**PROFIT ,AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2000**

	<i>Note</i>	<i>Rs. in '000'</i>	
		<i>2000</i>	<i>1999</i>
INCOME			
Profit on morabaha finance		173,611	176,379
Profit on bank deposits		8,609	26,509
Non fund based income		1,454	2,641
Dividend income		20,902	27,293
Profit from investments		15,090	25,351
Profit on disposal of fixed assets		93	1,572
Other Income		52	2,871
		-----	-----
		219,811	262,616
EXPENDITURE			
Cost of deposits		162,982	298,710
Administrative & Operating expenses	16	27,394	44,046
		-----	-----
		190,376	342,756
		-----	-----
OPERATING PROFIT/(LOSS) BEFORE PROVISIONS		29,435	(80,140)
PROVISIONS			
Doubtful morabaha financing		1,022	(35,556)
Doubtful receivables		(418)	(5,417)
Diminution in the value of long term investments		--	(1,780)
		-----	-----
		604	(42,753)
		-----	-----
PROFIT/(LOSS) BEFORE TAXATION		30,039	(122,893)
TAXATION			
Current tax		(2,500)	(3,900)
Deferred tax		(337)	7,978
		-----	-----
		(2,837)	4,078
		-----	-----
PROFIT/(LOSS) FOR THE YEAR AFTER TAXATION		27,202	(118,815)
APPROPRIATIONS:			
TRANSFERRED TO STATUTORY RESERVE		5,445	--
		-----	-----
PROFIT/(LOSS) AFTER APPROPRIATIONS		21,757	(118,815)
ACCUMULATED LOSS BROUGHT FORWARD		(199,314)	(80,499)
		-----	-----
ACCUMULATED LOSS CARRIED TO BALANCE SHEET		(177,557)	(199,314)
		=====	=====
Earnings per share - Basic and diluted	22	0.88	(3.83)
		=====	=====

The annexed notes from 1 to 25 form an integral part of these accounts.

CHAIRMAN / DIRECTOR

CHIEF EXECUTIVE

**STATEMENT OF SOURCES AND APPLICATION OF FUNDS (CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 2000**

	<i>Rs. in '000'</i>	
	<i>2000</i>	<i>1999</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	30,039	(122,893)
Adjustments for:		
Gain on investments	(15,090)	(25,351)
Gain on disposal of fixed assets	(93)	(1,572)
Depreciation	2,244	2,025
Provisions	(604)	42,753
	-----	-----
	(13,543)	17,855
OPERATING PROFIT/(LOSS) BEFORE CHANGES IN OPERATING ASSETS	16,496	(105,038)
DECREASE IN OPERATING ASSETS		
Advances, prepayments and other receivables	7,611	94,467
Morabaha finance	572,210	348,025
INCREASE/(DECREASE) IN OPERATING LIABILITIES		
Customer deposits	(787,211)	(669,290)
Creditors, accrued and other liabilities	19,980	(102,783)
	-----	-----
NET CASH FLOWS FROM OPERATING ACTIVITIES BEFORE INCOME TAX	(170,914)	(434,619)
Income Tax refund/(paid)	42,929	(37,176)
	-----	-----
NET CASH FLOWS FROM OPERATING ACTIVITIES	(127,985)	(471,795)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of short term investments	105,477	642,782
Advances and security deposits	(1,613)	6,375
Purchase of fixed assets	(2,286)	(637)
Sale proceeds of fixed assets	870	2,446
	-----	-----
NET CASH FLOWS FROM INVESTING ACTIVITIES	102,448	650,966
	-----	-----
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(25,537)	179,171
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	243,014	63,843
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF YEAR	217,477	243,014
	=====	=====

CHAIRMAN/DIRECTOR

CHIEF EXECUTIVE

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2000**

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Altowfeek 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 13 July 1987 issued by the Ministry of Finance 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 and additions during the first 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 taxation 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 guarantee.

