

First Allied Bank Modaraba

Annual Report 2000

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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. Muhammad Naveed Masud	Chairman
Mr. Ashfaq Hassan Qureshi	Chief Executive
Mr. Sarfaraz A. Shaikh	Director
Mr. Akhtar Ali Khan	Director
Mr. Tahir Saeed Effendi	Director
Mr. Masood A. Siddiqui	Director
Mr. Muhammadi Yaqoob	Director

COMPANY SECRETARY

Mr. Maqsood Elahi

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

4 - Banglore Town,
Main Sharea Faisal, Karachi - 75350
Tel: 4311129 & 4311130
Fax: 4311132

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 newly constituted Board of Directors of Allied Management Services (Pvt) Ltd., (the Managers of First Allied Bank Modaraba) I present the 7th Annual Report on First Allied Bank Modaraba together with audited accounts for the year ended June 30, 2000 duly approved by the Board of Directors in the meeting held at Karachi on 20.12.2000.

	<i>(Rs. in 000's)</i>	
	<i>June 30,</i>	<i>June 30,</i>
	<i>2000</i>	<i>1999</i>
Net Profit before Management Fee	6,010	62,831
Less: Modaraba Company's Management Fee	60	622
	-----	-----
Profit for the year	5,950	62,209
Less: Taxation	800	4,277
	-----	-----
Net Profit after Taxation	5,150	57,932
Add: Un-appropriated Profit brought forward	3,248	652
	-----	-----
Available for appropriation	8,398	58,584
	=====	=====

Appropriations:

Transfer to Statutory Reserve	515	11,586
Cash Dividend	7,000	43,750
Un-appropriated Profit carried forward	883	3,248
Earning per certificate before Taxation & Management Fee	Rs.0.17	Rs. 1.79
Earning per Certificate After Taxation	Rs.0.57	Rs. 1.65
Dividend per' Certificate	Rs.0.20	Rs. 1.25

The economic condition of the country, during the year under review, remained sluggish. The corporate results were generally disappointing and investment in various companies exposed to high risk due to continued low business activities. This factor alongwith maximum provisioning on stuck up advances mandatory under the Prudential Regulations prescribed by Securities & Exchange Commission of Pakistan for Modarabas, has adversely affected the performance of your Modaraba.

CASH DIVIDEND

The Board has decided to distribute entire available profit among the certificate holders @2% i.e. Rs.0.2 per certificate for the year under review.

FUTURE STRATEGY

With the continued initiative of the Government for the revival of domestic economy it is expected that improved economic conditions will open up new profitable avenues for investment in near future. 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.

In view of the above scenario your Modaraba is focusing on diversifying its portfolio in the area of micro financing particularly cottage industry. It will enhance its consumer lending activity to a broader clientele base and avoid concentration of credit to register improved results in future.

ACKNOWLEDGEMENT

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 for the guidance provided by them from time to time.

For & on behalf of the Board

M. Naveed Masud
Chairman

Karachi
December 20, 2000

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed Balance Sheet as at June 30, 2000 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, 2000 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, 2000; and of 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.

Karachi:
Dated: December 20, 2000

RAHIM IQBAL RAFIQ & CO.
Chartered Accountants

SAEED KAMRAN PATEL & CO.
Chartered Accountants

BALANCE SHEET

As at June 30, 2000

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
CAPITAL AND RESERVES			
Authorised			
50,000,000 (1999: 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	71,589,746	71,074,746
Unappropriated profit		883,273	3,248,270

