



Financial Statements

for the year ended June 30, 2005

Allied Management Services
(Private) Limited

(Subsidiary of Allied Bank Limited)

ANJUM ASIM SHAHID RAHMAN
Chartered Accountants

We have audited the annexed balance sheet of Allied Management Services (Private) Limited as at June 30, 2005 and the related profit and loss account, cash flow statement and statement of changes in equity 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 accounting standards as applicable in Pakistan 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 accounts 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 except for the change indicated in note 2.4 with which we concur;
 - (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 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 June 30, 2005 and of the loss for the year then ended; and
- (e) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

ANJUM ASIM SHAHID RAHMAN
Chartered Accountants

Karachi.
Dated: September 28, 2005

The Board of Directors of Allied Management Services (Pvt.) Limited are pleased to present the 13th Annual Report together with the Audited Accounts of the company for the year ended June 30, 2005.

	2005 Rupees	2004 Rupees
FINANCIAL RESULTS:		
Loss for the year	(83,143)	(300,573)
Taxation	-	-
Loss for the year after tax	(83,143)	(300,573)
Unappropriated profit brought forward	1,527,063	1,827,636
Unappropriated profit carried forward	1,443,920	1,527,063
Earning per share	(0.01)	(0.05)
Net asset value per share	7.12	8.26

The company suffered a loss of Rs. 83,143/= after charging an amount of Rs. 176,250/= on account of Administrative expenses and hence no provision for taxation was made in the current year. The Board of Directors in its 48th Meeting held on September 21, 2004 decided to transfer the fixed assets of the Company to First Allied Bank Modaraba at book value and no expenses should be charged to the Company except the Auditors' remuneration, Retainership fee, Annual renewal fee and Legal and professional charges remuneration, Retainership fee, Annual renewal fee and Legal and professional charges in respect of the tax and other legal issues of the Company.

During the year, the company invested its funds in Certificates of Islamic Investment Meezan Bank and earned a profit of Rs. 92,369/= on such certificates.

The investment of the Company in Certificates of First Allied Bank Modaraba has been remeasured to fair value as per IAS 39 due to which an impairment loss of Rs. 19.400 million has been recognized thereby reducing the amount of investment from Rs. 60.000 million to Rs. 40.600 million. The resultant impairment loss has been adjusted directly through the Equity of the Company retrospectively to comply with the requirement of IAS 8.

The main source of Income is the dividend on its investment in First Allied Bank Modaraba and the management fee from the Modaraba. The management company is entitled to charge upto 10% of the annual profit of Modaraba as management fee but it has sacrificed its share to facilitate FABM in reducing Accumulated Losses. The management fee hence has not been received.

The primary objective of Allied Management Services (Private) Limited - wholly owned subsidiary of Allied Bank Limited is to manage and run First Allied Bank Modaraba.

Karachi:

Dated: September 28, 2005

Balance Sheet

as at June 30, 2005

	Note	2005 Rupees	2004 Rupees
SHARE CAPITAL			
Authorised 10,000,000 ordinary shaes of Rs. 10 each		100,000,000	100,000,000
Issued, subscribed and paid-up capital	3	62,500,000	62,500,000
Unappropriated profit		1,443,920	1,527,063
		63,943,920	64,027,063
Deficit on revaluation of investment		(19,400,000)	(12,400,000)
		44,543,920	51,627,063
CURRENT LIABILITIES			
Accrued and other liabilities	4	83,090	28,440
		44,627,010	51,655,503
FIXED ASSETS	5	-	38,012
LONG-TERM INVESTMENT	6	40,600,000	47,600,000
CURRENT ASSETS			
Other receivables	7	47,318	34,572
Advance tax		40,300	36,066
Short term investment		3,105,562	3,033,902
Cash and bank balances	8	833,830	912,951
		4,027,010	4,017,491
		44,627,010	51,655,503

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

Chief Executive

Director

Director

Profit and Loss Account

for the year ended June 30, 2005

	Note	2005 Rupees	2004 Rupees
Income	9	93,107	53,678
Administrative expenses	10	(176,250)	(354,251)
Loss before taxation		(83,143)	(300,573)
Taxation		–	–
Loss after taxation		(83,143)	(300,573)
Earnings per share	11	(0.01)	(0.05)

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

Chief Executive

Director

Director

Cash Flow Statement

for the year ended June 30, 2005

	Note	2005 Rupees	2004 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Net loss before taxation		(83,143)	(300,573)
Adjustment for:			
Depreciation		–	26,591
Operating profit before working capital changes		(83,143)	(273,982)
Increase in other receivables		(12,746)	(10,972)
Decrease/(increase) in accrued and other liabilities		54,650	(35,050)
Decrease/(increase) in payable to amounted undertaking		–	(12,605)
Cash generated from operations		(41,239)	(332,609)
Income tax paid		(4,234)	(3,767)
Net cash generated from operating activities		(45,473)	(336,376)
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from disposal of fixed assets		38,012	–
Net cash used in investing activities		38,012	–
Net decrease in cash and cash equivalents		(7,461)	(336,376)
Cash and cash equivalents as at July 1	12	3,946,853	4,283,229
Cash and cash equivalents as at June 30		3,939,392	3,946,853

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

Chief Executive

Director

Director

Statement of Changes in Equity

for the year ended June 30, 2005

	Issued, subscribed and paidup capital	Unappropriated profit	Unrealised gain/(loss) on revaluation of investment	Total
	Rupees			
Balance as at June 30, 2003	62,500,000	1,827,636	(32,700,000)	31,627,636
Net loss for the year	–	(300,573)	–	(300,573)
Gain on re-measurement	–	–	20,300,000	20,300,000
Balance as at June 30, 2004	62,500,000	1,527,063	(12,400,000)	51,627,063
Net loss for the year	–	(83,143)	–	(83,143)
Loss on re-measurement	–	–	(7,000,000)	(7,000,000)
Balance as at June 30, 2005	62,500,000	1,443,920	(19,400,000)	44,543,920

