

FIRST ALLIED BANK MODARABA

Annual Report 1998

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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: Sharea Faisal, Karachi.

Tel: 5670340-5678212, 5674024-6

Fax: 5674023 & 5660136

E-mail: fabm@digicom.net.pk

SHARES REGISTRAR

Uni Corporate & Financial Services,

4th Floor, Bank House No. 2,

Habib Square, M.A. Jinnah Road, Karachi.

Tel: 2426927-2426932 Fax: 2423593

CHAIRMAN'S REVIEW

On behalf of the Board of Directors of Allied Management Services (Private) Limited, the Managers of First Allied Bank Modaraba, I take pleasure in presenting the 5th Annual Report of First Allied Bank Modaraba together with the Audited Accounts for the year ended June 30, 1998 duly approved in the meeting held at Karachi on August 29, 1998.

FINANCIAL RESULTS

Financial Results for the year ended June 30, 1998 are summarised as under:

	(Rupees in 000's)	
	June, 30 1998	June, 30 1997
Net Profit before Management Fee	74,879	74,593
Less: Modaraba Company's Management Fee	741	746
Profit for the year	74,138	73,847
Less: Provision for Taxation	8,000	8,300
Add: Unappropriated Profit brought forward	302	364
	66,440	65,911
	66,440	65,911

APPROPRIATIONS

Transfer' to statutory reserve	13,288	13,109
Cash Dividend	52,500	52,500
Unappropriated Profit carried forward	652	302
Earning per Certificate	Rs.2.14	Rs.2.13
Dividend per certificate	Rs.1.50	Rs.1.50

OPERATIONS

Inspire of the fact that performance of almost all sectors of the economy remained sluggish, and over all the Modaraba Sector also remained depressed due to adverse business environment, your modaraba has maintained the pace of operational growth in all spheres of business activities during the year under review. The progress achieved by your modaraba during the year ended June 30, 1998 is summarised below:

INCREASE IN VOLUME OF BUSINESS

	(Rupees in 000's)		
	June, 30 1998	June, 30 1997	% Increase
Total Assets	837,425	644,043	28
Leasing	215,329	134,704	59
Musharika/Morabaha	422,512	328,101	29
Other Assets' including Trading Stock, Investment etc.	199,584	181,238	10

INCREASE IN INCOME

	(Rupees in 000's)		
	June, 30 1998	June, 30 1997	% Increase
Total Income	122,371	103,947	18
Income from Lease Financing	30,201	25,373	19
Income from Musharika / Morabaha Financing	79,242	68,921	15
Equity / Shares Net of Provision	(7,044)	(7,518)	6
Trading	3,367	2,057	64
Others	16,605	15,114	10

Musharika/Morabaha Financing continued to be the core business segment forming 51% Share of the total assets and contributed 65% to the total revenue generated during the period under review posting an increase of 15% over the last year. The lease portfolio has also registered a growth rate of 59% over the last year. Lease financing forms 26% share of the total assets and it generated total revenue of Rs.30.96 Million which increased by 22% over the last year.

The base of lease portfolio has been widened during the year. We have also started micro leasing to the private sector as a result of which we are able to accommodate small borrowers, there-

by increasing our clientele. Micro leasing facilities have been extended by your modaraba to salaried class persons. Recovery position in respect of micro leasing is 100% which encouraged us to allocate more funds to this sector.

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 and index fell to a record low. Since your modaraba has been pursuing a prudent policy of making full provision on account of diminution in the value of stock exchange securities, therefore, the adverse impact of the same has not been felt by your modaraba.

We have been quite conscious to avoid over exposure to any particular sector or asset. You would appreciate that maximum exposure in any one sector is 13% of the total assets. Asset-wise classification also confirms our main objective to promote industrialization by leasing out plant and machinery for productive purposes and to make Musharika Financing with Financial Institutions which ultimately utilize such funds in making investment in different industries.