		-----	-----
		422,473,019	424,323,016
LONG TERM MUSHARIKA FINANCE	5	300,000,000	300,000,000
LONG TERM SECURITY DEPOSITS		31,480,009	23,195,385
CURRENT LIABILITIES			
Short Term Musharika Finance	6	28,000,000	28,000,000
Current portion of Long Term Security Deposits		2,803,365	8,624,860
Accrued and Other Liabilities	7	15,064,401	22,113,975
Unclaimed Profit		11,927,375	9,599,760
Proposed Profit Distribution		7,000,000	43,750,000
Taxation		889,729	1,000,000
		-----	-----
		65,684,870	113,088,595
CONTINGENCIES & COMMITMENT	8		
		-----	-----
		819,637,898	860,606,996
		=====	=====
FIXED ASSETS - TANGIBLE	9	428,244	158,590
NET INVESTMENT IN LEASE FINANCE	10	160,227,533	206,111,511
LONG TERM MUSHARIKA FINANCE	11	43,911,118	73,759,010
LONG TERM INVESTMENT	12	16,628,000	28,399,000
LONG TERM DEPOSIT	13	400,000	400,000
CURRENT ASSETS			
Stock - in - Trade		2,865,042	4,598,415
Trade Debts - Secured	14	8,305,903	10,254,251
Current Portion of Long Term Assets	15	152,585,049	110,925,764
Short Tem Morabaha Finance - Secured	16	24,362,221	25,000,000
Short Term Musharika Finance - Secured	17	179,874,685	257,472,649
Short Term Investments	18	24,733,138	23,759,005
Accrued Profit	19	73,843,559	98,974,260
Advances, Prepayments, and Other Receiveables	20	10,717,506	5,293,095
Cash and Bank Balances	21	120,755,900	15,501,446
		-----	-----
		598,043,003	551,778,885
		-----	-----
		819,637,898	860,606,996
		=====	=====

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

Ashfaq Hassan Qureshi
Chief Executive

Masood A. Siddiqui
Director

Muhammadi Yaqoob
Director

PROFIT AND LOSS ACCOUNT
For the year ended June 30, 2000

Note **2000** **1999**

		<i>Rupees</i>	<i>Rupees</i>
INCOME	22	69,864,561	115,295,075
EXPENDITURES			
Operating Expenses	23	5,455,386	5,706,437
Financial Charges		43,795,263	52,405,061
Reversal of provision in market value of investment		(3,866,825)	(3,167,345)
Provision for doubtful debts		21,566,053	3,378,121
		-----	-----
		(66,949,877)	58,322,274)
		-----	-----
		2,914,684	56,972,801
OTHER INCOME	24	3,095,421	5,859,068
		-----	-----
Modaraba Company's Management Fee	25	6,010,105	62,831,869
		(60,102)	(622,098)
		-----	-----
Profit for the year before taxation		5,950,003	62,209,771
Provision for Taxation	26		
Current		800,000	1,000,000
Prior		--	3,277,261
		-----	-----
		(800,000)	(4,277,261)
		-----	-----
Profit for the year after taxation		5,150,003	57,932,510
Unappropriated Profit brought forward		3,248,270	652,263
		-----	-----
		8,398,273	58,584,773
APPROPRIATION			
Transferred to Statutory Reserves		(515,000)	(11,586,503)
Amount of profit distribution 2 %			
(1999 - Amount of profit distribution @ 12.5%)		(7,000,000)	(43,750,000)
		-----	-----
Unappropriated Profit carried forward		883,273	3,248,270
		=====	=====
Earning Per Share ~ Basic	27	0.15	1.66

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

Ashfaq Hassan Qureshi
Chief Executive

Masood A. Siddiqui
Director

Muhammadi Yaqoob
Director

STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
For the year ended June 30, 2000

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year	5,950,003	62,209,771
Adjustment for:		
Amortization of deferred cost	--	955,416
Depreciation	173,685	85,460
Reversal of provision in market value of investment	(3,866,825)	(3,167,345)
Financial Charges	43,795,263	52,405,061
Provision for doubtful debts	21,390,896	3,378,121