2.6 Foreign Currencies Translation

Assets and liabilities in foreign currencies are translated into Pak 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, if any, are taken to income currently.

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 at the rate of 10% of basic pay.

2.8 Financial instruments

All the financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Any gain or loss on the recognition and derecognition of the financial assets and liabilities is included in the net profit and loss for the period in which it arises.

2.9 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities at the year end are offset and net amount is reported in the balance sheet, where the Company has a legally enforceable right to set off the recognized amounts and the Company intends either to settle on a net basis or to realize the assets and settle

the liability, simultaneously.

2.10 Provision for Doubtful Financing

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

	<i>Rs. in '000'</i>	
	<i>2000</i>	<i>1999</i>
3. STATUTORY RESERVE		
Brought forward	25,826	25,826
Transfer from profit and loss account	5,445	--
	-----	-----
	31,271	25,826
	=====	=====

This reserve (at 20% of profit for the year after taxation) has been created in compliance with NBFIs Circular No.1 of December 5, 1991 issued by the State Bank of Pakistan.

4. Statement of changes in equity

	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Accumulated loss</i>	<i>Total</i>
Balance as at 01 July 1999	310,000	25,826	(199,314)	136,512
Net Profit for the year	--	--	27,202	27,202
Transferred to statutory reserve	--	5,445	(5,445)	--
	-----	-----	-----	-----
Balance as at 30 June 2000	310,000	31,271	(177,557)	163,714
	=====	=====	=====	=====
Balance as at 30 June 1999	310,000	25,826	(199,314)	136,512
	=====	=====	=====	=====

5. CUSTOMER DEPOSITS

Due after one year	--	306
Due within one year	1,091,966	1,878,871
	-----	-----
	1,091,966	1,879,177
	=====	=====

These can be reclassified as under:

Deposits from banks and financial institutions	664,384	1,160,381
Deposits from Government of Pakistan	71,723	128,271
Deposits from Corporate and other clients	355,859	590,525
	-----	-----
	1,091,966	1,879,177
	=====	=====

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 17.50% (1999: 10% to 17.87%) per annum for Pak. Rupees and 1.5% to 7.5% (1999: 1.5% to 7.5%) per annum for various foreign currencies.

Included in the above are foreign currency deposits equivalent to Rs. 229.435 Million (1999 - Rs. 1,116.575 Million) out of which an amount of Rs. 174.38 Million (1999: 1,060,381 Million) is mobilised from Dallah Albaraka.

6. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors for investment	(6.1)	30,000	--
Margin deposits		18,871	28,845
Accrued expenses and other liabilities		1,043	2,908
Accrued return on deposits		33,808	31,934
Excise duty payable		3,361	3,361
Withholding taxes payable		--	55
		-----	-----
		87,083	67,103
		=====	=====

6.1 It represents amount payable to an associated undertaking.

7. COMMITMENTS AND CONTINGENT LIABILITIES

7.1 Outstanding for:

Commitments in respect of forward exchange contracts

in respect of foreign currency deposits with

State Bank of Pakistan	104,417	1,116,681
Acceptance / undertaking against documentary credits	30,166	14,883
Guarantees issued favouring		
-- Government	52,050	45,984
-- Banking companies and other financial institutions	14,157	--
-- Others	14,427	23,698
Sale / repurchase agreements	58,100	38,840
	-----	-----
	273,317	1,240,086
	=====	=====

7.2 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. 14.212 million (1999: Rs. 52.81 million) relating to assessment years 1994-95 and 1996-97. The appeal filed with Honourable Income tax Appellate Tribunal (ITAT) against levy of tax at the rates applicable to banking companies has been decided in favour of the company. The assessments for the year 1995-96 and 1997-98 have been finalized on rates applicable for listed companies and a refund of Rs. 44.05 million has been received during the year. As such no provision has been made in these accounts to reflect the additional tax liability, if any in case the Company is assessed as a banking company.