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

Chief Executive

Director

Director

1. STATUS AND NATURE OF BUSINESS

Allied Management Services (Private) Limited (AMSL) was incorporated under Companies Ordinance 1984 on October 09, 1991 and was registered as Modaraba Company on October 13, 1992. The principal activity of the company is floatation and management of Modaraba for undertaking business operations aimed at Islamization of the country's economy. The Board of Director's in its 48th meeting held on September 21, 2004 decided to transfer the fixed assets of AMSL to First Allied Bank Modaraba at book value and that no expense is to be charged to AMSL except the auditor's remuneration and retainership fee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

These financial statements are prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise such International Accounting Standards (IASs) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Accounting convention

These financial statements have been prepared on the basis of historical cost convention except for as modified in accordance with note 2.4.

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 whereby the cost of asset is written off over its estimated useful life.

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

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Gain and loss on disposal of fixed assets are included in income currently.

2.4 Long term Investment-Available for sale

Available for sale investments are those financial assets that are not (a) loans and receivables originated by the company (b) held to maturity investments or (c) financial assets held for trading. Available for sale investments are initially recognized at cost and subsequently re-measured to fair value. Unrecognized gains and losses are recognized directly in equity through the statement of changes in equity. Previously those investments were stated at cost and aggregate market value was disclosed, however, during the year the company has changed the policy and has applied the same retrospectively in accordance with International Accounting Standard-8.

2.5 Revenue recognition

2.5.1 Modaraba management fee is recognized as income on accrual basis.

2.5.2 Dividend income is recognized when right to receive dividend is established.

2.5.3 Return on deposits with bank is recognized on accrual basis.

2.6 Taxation

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, and the provision of Section 113 of Income Tax Ordinance, 2001 whichever is higher.

2.7 Trade debts

Trade debts and other receivables are stated at cost less impairment losses, if any.

2.8 Impairment

The carrying amounts of the company's assets are reviewed at balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated and impairment losses are recognized in the profit and loss account. Reversal of impairment loss if any, is restricted to the original cost of assets.

2.9 Use of estimates

In presenting the balance sheet, management makes estimates regarding certain assets and liabilities and other matters that affect the reported amounts and disclosure in the balance sheet. Estimates, by their nature, are based on judgment and available information. Therefore, actual results could differ from those estimates resulting in a impact to the balance sheet.

2.10 Provisions

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

2.11 Financial instruments

Recognition

Financial instruments are recognized when the company becomes a party to the contractual provisions of the instrument. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Off – setting

Financial assets and liabilities are set-off and the net amount is reported in the balance sheet if the company has a legal right to set-off the transactions and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.12 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash and bank balances and short term investments as stated in note 12.

	2005 Rupees	2004 Rupees
3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
6,250,000 (2004 : 6,250,000) ordinary shares of Rs. 10 each fully paid in cash	62,500,000	62,500,000
3.1 Allied Bank Limited (formerly Allied Bank of Pakistan Limited), the holding company, holds 6,248,800 ordinary shares as at June 30, 2005 (2004: 6,248,800 ordinary shares)		
	2005 Rupees	2004 Rupees
4. ACCRUED AND OTHER LIABILITIES		
Accrued expenses	82,600	27,950
Dividend payable	490	490
	83,090	28,440

Notes to the Financial Statements

for the year ended June 30, 2005

5. FIXED ASSETS - Tangible

	COST		DEPRECIATION					
	As at July 01, 2004	Additions/ (transfer) during the year	As at June 30, 2005	As at July 01 2004	Charge/ (transfer) during the year	As at June 30, 2005	Written down value as at June 30, 2005	Depreciation rate per annum %
	R u p e e s							
Furniture and fittings	20,910	(20,910)	-	7,398	(7,398)	-	-	10
Office equipment	809,060	(809,060)	-	784,560	(784,560)	-	-	20
Computer equipment	2,100,000	(2,100,000)	-	2,100,000	(2,100,000)	-	-	20
Vehicles	62,850	(62,850)	-	62,850	(62,850)	-	-	20
Rupees 2005	2,992,820	2,992,820	-	2,954,808	(2,954,808)	-	-	
Rupees 2004	2,992,820	-	2,992,820	2,928,217	26,591	2,954,808	38,012	

6. LONG-TERM INVESTMENT – Available for sale

2005	2004		2005	2004
No. of shares			Rupees	Rupees (Restated)
		Managed Modaraba - listed		
7,000,000	7,000,000	Ordinary shares of Rs.10 each	40,600,000	47,600,000
		Note	2005 Rupees	2004 Rupees

7. OTHER RECEIVABLES

Income receivable on COI	23,718	10,972
Claim receivable	23,600	23,600
	47,318	34,572

8. BANK BALANCES

Bank accounts		
- current	65,443	65,443
- savings	768,387	847,508
	833,830	912,951

9. INCOME

Return on bank deposits	738	5,037
Profit on certificate of Islamic Investment	92,369	48,641
	93,107	53,678

10. ADMINISTRATIVE EXPENSES

Salaries and allowances	10.1	-	156,000
Repairs and maintenance		-	41,450
Insurance		-	4,440
Travelling and conveyance		-	45,833
Annual renewal fee		15,000	15,000
Legal and professional charges		103,000	34,300
Auditors' remuneration		40,000	30,537
Depreciation	5	-	26,591
Miscellaneous		250	100
Retainer ship fee		18,000	-
		176,250	354,251

10.1 Salaries and allowances include salary of a chief executive amounting to Rs. Nil (2004: Rs. 120,000).