	-----	-----
	61,493,019	53,656,713
	-----	-----
	67,443,022	115,866,484
CHANGES IN WORKING CAPITAL		
(INCREASE) / DECREASE IN CURRENT ASSETS		
Stock - in - trade	1,733,373	13,276,952
Trade debts	1,948,347	(91,286)
Short term morabaha finance	--	30,000,000
Short term musharika finance	62,906,151	(25,432,843)
Short term investments	2,892,692	(2,469,567)
Accrued profit	25,130,701	(40,265,544)
Advances, prepayments & other receivable	(8,232,787)	(2,341,643)
	-----	-----
Net (Increase) / decrease in current assets	86,378,477	(27,323,931)
INCREASE / (DECREASE) IN CURRENT LIABILITIES		
Current portion of long term security deposits	(5,821,495)	8,624,860
	(229,805)	(5,156,768)
Accrued & other liabilities	-----	-----
Net Increase / (decrease) in current liabilities	(6,051,300)	3,468,092
	-----	-----
Cash (outflow) / generated from operations	147,770,199	92,010,645
Dividend paid	(41,422,385)	(50,351,378)
Taxes paid	(1,302,036)	(9,356,772)
Financial Charges paid	(50,615,032)	(46,526,704)
Long term security deposits received	8,284,624	(3,445,563)
	-----	-----
	(85,054,829)	(109,680,417)
	-----	-----
Net cash (used in) / from operating activities	62,715,370	(17,669,772)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchased fixed assets	(443,338)	(25,000)
Long term musharika finance	24,808,270	20,354,064
Long term investments	11,771,000	(2,780,000)
Long term deposit	--	(400,000)
Assets leased out	6,403,152	(66,297,431)
	-----	-----
Net cash used in investing activities	42,539,084	(49,148,367)
CASH FLOW FROM FINANCING ACTIVITIES		
Musharika finance obtained	--	25,000,000
Net cash from financing activities	--	25,000,000
	-----	-----
Net increase / (decrease) in cash & bank balances	105,254,454	(41,818,139)
Cash & bank balances at the beginning of the year	15,501,446	57,319,585
	-----	-----
Cash & bank balances at the end of the year	120,755,900	15,501,446
	=====	=====

Ashfaq Hassan Qureshi
Chief Executive

Masood A. Siddiqui
Director

Muhammadi Yaqoob
Director

NOTES TO THE ACCOUNTS

For the year ended June 30, 2000

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 Cost

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.

2.9

	<i>Share Capital Rupees</i>	<i>Statutory Reserve Rupees</i>	<i>Un-Appro- priated Profit/(Loss) Rupees</i>	<i>Total Rupees</i>	
Balance as at June 30, 1998		350,000,000	59,488,243	652,263	410,140,506
Profit for the year		--	--	57,932,510	57,932,510
Transferred to Statutory Reserve		--	11,586,503	(11,586,503)	--
Profit Distribution		--	--	(43,750,000)	(43,750,000)
		-----	-----	-----	-----
Balance as at June 30, 1999		350,000,000	71,074,746	3,248,270	424,323,016
Profit for the year		--	--	5,150,003	5,150,003
Transferred to Statutory Reserve		--	515,000	(515,000)	--
Profit Distribution		--	--	(7,000,000)	(7,000,000)
		-----	-----	-----	-----
		350,000,000	71,589,746	883,273	422,473,019
		=====	=====	=====	=====

2000
Rupees

1999
Rupees

3. ISSUED, SUBSCRIBED & PAID - UP CAPITAL

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	71,074,746	59,488,243
Transferred from appropriation	(4.1)	11,586,503
	-----	-----
	71,589,746	71,074,746
	=====	=====

4.1 In accordance with the Prudential Regulations for Modarabas Circulated by the S.E.C.P., a Modaraba is required to transfer 10% of its profit after tax to statutory reserve until the reserve equals its paid up capital and there after 5% of its profit is required to be transferred to reserve. The reserve is not available for distribution.

5. LONG TERM MUSHARIKA FINANCE - SECURED

This represents assistance from Allied Batik of Pakistan Limited on Musharika basis, and is secured by way of floating charge on unencumbered assets of the management company. Musharika profits would be payable on quarterly / semi annually basis (profit @ 12% p.a). The finance of Rs. 100 million has been renewed for a further period of three years w.e.f. January 03, 2000. The other finance of Rs. 100 million awaits renewal for which request has been made. The Modaraba has repaid a sum of Rs. 100 million subsequently to the balance sheet date, in respect of these finances of Rs. 20 million, Rs. 30 million and Rs. 50 million respectively as per maturity.

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 19%, per annum respectively.