CASH DIVIDEND

The Board takes great pleasure in declaring a Cash Dividend @ 15% i.e. Rs.1.50 per certificate for the year ending June 30, 1998. The management of First Allied Bank Modaraba believes in distribution of almost entire profit to its certificate holders and as against its entitlement of 10% it has retained only 1% of profit, as management fee.

CREDIT RATING

As a result of our maintaining continued payout ratio of 15% p.a. and sustained growth in business, the Pakistan Credit Rating Agency (Private) Limited has also enhanced FABM entity rating, during the year.

FUTURE STRATEGY

The current downturn in economy is forcing the Corporate Sector to rethink their strategies. As a nation, we are passing through economic crises and have to meet the challenges of post - explosion sanctions. It can only be achieved through sincere and sustained efforts. Under the present economic environment - both indigenous as well as international - the roll of Financial Institutions has assumed greater importance and we at our level have chalked out future strategy to maintain our profitability. For this purpose steps have already been taken for further resource mobilization and its prudent and risk free investment in profitable avenues.

The Finance Act, 1998 has also restored tax exemptions to the Modaraba sector from the Assessment year 1999-2000 on the condition that 90% of the profit of the Modaraba in a year is distributed to the certificate holders. It would be an additional advantage for our certificate holders as we would be able to pass on this benefit to them in future.

ACKNOWLEDGMENTS

The Board wishes to place on record its appreciation and gratefulness to the certificate holders for their continued confidence in the Modaraba, Corporate Law Authority, Registrar Modaraba Companies and Modarabas, the State Bank of Pakistan 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:
August 29, 1998.

RASHID M. CHAUDHRY
CHAIRMAN

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed Balance Sheet as at June 30, 1998 and the related Profit and Loss Accounts and Cash Flow Statement, together with the notes to the accounts for the year ended June 30, 1998 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 account have been kept by the Modaraba Company in respect of First Allied Bank Modaraba as required by the Modaraba Companies and Modaraba (Flotation 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 (Flotation and Control) Ordinance, 1980 and Modaraba Companies and Modaraba Rules, 1981; and

(c) In our opinion and to the best of our information and according to the explanations given to us;

(i) The Balance Sheet and the related Profit and Loss Account and the Cash Flow Statement, which are in agreement with the books of account, exhibit respectively a true and fair view of the state of the Modaraba's affairs as at June 30, 1998; 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, investments 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:

August 29, 1998.

**BALANCE SHEET
AS AT JUNE 30, 1998**

	Note	1998 Rupees	1997 Rupees
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 paidup	3	350,000,000	350,000,000
Statutory reserve	4	59,488,243	46,200,178
Unappropriated profit		652,263	302,182
		410,140,506	396,502,360
LONG TERM MUSHARIKA FINANCE	5	270,000,000	130,000,000
LONG TERM SECURITY DEPOSIT		26,640,948	16,783,552
CURRENT LIABILITIES			
Short term musharika finance	6	33,000,000	23,000,000
Security deposit		--	152,000
Creditors, accrued and other liabilities	7	21,392,387	11,460,972
Unclaimed profit		7,451,138	5,344,234
Proposed profit distribution		52,500,000	52,500,000
Taxation		16,300,000	8,300,000
		130,643,525	100,757,206
COMMITMENT	8		

		837,424,979	644,043,118
FIXED ASSETS - TANGIBLE	9	219,050	126,229
DEFERRED COSTS	10	955,416	1,550,810
NET INVESTMENT IN LEASE FINANCE	11	172,576,687	101,065,309
LONG TERM MUSHARIKA FINANCE	12	81,170,571	43,512,501
LONG TERM INVESTMENT	13	25,619,000	2,000,000
CURRENT ASSETS			
Stock-in-trade		17,875,367	40,768,537
Trade debts - secured		11,415,256	4,138,696
Current portion of long term assets	14	97,053,336	70,548,138
Short term morabaha finance - secured		55,000,000	79,313,000
Short term musharika finance - secured		232,039,806	167,991,600
Short term investments	15	18,122,093	51,496,782
Accrued profit	16	54,886,870	43,258,571
Advances, prepayments and other receivables	17	13,171,942	10,985,165
Cash and bank balances	18	57,319,585	27,287,780
		-----	-----
		556,884,255	495,788,269
		-----	-----
		837,424,979	644,043,118
		=====	=====

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

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 1998.