Income tax liability amounting to Rs. 6.604 million on account of additions in profit and loss account in assessments years 1995-96 and 1996-97 has not been acknowledged by the company. Appeals filed with the ITAT for the assessment year 1995-96 and CIT for the assessment year 1996-97 are pending for decision.

8. CASH AND BANK BALANCE

With banks:

- Current accounts	(8.1)	6,728	9,064
- PLS deposits		210,739	233,920
		-----	-----
		217,467	242,984
Cash in hand		10	30
		-----	-----
		217,477	243,014
		=====	=====

8.1 It includes Rs. 6.243 million (1999: Rs. 7.929 million) held with State Bank of Pakistan as required under Prudential Regulations for Non-Banking Financial Institutions (NBFIs).

9. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances - Considered good	(9.1)	266	3,297
Advance Income Tax		52,335	96,464
Prepayments		1,062	1,244
Accrued Return on:			
- Morabaha finance		53,298	36,990
- Deposits with banks		2,162	3,454
Excise duty receivable - considered doubtful		4,096	4,149
Due from Brokers and Clients			
- Considered doubtful		9,949	9,960
- Considered good		98	98
		-----	-----
		10,047	10,058
Forward Cover Fee		1,418	16,034
Other Receivables		3,824	11,342
		-----	-----
		128,508	183,032
Less: Provision for doubtful receivables		14,045	16,410

114,463	166,622
---------	---------

9.1 This balance comprises advance given to chief executive and 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. 5.145 million (1999: Rs. 5.2 Million) and was also the maximum outstanding balance at the end of any month during the period.

Advances given to Chief Executive of the company for the year Rs. Nil (1999: Rs. 2.562 million).

10. INVESTMENTS - QUOTED

Associated Undertaking

Paramount Leasing Limited	--	70,817
6,884,900 ordinary shares of Rs. 10 each		
Equity held 27.54%		

Others

Ordinary Shares of Joint Stock Companies	(10.1)	91,596	73,407
Modaraba certificates	(10.2)	7,705	7,705
Other certificates	(10.3)	243	40,243
		99,544	192,172
Less: Provision for Diminution in value		1,821	9,063
		97,723	183,109

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

Name of Company	No. of Shares	2000		1999	
		Cost	Market Value	Cost	Market Value
Askari Commercial Bank Ltd.	326	8	4	8	4
Sazgar Engineering Works Ltd.	904,000	9,040	24,408	9,040	11,300
Spencer & Company Ltd.	5,040	--	--	740	1,108
Sana Industries Ltd.	59,800	5,605	3,439	5,605	3,752
Emco Industries Ltd.	201,250	4,463	584	9,463	6,006
Pak Suzuki Motors	800	37	10	37	20
Searle Pakistan Ltd.	19	--	--	5,000	5,000
Crescent Textile Mills Ltd.	126,678	3,927	1,976	3,927	950
American Life Insurance Co. Ltd.	48,000	2,307	528	2,307	595
Ravi Textile Mills Ltd.	217,000	760	543	1,831	523
Gulistan Textile Mills Ltd.	30,308	2,970	1,076	2,970	1,121
Crown Textile Mills Ltd.	445,155	4,336	111	4,336	779
Fazal Textile Mills Ltd.	5	--	--	--	--
Shadman Cotton Mills Ltd.	300	--	4	--	2
Crescent Steel and Allied Products	6	--	--	--	--
National Development Leasing Co	250	--	1	--	1
Pakistan Industrial Leasing Corpor	300	--	2	--	2
Saudi Pak Leasing Company.	23	--	--	--	--
Dewan Salman Fibres Ltd.	177,532	5,002	5,091	--	46
Essa Cement Industries Ltd.	4,005	22	41	22	19
Millat Tractors Ltd.	200	16	17	16	12
Sitara Chemical Industries Ltd.	19	1	1	1	--
Bank of Punjab.	15	--	--	--	--
First Capital Securities Ltd.	47	--	--	--	--
Altern Energy Ltd.	810,000	8,100	10,895	8,100	9,697
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
Tri Pak Films Ltd.	259,000	--	--	5,000	5,000
Soneri Bank Ltd.	650	--	8	--	4
Shakarganj Sugar Mills Ltd.	344	4	2	4	3
Crescent Investment Bank Ltd.	4,544	--	66	--	--
Al-Meezan Mutual Fund	500,000	5,000	5,102	--	--