	2000	1999
	Rupees	Rupees
7. ACCRUED AND OTHER LIABILITIES		
Accrued expenses	170,183	134,162
Accrued profit	12,075,023	18,894,792
Advance from customers	1,944,629	1,029,338
Management fee	60,102	622,098
Penalty account (7.1)	3,369	3,369
Others	811,095	1,430,216
	-----	-----
	15,064,401	22,113,975
	=====	=====

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 & COMMITMENT

9. FIXED ASSETS-TANGIBLE

Particulars	COST				DEPRECIATION			Written down
	As at July	Additions /	As at June	Rate	As at July	For the	As at June	value as at
	11,999	(deletions)	30, 2000	%	01, 1999	year	30, 2000	June 30, 2000
Furniture and fixture	26,805	4,428	31,233	10	12,123	3,123	15,246	15,987
Computer equipment	413,896	438,910	852,806	20	269,988	170,561	440,549	412,257
	-----	-----	-----	-----	-----	-----	-----	-----
Rupees	440,701	443,338	884,039		282,111	173,685	455,796	428,244
	=====	=====	=====	=====	=====	=====	=====	=====
Rupees - 1999	415,701	25,000	440,701		196,651	85,460	282,111	158,590
	=====	=====	=====	=====	=====	=====	=====	=====

	2000	1999
	Rupees	Rupees
10. NET INVESTMENT IN LEASE FINANCE		
Lease rentals receivable - Gross	372,990,408	398,991,174
Residual value	34,300,700	31,820,250
	111,616,001	125,108,433
Unearned lease income		
Accrued lease income	20,451,430	24,076,162
	-----	-----
	132,067,431	149,184,595
	-----	-----
	275,223,677	281,626,829
Overdue rentals	40,006,842	18,182,192
Current portion	67,516,598	51,560,607
Provision for doubtful dues	7,472,704	5,772,519
	-----	-----
	114,996,144	75,515,318
	-----	-----
	160,227,533	206,111,511
	=====	=====

10.1 Provision against non performing assets have been made in accordance with the Prudential Regulations. No provision in respect of classified portion of lease rentals amount of Rs. 72.347 million has been made as the sale price of the assets held under sale and lease back arrangement was higher than the classified amount.

11. LONG TERM MUSHARIKA FINANCE

Musharika finance	90,308,862	115,117,132
Overdue	32,874,107	31,832,334
Current portion	12,187,502	9,350,631
Provision for overdue installments	1,336,135	175,157
	-----	-----
	(46,397,744)	(41,358,122)
	-----	-----
	43,911,118	73,759,010
	=====	=====

12. LONG TERM INVESTMENTS

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

Name of Company	2000		1999	
	No. of Certificates	Rupees	No. of Certificates	Rupees
A1-Meezan Mutual Fund Ltd.	200,000	2,000,000	200,000	2,000,000
Universal Leasing Corporation Ltd. (12.1)	1,462,800	14,628,000	1,462,800	14,628,000
Samin Textile Ltd.	--	--	1,499,000	11,771,000
	-----	-----	-----	-----
	1,662,800	16,628,000	3,161,800	28,399,000
	=====	=====	=====	=====

12.1 The aggregate market value of these investments as on June 30, 2000 amounting to Rs.16,189,160 (1999: Rs.. 20,877,400). No provision has however, been made as the decline by Rs. 438,840/- is regarded by the management as temporary.

13. LONG TERM DEPOSIT

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

	2000 Rupees	1999 Rupees
	400,000	400,000
	=====	=====

14. TRADE DEBTS

Trade Debtors

- Considered good	(14.1)	8,305,903	10,254,251
- Doubtful		1,252,291	1,252,291
		-----	-----
		9,558,194	11,506,542
Less: Provision for Doubtful Debts		(1,252,291)	(1,252,291)
		-----	-----
		8,305,903	10,254,251
		=====	=====

14.1 This represents amount due from a party which is inclusive of Rs. 4.92 million outstanding since the year 1998 and Rs. 3.39 million since the year 1999. However, no provision has been made thereagainst as the management is hopeful of recovering the amount in full.' The party has also availed long term and short term musharika which are both overdue. The value of the security held by the Modaraba against these finances also covers the amount of the outstanding trade debts.