		1998 Rupees	1997 Rupees
INCOME	19	116,748,634	90,208,525
EXPENDITURE			
Operating expenses	20	5,439,730	4,965,946
Financial charges		38,439,175	24,179,301
Adjustment in Provision for diminution in the value of Short term investments		775,822	(8,012,428)
Provision for doubtful debts		3,613,000	208,846
		-----	-----
		48,267,727	21,341,665
		-----	-----
OTHER INCOME	21	68,480,907	68,866,860
		6,398,620	5,726,601
		-----	-----
		74,879,527	74,593,461
		-----	-----
MODARABA COMPANY'S MANAGEMENT FEE	22	741,381	745,935
		-----	-----
PROFIT FOR THE YEAR/PERIOD BEFORE TAXATION		74,138,146	73,847,526
		-----	-----
Provision for taxation		8,000,000	8,300,000
		-----	-----

	66,138,146	65,547,526
Unappropriated profit brought forward	302,182	364,161
	-----	-----
	66,440,328	65,911,687
APPROPRIATION		
Transferred to statutory reserves	13,288,065	13,109,505
Amount of profit distribution		
(1997 - Amount of profit distribution @15%)	52,500,000	52,500,000
	-----	-----
Unappropriated Profit carried forward	652,263	302,182
	=====	=====

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

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1998.**

	1998	1997
	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year/period	74,138,146	73,847,526
Adjustment for:		
.		
Amortization of deferred cost	636,644	1,273,284
Depreciation	80,460	45,804
Diminution in value of investments - net	775,822	(8,012,428)
Provision for doubtful dues	3,613,000	208,846
	-----	-----
	5,105,926	(6,484,494)
	-----	-----
Operating Profit before working capital changes	79,244,072	67,363,032
CHANGES IN WORKING CAPITAL (INCREASE)/DECREASE IN CURRENT ASSETS		
Stock-in-trade	22,893,170	(26,321,727)
Trade debts	(7,276,560)	(2,098,140)
Short term morabaha finance	24,313,000	6,446,000
Short term musharika finance	(64,048,206)	(59,691,600)
Short term investments	22,598,867	20,409,680
Certificate of investment	10,000,000	(10,000,000)
Accrued profit	(15,274,739)	(19,304,791)
Advances, prepayments and other receivable		
(Increase) in current asset	(2,186,777)	(7,052,827)
	-----	-----
	(8,981,245)	(97,613,405)
INCREASE/(DECREASE) IN CURRENT LIABILITIES		
Security deposits	(152,000)	152,000
Creditors, accrued and other liabilities	9,931,415	9,367,271
Increase/(Decrease) in current liabilities	-----	-----
	9,779,415	9,519,271
	-----	-----
Cash (outflow) / generated from operations	80,042,242	(20,731,102)
	-----	-----
Dividend paid	(50,393,096)	(75,982,866)
Long term security deposits received	9,857,396	9,634,972
	-----	-----
	(40,535,700)	(66,347,894)

Net cash (used in) / from operating activities	39,506,542	(87,078,996)
	1998	1997
	Rupees	Rupees

CASH FLOW FROM INVESTING ACTIVITIES

Purchase of fixed assets	(173,281)	(83,000)
Long term musharika finance	(54,675,363)	(25,854,164)
Deferred expenditure	(41,250)	(249,166)
Long term investments	(23,619,000)	--
Assets leased out	(80,965,843)	(64,302,308)
Net cash used in investing activities	(159,474,737)	(90,488,638)

CASH FLOW FROM FINANCING ACTIVITIES

Musharika finance obtained	150,000,000	153,000,000
Net cash from financing activities	150,000,000	153,000,000
Net increase (decrease) in cash and bank balances	30,031,805	(24,567,634)
Cash and bank balances at the beginning of the year	27,287,780	51,855,414
Cash and bank balances at the end of year	57,319,585	27,287,780

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 1998

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 the 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 of during the year.