Asian Stock Fund	1,587,301	5,000	5,102	--	--
ICP S.E.M.F.	247,525	5,000	5,102	--	--
First Leasing Corporation	1,351,351	5,000	5,102	--	--
Adamjee Insurance Co. Ltd.	80,600	4,997	4,997	--	--
Sui Northern Gas Pipelines Ltd.	312,000	4,991	4,991	--	--
Engro Chemicals Ltd.	83,500	5,002	5,002	--	--
Pakistan State Oil Ltd.	30,700	5,007	5,007	--	--
Fauji Fertilizer Co. Ltd.	125,800	5,001	5,001	--	--
		91,596	94,213	73,407	60,944

10.2 Modaraba Certificates of Rs. 10 each

Rupees in '000

<i>Name of Company</i>	<i>No. of Shares</i>	<i>2000 Cost</i>	<i>Market Value</i>	<i>1999 Cost</i>	<i>Market Value</i>
First Alnoor Modaraba	784,400	7,419	3,138	7,419	2,942
First Confidence Modaraba	130	3	--	3	1
Financial Link Modaraba	28,000	283	21	283	25
		7,705	3,159	7,705	2,968

10.3 Other Certificates

LTV Redeemable Capital Cert.	3,737	243	351	243	351
Unit Trust of Pakistan		--	--	40,000	45,648
		243	351	40,243	45,999

Rs. in '000'
2000 **1999**

11. MORABAHA FINANCE

Morabaha Finance	11.1	813,289	1,385,499
Less: Provision against doubtful morabaha	11.2	118,268	119,290
		695,021	1,266,209
Less: Due after one year		111,462	8,818
Due within one year		583,559	1,257,391

11.1 These are considered good except for an amount of Rs. 264.718 million (1999: Rs. 333.001 million)

11.2 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 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.

Particulars of provision against doubtful morabaha financing

Opening balance	119,290	83,735
Charge/(reversals) for the year - net	(1,022)	35,555
Closing balance	118,268	119,290

11.3 Statement showing financing written off or other financial relief in excess of rupees five hundred thousand provided during the year.

<i>Name and address of the person</i>	<i>Name of Individuals/</i>	<i>Father's/ husband's</i>	<i>Outstanding liability on</i>	<i>Amount written off</i>	<i>Other financial</i>
---------------------------------------	-----------------------------	----------------------------	---------------------------------	---------------------------	------------------------

	<i>partners/ Directors with NIC No.</i>	<i>name</i>	<i>the opening day of the year</i>	<i>relief provided</i>
Financial link modaraba First Floor Modern Motor House, Beaumont Road, Karachi	Syed Abdul Wasay Moini NIC. No. 517-35-214555	Syed Abdul Wahid	4,381	1,768
	Nagmeddin Hamalj Mukhtar Libyan National	Hemali Mukhtar		
	Shah Jalil Alam NIC. No. 514-36-02280	Shah Nazir Alam		
	Shahid Abdullah NIC. No. 517-47-172713	Abdullah Abdur Razak		
	Mian Ahmad Rabani NIC No. 72-41-040819	Mian Ghulam Rabani		
	Sajid Ali Abbasi NIC No. 136-39-055604	Sultan Mehmood Abbasi		
	Farid Ullah Khan NIC No. 128-50-087667	Abdullah Khan		