	2000 Rupees	1999 Rupees
--	----------------	----------------

15. CURRENT PORTION OF LONG TERM ASSETS

Current portion of lease rentals receivable	107,523,440	69,742,799
Current portion of long term musharika finance	45,061,609	41,182,965
	-----	-----
	152,585,049	110,925,764
	=====	=====

16. 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. (Refer note no. 31).

Morabaha Finance	25,000,000	25,000,000
Less: Provision	(637,779)	--
	-----	-----
	24,362,221	25,000,000
	=====	=====

17. SHORT TERM MUSHARIKA FINANCE

Musharika finance	(17.1)	194,566,498	257,472,649
Less: Provision		(14,691,813)	--
		-----	-----
		179,874,685	257,472,649
		=====	=====

17.1 Provision against non performing assets have been made in accordance with the Prudential Regulations. No provision in respect of classified portion of musharika finance amount of Rs. 15.5 million has been made as the sale price of the assets held as security was higher than the classified amount.

This represents funds provided on musharika basis whereby the Modaraba's participation in profit varies from 18% 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.

18. SHORT TERM INVESTMENT

Investments in shares of quoted companies	(18.1)	24,733,138	23,759,005
		-----	-----
		=====	=====

18.1 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>2000</i>	<i>1999</i>
<i>2000</i>	<i>1999</i>		<i>Rupees</i>	<i>Rupees</i>
MUTUAL FUNDS				
393,420	393,420	Confidence Mutual Fund	3,934,200	3,934,200
552,500	283,500	I.C.P.S.E.M.F.	14,082,464	8,240,105
LEASING COMPANIES				
75,900	23,900	Ibrahim Leasing Limited	785,196	467,965
91,400	41,400	Union Leasing Limited	1,026,620	802,178
SYNTHETIC AND RYON				
--	61,000	Dhan Fiber Limited	--	842,310
FUEL AND ENERGY				
30,000	17,500	Mari Gas Company Limited	834,499	559,461
209	31,160	Sui Northern Gas Pipe Line Company Limited	2,748	723,998
379	25,547	Sui Southern Gas Company Limited	5,051	392,491
--	103,000	Southern Electric Company Limited	--	1,834,890
--	260,000	Japan Power Generation Limited	--	2,306,500

--	50,000 Hub Power Company Limited	--	718,000
--	6,000 Pakistan State Oil	--	469,150

TRANSPORT AND COMMUNICATION

--	10,000 P.T.C. Limited	185,100	
564,000	268,500 Pakistan Inter	7,060,497	3,960,830

CHEMICAL AND PHARMACEUTICAL

--	42,300 Engro Chemicals	--	2,988,610
95	33,723 Searle Pakistan Limited	2,749	1,020,989
--	85,000 FFC Jordan Fertilizer	--	1,478,125
150,000	100,000 ICI (Pakistan) Limited	2,799,603	1,811,700
--	10,000 Fauji Fertilizer	--	509,910

FOOD AND ALLIED

6,280	6,600 Lever Brothers (Pakistan) Limited (Rs. 50/- each)	6,510,727	6,690,534
-------	--	-----------	-----------

GLASS AND CERAMICS

1,350	1,350 Medi Glass Limited - Bonus Shares	--	--
-----	-----	-----	-----
1,865,533	1,853,900	37,044,354	39,937,046
=====	=====	=====	=====

Less:

Provision for diminution in the value of investments

Opening Balance 16,178,041 19,345,386

Adjustment during the year (3,866,825) (3,167,345)

(12,311,216) (16,178,041)-----
24,733,138 23,759,005

=====

NOTE: The aggregate market value of shares of quoted companies/modarabas was Rs. 24,733,144/- (1999:Rs~ 23~759~005/-)

		2000	1999
		Rupees	Rupees
19. ACCRUED PROFIT			
- lease finance	19.1	20,451,430	24,076,162
- morabaha finance	19.2	8,415,411	8,415,411
- musharika finance	19.2	44,976,718	63,409,496
- dividend income		--	288,125
- bank deposits		--	2,785,066
- accrued profit in suspense account	19.3	85,040,850	27,406,707
		-----	-----
		158,884,409	126,380,967
Less: Accrued profit suspended	19.3	(85,040,850)	(27,406,707)
		-----	-----
		73,843,559	98,974,260
		=====	=====

19.1 The provision made in the corresponding finance covers the overdue accrued prom of Rs. 19.4 million included in the above balance. (Also refer note no. 10).