2.4 Deferred costs

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

However, expenses incurred in connection with the permission obtained for the floatation of Musharika Certificates will be amortized over a period of five years commencing from the date of floatation of Musharika Certificates.

2.5 Stock-in-trade

These are stated at lower of cost and net realisable 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.

	1998 Rupees	1997 Rupees
3. ISSUED, SUBSCRIBED & PAIDUP		
30,000,000 Modaraba Certificates of Rs. 10/- each fully paid in cash	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	46,200,178	33,090,673
Transferred from appropriation (4.1)	13,288,065	13,109,505
	-----	-----
	59,488,243	46,200,178
	=====	=====

4.1 In accordance with State Bank of Pakistan regulations for Non-Banking 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 basis.

6. SHORT-TERM MUSHARIKA FINANCE

It represents finance obtained from First Ibrahim Modaraba (FIM) International Multi Leasing and Escorts Investment Bank. The rate of profit applicable to these finances are 20%, 24% and 18% per annum respectively.

	1998 Rupees	1997 Rupees
Accrued expenses	158,397	260,634
Accrued profit	13,016,436	9,590,068
Advance from customers	5,535,777	308,744
Management fee	741,381	745,935
Penalty account (7.1)	49,400	52,400
Others	1,890,996	503,191
	-----	-----
	21,392,387	11,460,972
	=====	=====

7. CREDITORS, ACCRUED AND OTHER LIABILITIES

Accrued expenses	158,397	260,634
Accrued profit	13,016,436	9,590,068
Advance from customers	5,535,777	308,744
Management fee	741,381	745,935
Penalty account (7.1)	49,400	52,400
Others	1,890,996	503,191
	-----	-----
	21,392,387	11,460,972
	=====	=====

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

8. COMMITMENT

Letter of credit	5,271,900	--
	=====	=====

9. FIXED ASSETS - TANGIBLE

Particulars	Cost			Rate %	Depreciation			Written down value as at June 30, 1998
	As at July 01, 1997	Addition	As at June 30, 1998		As at July 01, 1997	For the year/Period	As at June 30, 1998	
Furniture and fixture	26,805	--	26,805	10	6,761	2,681	9,442	17,363
Computer equipment	215,615	173,281	388,896	20	109,430	77,779	187,209	201,687
	-----	-----	-----	-----	-----	-----	-----	-----
Rupees	242,420	173,281	415,701		116.19	80,460	196,651	219,050
	=====	=====	=====		=====	=====	=====	=====
Rupees-1997	159,420	83,000	242,420		70,387	45,804	116,191	126,229
	=====	=====	=====		=====	=====	=====	=====

	1998 Rupees	1997 Rupees
10. DEFERRED COST		
Modaraba floatation expenses	5,281,942	5,281,942
Musharika floatation expenses (10.1)	955,416	914,166
Commission and brokerage on issue of Modaraba Certificates	1,025,557	1,025,557
Preliminary expenses	58,926	58,926
	-----	-----
	7,321,841	7,280,591
Less: Amortisation		
Opening balance	5,729,781	4,456,497
Amortized during the year / period	636,644	1,273,284
	-----	-----