12. LONG TERM INVESTMENTS*Rupees in '000*

<i>Name of Company</i>	<i>2000</i>		<i>1999</i>	
	<i>No. of Shares</i>	<i>Cost</i>	<i>No. of Shares</i>	<i>Cost</i>
Quoted:				
Associated Companies				
Jahangir Siddiqui & Co. Ltd. Equity held 20.64% Market value as at 30 June 2000 Rs. 98.268 million (1999: Rs. 84.226 million)	2,807,533	92,660	2,807,533	92,660
Altern Energy Limited Equity held 21.56% Market value as at 30 June 2000 Rs. 27.393 million (1999: Rs. 50.022 million)	4,764,000	47,642	4,764,000	47,642
Others:				
Legler Nafees Denim Mills Ltd. Equity held 5.8% Market value as at 30 June 2000 Rs. 8.816 million (1999: Rs. 24.456 million)	1,469,786	30,873	1,469,786	30,873
		----- 171,175 =====		----- 171,175 =====

The management intends to retain these investments for a period of two to five years, as quoted price are not truly reflective of the state and affairs and operating performance of investee companies. Therefore, decline in the market value is considered temporary and no provision there against has been made.

Unquoted: (Ordinary shares of Rs. 10 each)

First Capital Investment (Private) L (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 (Pr	--	--	500,000	5,000
		2,500		7,500
		173,675		178,675
		1,780		1,780
Less: Provision for diminution in value of investmen		171,895		176,895

13. LONG TERM ADVANCES AND SECURITY DEPOSITS

Advances to staff - considered good	2,466	1,006
Telephone and other security deposits	369	216
Central Depository Company, Karachi	600	600
	3,435	1,822

14. TANGIBLE FIXED ASSETS

Rupees in '000

	Office Equipment	Furniture & Fixtures	Motor Vehicles	Leasehold Improvements	Total
Cost at 01-07-99	4,729	3,473	4,624	2,363	15,189
Additions	141	330	1,814	--	2,285
Disposals	(423)	(444)	(473)	(1,239)	(2,579)
30-06-2000	4,447	3,359	5,965	1,124	14,895
Depreciation:					
Rate % (Straight Line)	10%	10%	20%	10%	
At 1-07-99	2,599	1,708	2,460	1,235	8,002
Charge for year	501	366	1,202	175	2,244
On disposals	(366)	(207)	(439)	(791)	(1,803)
30-06-2000	2,734	1,867	3,223	619	8,443
Net Book Value 30-06-2000	1,713	1,492	2,742	505	6,452
Net Book Value 30-06-99	2,130	1,765	2,164	1,128	7,187

14.1 DISPOSAL OF FIXED ASSETS

Asset	Cost	Depreciation	Book Value	Sale Proceeds	Profit/ (loss)	Mode of Disposal	Sold to
Furniture & fixtures	170	68	102	--	(102)	--	Scrapped
Furniture & fixtures	100	37	63	63	--	As per Policy	Faisal A. Jamal, Ex-employee
Furniture & fixtures	117	82	35	--	(35)	--	Scrapped
Air conditioners	57	20	37	27	(10)	Negotiation	Friends House Hold, 35-F Sharif Complex
Leasehold Improvements	1,239	790	449	127	(322)	Negotiation	Main Market Gulberg II, Lahore Friends House Hold. 35-F Sharif Complex
Computer & Office Equip.	423	366	57	14	(43)	Negotiation	Saleem Electronics, 132-Link Temple Road, Lahore
Honda CG 125	65	65	--	30	30	As per Policy	Tahir Hussain, Employee
Suzuki Khyber LOW 542	17	10	7	189	182	Negotiation	Mrs. Robina Nafees 321-D, Sett lite Town, Rawalpindi
Suzuki Khyber LOW 3663	291	291	--	146	146	As per Policy	Saba Mahmood, Employee
Honda CG 125	63	63	--	28	28	As per Policy	Noman Khalid, Employee
Suzuki Khyber AB 5075	37	11	26	245	219	Negotiation	Mrs. Nafisa, Bantva Heights. Flat No. B-3,

2,579	1,803	776	869	93
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Rs. in '000'
2000 1999