19.2 The provision made in the corresponding finance covers the overdue accrued profit of Rs. 66.2 million included in the above balance. (Also refer notes no. 11, 16 & 17).

19.3 This represents unrealized profit kept in suspense account to comply with the requirement of Prudential Regulations. The suspense related to lease profit is Rs. 30,350,836/- and that to musharika profit is Rs. 54,690,014/-.

20. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advance income tax		1,044,890	954,717
Income tax refundable		301,592	--
Prepayments		72,123	131,006
CED Receivable	20.1	1,535,143	608,711
Others	20.2	10,963,899	3,598,661
Provision for doubtful dues	20.2	(3,200,141)	--
		-----	-----
		10,717,506	5,293,095
		=====	=====

20.1 This represents amount of CED on lease and musharika finance paid to the Central Excise Department by the Modaraba, recoverable from the respective parties.

20.2 Included in the above is an amount of Rs. 3.96 million incurred by the Modaraba in respect of maintenance of cold storage of stocks pledged against Musharika and Morabaha facilities. In this respect a recovery suit filed in 1999 by the Modaraba, the High Court of Sindh had issued attachment order by appointing a Receiver. A sum of Rs. 6.1 million has since been realized by the Receiver against the sale of pledged stock.

Included in the above is an amount of Rs.4.47 million due against terminated lease whereby the Modaraba has taken over the possession of the lease assets and subsequently realised Rs 1.27 million by disposal of assets. The modaraba is in the process of filing suit for the recovery of balance amount of Rs. 3.20 million and made necessary provision thereagainst.

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
21. CASH AND BANK BALANCES		
- in hand	5,000	3,051
Stamps in hand	15,250	12,233
With Banks		
- current accounts	107,941,840	7,347,085
- dividend account	12,593,810	7,939,077
- cash reserve with State Bank of Pakistan	200,000	200,000
	-----	-----
	120,735,650	15,486,162
	-----	-----
	120,755,900	15,501,446
	=====	=====

22. INCOME

Lease operations		24,300,060	38,402,787
Morabaha		--	5,350,245
Musharika		27,647,922	62,014,497
Trading (loss)	(22.1)	(155,917)	2,484,947
Gain on sale of investment		10,609,863	2,325
Return on bank deposit account / certificate of investment		7,462,633	7,040,274
		-----	-----
		69,864,561	115,295,075
		=====	=====

22.1 Trading

Sales (Net)		1,577,456	23,485,439
Cost of sales			
Opening stock		4,598,415	17,875,367
Purchases		--	7,723,540
Closing stock		(2,865,042)	(4,589,415)
		-----	-----
		(1,733,373)	21,000,492

	-----	-----
	(155,917)	2,484,947
	=====	=====

23. OPERATING EXPENSES

Salaries		898,141	521,004
Stationery and printing		471,380	755,052
Annual listing / subscription fee		314,167	315,000
Auditors' remuneration	(23.1)	60,000	60,000
Legal and professional fee		1,338,691	1,244,403
Professional tax		200,000	200,000
Advertisement		149,510	58,380
Travelling and conveyance		57,651	22,715
Muccadam		334,000	225,000
Postage		408,100	416,384
Excise duty		--	44,000
Depreciation		173,684	85,460
Amortization of deferred cost		--	955,416
Insurance expenses		81,011	
Bad Debts Written off		209,689	76,062
C.D.C. Charges		41,112	--
Miscellaneous		718,250	727,561
		-----	-----
		5,455,386	5,706,437
		=====	=====