6,366,425	5,729,781
-----	-----
955,416	1,550,810
=====	=====

10.1 These have not been amortized due to non floatation of Musharika Certificates.

	1998	1997
	Rupees	Rupees
11. NET INVESTMENT IN LEASE FINANCE		
Lease rentals receivable - Gross	313,031,783	198,579,355
Residual value	26,640,953	16,783,557
	-----	-----
Unearned lease income	117,051,414	78,158,987
Accrued lease income	7,291,924	2,840,370
	-----	-----
Current portion	(124,343,338)	(80,999,357)
	(42,752,711)	(33,298,246)
	-----	-----
	172,576,687	101,065,309
	=====	=====

12. LONG TERM MUSHARIKA FINANCE - SECURED

Musharika finance	135,471,196	80,795,833
Current portion	54,300,625	37,283,332
	-----	-----
	81,170,571	43,512,501
	=====	=====

13. LONG TERM INVESTMENTS

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

Name of company	1998		1997	
	No. of Certificates	Rupees	No. of Certificates	Rupees
AI-Meezan Mutual Fund Limited	200,000	2,000,000	200,000	2,000,000
Universal Leasing Limited (13.1)	1,462,800	14,628,000	--	--
Samin Textile Limited (13.1)	999,000	8,991,000	--	--
	-----	-----	-----	-----
	2,661,800	25,619,000	200,000	200,000
	=====	=====	=====	=====

13.1 These investments have been transferred 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.

	1998	1997
	Rupees	Rupees
14. CURRENT PORTION OF LONG TERM ASSETS		
Current portion of lease rentals receivable	42,752,711	33,298,246
Less: provision for over dues	--	33,440
	-----	-----
	42,752,711	33,264,806

Current portion of long term musharika finance	54,300,625	37,283,332
	-----	-----
	97,053,336	70,548,138
	=====	=====

15. SHORT TERM INVESTMENT

Investment in shares of Quoted Companies	(15.1)	18,122,093	41,496,782
Certificate of investment	(15.2)	--	10,000,000
		-----	-----
		18,122,093	51,496,782
		=====	=====

15.1 Investment in shares of Quoted Companies

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

1998	1997		1998	1997
Number of shares	Sector and Name of Company		Rupees	Rupees
MUTUAL FUNDS				
--	-- National Investment Trust Units		--	--
393,420	393,420 Confidence Mutual Fund		3,934,200	3,934,200
--	11,500 21st ICP Mutual Fund		--	198,450
--	36,500 23rd ICP Mutual Fund		--	455,995
260,000	70,000 I.C.R S.E.M.E		7,960,670	5,930,170
--	20,000 Growth Mutual Fund Limited		--	200,000
MODARABAS				
--	101,200 First Confidence Modaraba		--	1,564,000
--	18,000 Modaraba AI-Mali		--	255,565
--	72 Unicap Modaraba		--	44
--	100,000 LTV Capital Modaraba (Rs. 5/- each)		--	373,750
LEASING COMPANIES				
23,900	23,900 Ibrahim Leasing Limited		467,487	467,487
36,000	30,000 Union Leasing Limited		801,350	801,650
--	1,462,800 Universal Leasing Limited		--	14,628,000
TEXTILE WEAVING				
--	1,000,000 Samin Textiles Mills Ltd.		--	9,000,000
SYNTHETIC & RAYON				
61,000	50,000 Dhan Fibres Limited		841,090	795,000
--	120,000 Indus Polyester Company Ltd.-		--	3,764,465
CEMENT COMPANIES				
--	800 D.G. Khan Cement Limited		--	49,680
FUEL & ENERGY				
17,500	17,500 Marl Gas Company Limited		559,111	559,111
23,225	18,400 Sui Northern Gas Pipe Line Company Limited		392,200	596,475
31,160	11,500 Sui Southern Gas Company Limited		723,575	288,650
103,000	8,000 Southern Electric Co. Limited		1,834,890	85,040
260,000	-- Japan Power Generation Limited		2,285,980	--
TRANSPORT & COMMUNICATION				
10,000	25,000 P.T.C. Limited		185,100	913,750
268,500	192,500 Pakistan International Airline Corporation		3,949,038	3,490,300
CHEMICALS & PHARMACEUTICALS				
31,250	15,000 Engro Chemicals		2,700,565	1,710,000
--	10,000 Fauji Fertilizer Company Limited		--	883,800
29,976	8,675 Searle Pakistan Limited		1,017,314	713,514