15. PROFIT ON INVESTMENT

Profit on sale of investments	7,848	81,337
Mark to market valuation adjustment	7,242	(55,986)
	15,090	25,351

16. ADMINISTRATIVE AND OPERATING EXPENSES

Staff Related

Salaries and other benefits	7,406	7,234
Lease Rentals and costs	--	25
Traveling and conveyance	2,061	6,907
Repairs and maintenance	174	379
Entertainment	131	123
Insurance	352	396

Premises Related:

Rent, rates and taxes	3,020	3,370
Repairs and maintenance	296	424
Insurances	102	82
Security services	222	343

Other Operating Expenses:

Director's Fee	20	45
Telephone and telex	1,373	1,634
Fines and penalties	142	366
Bank charges	149	72
Printing and stationary	419	745
Consultancy charges	187	7,312
Auditors' remuneration (Note 16.1)	232	272
Courier and postage	107	144
Subscriptions and fees	324	573
Depreciation	2,245	2,025
Utilities	1,367	2,292
Advertising and promotion	133	284
Legal and other consultancy charges	3,474	4,428
Brokerage commissions	500	2,712
Registrar services fees	144	132
Morabaha and other write off	1,917	1,190
Miscellaneous	897	537
	27,394	44,046

16.1 Auditors' Remuneration

Audit fee	200	200
Other advisory services	7	12
Out of pocket expenses	25	60
	232	272

17. TRANSACTION WITH ASSOCIATED UNDERTAKINGS

Deposits received (cumulative)	759,803	723,322
Profits paid on deposits received	20,196	34,003
Guarantees and Letters of credit on account of Customers	52,100	24,000
Securities related transactions - aggregate of purchases and sales	1,446,030	1,144,106

18. REMUNERATION OF DIRECTORS AND EXECUTIVES

<i>Chief Executive</i>		<i>Executives</i>		<i>Rupees in '000</i>	
2000	1999	2000	1999	2000	1999

Managerial Remuneration	1,387	609	1,637	1,727	3,024	2,336
House rent Allowance	624	273	737	778	1,361	1,051
Utilities	139	60	164	172	303	232
Provident fund	142	61	149	144	291	205
Conveyance allowance	--	--	18	11	18	11
	2,292	1,003	2,705	2,832	4,997	3,835
Number of Persons	1	1	9	7	10	8

In addition to the above, the Chief Executive and certain executives are provided free use of cars and reimbursement of residence, telephone and 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 2000 can be evaluated from the following:

Description	Note	Total	Exposed to Interest Rate Price Risk			Not Exposed to Interest Rate Risk			Rupees in '000
			within one year	More than one year & upto five years	Above five years	within one year	More than one year & upto five years	Above five years	
LIABILITIES									
Deposits of fixed maturities	5	1,091,966	1,091,966	--	--	--	--	--	--
Accrued and other liabilities	6	87,083	--	--	--	87,083	--	--	--
Unclaimed dividends		231	--	--	--	231	--	--	--
Total		1,179,280	1,091,966	--	--	87,314	--	--	--
ASSETS									
Cash and bank balances	8	217,477	210,739	--	--	6,738	--	--	--
Investments		97,723	--	--	--	97,723	--	--	--
Morabaha finance	11	695,021	583,559	111,462	--	--	--	--	--
Advances, prepayments and other receivables		59,648	266	--	--	59,382	--	--	--
Long term investments		171,895	--	--	--	--	171,895	--	--
Long term security deposits	13	3,435	--	2,466	--	--	969	--	--
Total		1,245,199	794,564	113,928	--	163,843	172,864	--	--
Sensitivity gap		--	(297,402)	113,928	--	76,529	172,864	--	--
Unrecognized Financial Assets and financial liabilities	7								
Outstanding for:									
Guarantees issued		69,300	69,300	--	--	--	--	--	--
Forward exchange contracts		104,417	--	--	--	104,417	--	--	--
Acceptances/undertakings against documentary credits		30,166	30,166	--	--	--	--	--	--
Sale/repurchase agreement		58,100	58,100	--	--	--	--	--	--

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

	LOCAL CURRENCY %	FOREIGN CURRENCY US DOLLAR %
2000		
1999		
2000		
1999		

LIABILITIES

Deposit of fixed maturities	14.86	14.71	6.04	5.4
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ASSETS

Deposit accounts	11.00	11.00	--	--
Morabaha finance	19.68	13.25	--	--
Advances to company's executive	3.00	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 12.