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

23.1 Auditors' remuneration

	2000			1999		
	<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
Special Audit fee	--	--	--	--	--	--
	-----	-----	-----	-----	-----	-----
	30,000	30,000	60,000	30,000	30,000	60,000
	=====	=====	=====	=====	=====	=====

24. OTHER INCOME

	2000	1999
	<i>Rupees</i>	<i>Rupees</i>
Front - end fee	316,128	1,257,499
Documentation and processing fee	163,355	197,868
Dividend income	2,114,968	2,497,165
Roll - over fee	150,000	--
Project examination fee	--	10,793
Preliminary appraisal fee	5,519	45,990
Muccadmage	45,000	155,000
Others	300,451	1,694,753
	-----	-----
	3,095,421	5,859,068
	=====	=====

25. 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.

26. TAXATION

No timing differences originate as a result of exemption availed by Modaraba from income tax as the clause (102E) of

Part I of the Second Schedule of the Income Tax Ordinance, 1979.

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.

27. EARNING PER CERTIFICATE - Basic

	2000	1999
	Rupees	Rupees
Profit for the year after taxation	5,150,003	57,932,510
Weighted average number of Certificate	35,000,000	35,000,000
Earning Per Certificate	0.15	1.66

28. 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	2000	
	Rupees	%
SUGAR AND ALLIED		
CEMENT	104,456,971	17.85
CHEMICAL AND FERTILIZER		
ELECTRICAL AND ELECTRONICS	57,277,539	9.79
ENERGY, OIL, AND GAS	42,849,562	7.32
FINANCIAL INSTITUTIONS	72,471,962	12.39
HEALTH AND PHARMACEUTICALS	5,713,846	0.98
TEXTILE COMPOSITE	91,268,589	15.60
TEXTILE WEAVING	6,362,846	1.09
TRANSPORT AND COMMUNICATIONS	9,028,624	1.54
FOOD, TOBACCO AND BEVERAGES	103,365,429	17.67
OTHERS	76,282,602	13.03
	-----	-----
	585,099,036	100.00
	=====	=====

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of long-term investment and book value as at June 30, 2000 is as follows:

	Rupees
Book value	16,628,000
Fair value	16,189,160

Book value over fair value	438,840
	=====

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 subject to the relevant notes wherever stated is estimated to approximate their carrying value.

30. 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:

	PROFIT / MARK-UP BEARING		NON-PROFIT / MARK-UP BEARING	TOTAL
	<i>Less than one year</i>	<i>One year to five years</i>		
Financial Assets				
Net investment in lease finance	160,227,533	114,996,144	--	275,223,677
Long term musharika finance	45,061,609	45,247,253	--	90,308,862
Long term investment	--	--	16,628,000	16,628,000
Long term deposits	--	--	400,000	400,000
Trade debts	--	--	9,558,194	9,558,194
Short term morabaha finance	25,000,000	--	--	25,000,000
Short term musharika finance	194,566,498	--	--	194,566,498
Short term investment	--	--	24,733,138	24,733,138
Advances, prepayments, other receivables & accrued profit	--	--	84,561,065	84,561,065
Cash and bank balances	12,593,810	--	108,162,090	120,755,900
	-----	-----	-----	-----
	437,449,450	160,243,397	244,042,487	841,735,334
	=====	=====	=====	=====
Financial Liabilities				
Long term musharika finance	--	300,000,000	--	300,000,000
Long term deposits	--	--	31,480,009	31,480,009
Short term musharika finance	28,000,000	--	--	28,000,000
Accrued and other liabilities	--	--	18,849,948	18,849,948
Unclaimed	--	--	11,927,375	11,927,375
	-----	-----	-----	-----
	28,000,000	300,000,000	62,257,332	390,257,332
	-----	-----	-----	-----
On balance sheet gap	409,449,450	(139,756,603)	181,785,155	
Cumulative mark-up/ profit rate sensitivity gap (a)	409,449,450	269,692,847		
	-----	-----		

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

	2000 %
Financial Assets	
Net investment in lease finance	18 to 27
Long term musharika finance	18 to 26
Short term morabaha finance	21
Short term musharika finance	18 to 26
Cash and bank balances	10 to 12