--	68,000 Biafo Industries Limited	--	1,621,275
85,000	100,000 FFC Jordan Fertilizer	1,477,425	1,520,975
100,000	-- ICI (Pakistan) Limited	1,801,450	--
FOOD & ALLIED			
6,180	5,000 Lever Brothers (Pakistan) Limited (Rs. 50/- each)	6,536,034	5,265,000
GLASS & CERAMICS			
1,350	1,350 Medi Glass Limited - Bonus	--	--
		-----	-----
		37,467,479	60,066,346
	Less:-		
	Provision for diminution in the value of investments.		
	-Opening balance	18,569,564	26,581,992
	Adjustment during the year	775,822	(8,012,428)
		-----	-----
		19,345,386	18,569,564
		-----	-----
		18,122,093	41,496,782
		=====	=====

Note: The aggregate market value of quoted companies / Modarabas was Rs. 18,122,093/-
(1997: Rs. 41,496,782/-).

15.2 CERTIFICATE OF INVESTMENT

This represents deposit of Rs. 10.00 Million for a period of three months in National Assets Leasing Corporation Limited under their certificate of investment scheme in 1997 (1998: nil).

	1998	1997
	Rupees	Rupees
16. ACCRUED PROFIT		
- lease finance	7,291,924	2,840,370
- morabaha finance	11,610,698	15,047,315
- musharika finance	38,655,743	23,534,770
- dividend income	564,375	555,625
- certificate of investment	--	118,356
- bank deposits	525,976	1,337,541
- Muccudam Income	60,000	--
	-----	-----
	58,708,716	43,433,977
Less · Provision against doubtful profit		
- Lease finance	(3,821,846)	(175,406)
	-----	-----
	54,886,870	43,258,571
	=====	=====

17. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advance income tax	11,175,206	10,121,917
Advance against letter of credit	24,548	23,097
Prepayments	31,082	31,082
Advance to staff	16,000	--
Others	1,925,106	809,069
	-----	-----
	13,171,942	10,985,165
	=====	=====

18. CASH AND BANK BALANCES

Cash		
-in hand	5,000	5,000

Stamps in hand	14,970	5,400
With banks		
- Current accounts	49,648,478	21,883,146
- Dividend account	7,451,137	5,344,234
- Cash Reserve with State Bank of Pakistan	200,000	50,000
	-----	-----
	57,299,615	27,277,380
	-----	-----
	57,319,585	27,287,780
	=====	=====

1998 **1997**
Rupees **Rupees**

19. Income

Lease operations	30,201,549	25,372,881
Morabaha	12,081,000	19,506,799
Musharika	67,160,896	49,414,347
Trading	(19.1) 3,366,803	2,057,201
Loss on sale of investment	(6,267,837)	(15,530,470)
Return on bank deposit account / certificate of investment	10,206,223	9,387,767
	-----	-----
	116,748,634	90,208,525
	=====	=====

1998 **1,997**
Rupees **Rupees**

19.1 Trading

Sales	44,488,187	15,274,592
Cost of sales		
Opening stock	(40,768,537)	14,446,810
Purchases	18,228,214	39,539,118
Less: Closing stock	(17,875,367)	(40,768,537)
	-----	-----
	41,121,384	13,217,391
	-----	-----
	3,366,803	2,057,201
	=====	=====