22. EARNINGS PER SHARE

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

	<i>Rs. in '000'</i>	
	<i>1999</i>	<i>2000</i>
Profit/(Loss) after taxation	27,202	(118,815)
Weighted average no. of shares	31,000,000	31,000,000
Earnings per share	0.88	(3.83)

23. NO. OF EMPLOYEES

Total number of employees at the year end was 28 (1999: 32)

24. PARENT ENTERPRISE

Albaraka Investment and Development Co., Jeddah is the Parent Enterprise of the company holding 1,860,000 shares as at 30 June 2000 (1999: 1,860,000).

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, 2000 FORM 34**

<i>FROM</i>	<i>TO</i>	<i>NO. OF SHARE HOLDERS</i>	<i>TOTAL SHARES HELD</i>
1	5000	2,231	2,122,400
5001	10000	41	318,200
10001	15000	7	85,100
15001	20000	5	90,800
20001	25000	7	174,400
25001	30000	1	26,500
30001	35000	1	32,100
35001	40000	3	117,600
40001	50000	3	147,400
50001	80000	1	78,300
80001	90000	1	87,900
90001	150000	1	150,000

150001	250000	1	250,000
250001	1275000	1	1,274,400
1275001	1550000	1	1,550,000
1550001	5900000	1	5,895,300
5900001	8600000	1	18,600,000
		-----	-----
	2,307		31,000,000
	=====		=====

<i>SHARE HOLDERS</i>	<i>NO. OF SHARE HOLDERS</i>	<i>TOTAL SHARES HELD</i>	<i>PERCENTAGE %</i>
1. Individuals	2,274	3,230,000	10.42
2. Financial Institutions	3	27,300	0.09
3. Public Limited Companies	5	96,000	0.31
4. Private Limited Companies	4	6,200	0.02
5. Banking/Investment Companies	8	21,519,000	69.42
6. Insurance Companies	5	173,900	0.56
7. Modarabas	6	50,000	0.16
8. Leasing Companies	1	2,100	0.01
9. Proprietor/Partnership	0	0	0.00
10. Others	1	5,895,300	19.02
		-----	-----
	2,307	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 Albaraka 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

- Egyptian Saudi Finance Bank-Egypt
 P.O. Box 75
 Garden City, Cairo
 Telephone: (20-0) 3542608
 Fax: (20-0)3542911
 Telex: ESF BK UN

- Jordan Islamic Bank - Jordan
 P.O. Box 926225 Amman
 Telephone: (962-6) 666325
 Fax: (962-6) 666326

Al Braka Bank - Lebanon
 P.O. Box 113/5683, Beirut
 Telephone: (9611) 865262
 Fax: (9611)4784161

Al Baraka 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

- Belt Ettamwil Saudi Tounsi, B.E.S.T. Bank - Tunisia

88 Avenue Hedi Chaker, 1002 Tunis

Telephone: (216-1) 790000

Fax: (216-1) 780235

Telex: 14084 BEST TN

- Albaraka Turkish Finance House - Turkey

Buyukdere Cod. No. 78

80290 Mecidlyekoy, Istanbul

Telephone: (90-212) 2749900

Fax: (90-212) 2724470

Telex: 27061 ABRT TR

- Dallah Albaraka (UK) Limited - United Kingdom

40 Upper Brook Street, London, WIY 2AH

Telephone: (44-171) 499 9111

Fax: (44-171) 493 7460

Telex: 291169 ALBARA G