Financial Liabilities

Long term musharika finance	12
Short term musharika finance	19 to 24

31. 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 ANNOTIONED	SHORT TERM PAID-UP CAPITAL FINANCE	SHORT TERM PAID-UP CAPITAL		EXCESS AMOUNT
				100%	20%	
Sunflo Citrus Limited	3/4/96	25.00 m	Morabaha			
	10/9/96	40.00 m	Musharika	265.00 m	53.00 m	17.00 m
	2/20/97	5.00 m	Musharika			

		70.00 m				
Quice Food Industries Limited	11/23/96	25.00 m	Musharika	103.20 m	20.64 m	04.36 m
	=====	=====	=====	=====	=====	=====

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

32. TRANSACTIONS WITH ASSOCIATED UNDERTAKING

Profit earned on bank deposits placed with Allied Bank of Pakistan Limited amounted to Rs. 7,462,633/-(1999: Rs. 7,040,274/-).

Financial expenses charged on long term musharika obtained from Allied Bank of Pakistan Limited, amounted to Rs. 38,180,728/- (1999: Rs. 46,527,123/-).

33. FIGURES

Of prior year have been re - arranged, wherever necessary for the purpose of comparison.

- Have been rounded off nearest to rupee.

Ashfaq Hassan Qureshi
Chief Executive

Masood A. Siddiqui
Director

Muhammadi Yaqoob
Director

PATTERN OF CERTIFICATE HOLDING FORM "34"**CERTIFICATE HOLDERS STATISTICS**

AS ON JUNE 30, 2000

Number of Cert. Holders	Certificate Holding		Total Certificates Held
	From	To	
3839	1	--	100
4734	101	--	500
8171	501	--	1000
1996	1001	--	5000
324	5001	--	10000
105	10001	--	15000
25	15001	--	20000
15	20001	--	25000
18	25001	--	30000
6	30001	--	35000
4	0.35	--	40000
3	40001	--	45000
4	45001	--	50000
3	50001	--	55000
5	55001	--	60000
1	60001	--	65000
1	65001	--	70000

1	70001	--	75000	70,400
2	75001	--	80,000	152,449
1	80001	--	85,000	83,100
1	95001	--	100000	100,000
1	105001	--	110000	108,000
1	110001	--	115001	114,849
1	130001	--	135000	130,350
1	370001	--	375000	375,000
1	455001	--	460000	456,300
1	1465001	--	1470000	1,466,050
1	2625001	--	2630000	2,626,000
1	5155001	--	5160000	5,159,881
1	6995001	--	7000000	7,000,000

19268-----
35,000,000
=====

Categories of Cert. Holders	Number of Cert. Holders	Total Certificates Held	Percentage
INDIVIDUALS	19214	19,644,486	56.13
INVESTMENT COMPANIES	6	140,260	0.40
INSURANCE COMPANIES	3	102,416	0.29
JOINT STOCK COMPANIES	29	12,181,957	34.81
FINANCIAL INSTITUTIONS	3	2,668,650	7.54
MODARABA COMPANIES	4	70,783	0.20
OTHERS	9	221,448	0.63
	-----	-----	-----
	19268	35,000,000	100.00
	=====	=====	=====

NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that the First Annual Review Meeting of the Certificate holders of First Allied Bank Modaraba will be held at Beach Luxury Hotel, Karachi on Monday, January 15, 2001, at 9.00 a.m. to review the performance of First Allied Bank Modaraba for the year ending June 30, 2000 in terms of Clause 20 of the Prudential Regulations for Modarabas issued vide Circular No. 5/2000.

By Order of the Board

ASHFAQ H. QURESHI
Chief Executive

Karachi, December 20, 2000

Notes:

* The Modaraba Certificates transfer books shall remain closed from 14-01-2001 to 23-01-2001 (both days inclusive) to determine the names of certificate holders entitled to receive dividend and to attend the Annual Review Meeting.

* Transfers received in order at the office of the Registrar M/s. Uni Corporate & Financial Services at Westland Trade Centre, Shaheed-e-Millat Road, Karachi at the close of business on 13-01-2001 will be treated in time.