20. OPERATING EXPENSES

Salaries	391,696	150.57
Stationery and Printing	651,753	692,097
Annual listing / subscription fee	389,167	302,500
Auditors' remuneration (20.1)	60,000	115,250
Legal and professional fee	1,646,249	863.74
Professional tax	200,000	200,000
Advertisement	70,360	37,920
Travelling and conveyance	23,811	52,003
Muccadam	157,000	168,000
Postage	409,250	399,035
Expenses against cash dividend / bonus issue	--	226,000
Excise duty	45,000	44,000
Depreciation	80,460	45,804
Amortization of deferred cost	636,644	1,273,284
Insurance expenses	34,945	--
Miscellaneous	643,395	395,743
	-----	-----
	5,439,730	4,965,946
	=====	=====

- Office space, utilities and related expenditure, and services of staff members

responsible for managing the affairs of Modaraba have been provided by Allied Management Services (Private) Limited.

20.1 Auditors' remuneration

	1998			1998		
	Rahim Iqbal Rafiq & Co.	Saeed Kamran Patel & Co.	Total	Rahim Iqbal Rafiq & Co.	Saeed Kamran Patel & Co.	Total
Audit fees	30,000	30,000	60,000	30,000	30,000	60,000
Special Audit Fee	--	--	--	55,250	--	55,250
	30,000	30,000	60,000	85,250	30,000	115,250

	1998 Rupees	1997 Rupees
Front-end fee	1,528,814	1,379,396
Documentation and processing fee	1,257,871	842,285
Dividend income	3,105,225	2,042,328
Roll-over fee	1,500	735,000
Project examination fee	--	36,350
Preliminary appraisal fee	212,570	254,404
Mukkadmage	150,000	225,000
Others	142,640	211,838
	6,398,620	5,726,601

22. 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.

23. TRANSACTIONS WITH ASSOCIATED UNDERTAKING

Profit earned on bank deposits placed with Allied Bank of Pakistan Limited amounting to Rs..8,055,462/- (1997 · 9269411/-).

Financial expenses charged on long term musharika obtained from Allied Bank of Pakistan, Limited, amounting to Rs. 32,052,877/- (1997 · 19,782,876/-).

24. 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
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CERTIFICATE HOLDERS STATISTICS AS AT JUNE 30, 1998.

Number of Certificate Holders	From	Certificate Holding		Total Certificate Held
		To	To	
3556	1	--	100	258,406
4928	101	--	500	1,709,858
9014	501	--	1000	5,560,665
2514	1001	--	5000	5,741,301
441	5001	--	10000	2,969,695

151	10001	--	15000	1,820,195
34	15001	--	20000	601,264
21	20001	--	25000	476,244
19	25001	--	30000	545,588
8	30001	--	35000	258,931
6	35001	--	40000	222,166
3	40001	--	45000	126,200
6	45001	--	50000	287,183
1	50001	--	55000	51,000
5	55001	--	60000	294,399
1	60001	--	65000	62,666
1	65001	--	70000	66,800
1	70001	--	75000	70,400
2	75001	--	80000	152,715
1	80001	--	85000	83,100
1	90001	--	95000	90,600
3	95001	--	100000	297,900
2	105001	--	110000	218,000
3	115001	--	120000	352,112
1	130001	--	135000	130,350
1	245001	--	250000	246,485
1	275001	--	280000	275,827
1	345001	--	350000	348,000
1	370001	--	375000	375,000
1	455001	--	460000	456,300
1	1490001	--	1495000	1,494,650
1	2625001	--	2630000	2,626,000
1	6995001	--	7000000	7,000,000

2073135,000,000
=====

Categories of Cert. Holders	Number of Cert. Holders	Certificates Held	Percentage
Individuals	20671	24,077,753	68.79
Investment Companies	7	401,493	1.15
Insurance Companies	4	104,916	0.30
Joint Stock Companies	28	7,366,776	21.05
Financial Institutions	4	2,693,850	7.70
Modaraba Companies	8	132,698	0.38
Others	9	222,514	0.63
	20731	35,000,000	100.00