

**FIRST EQUITY MODARABA**

ANNUAL REPORT 1997

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**REPORT OF THE DIRECTORS OF THE MODARABA COMPANY**

The Directors of Premier Financial Services (Private) Limited, the management company of FIRST EQUITY MODARABA, present their report and the audited financial statements of the Modaraba for the year ended June 30, 1997.

**Financial Results**

The full year profit before tax, management fee and provisions shows some improvement over the annualised half year. The net earnings per certificate of Rs. 1.56 are also higher than last year's Re I per certificate. Although improved and superior in relative terms, our performance remains constrained by extraneous factors. These are more fully covered in later sections of this report.

**Profit and Reserves**

	Rupees
Profit for the year after tax is	40,970,766
which together with unappropriated profit brought forward of	2,403,052
makes available for appropriation from which the Directors have decided to	43,373,818
transfer to special reserve	8,195,000
pay a cash dividend of	34,086,000
	42,281,000
and carry forward as unappropriated profit	1,092,818

**Business Environment and Performance**

The state of our economy and of the financial sector is no secret. While no sector could completely escape the fallout, much of the modarabas' adversity was avoidable. Unfortunately, our taxation and regulatory regime remains discriminatory. In spite detailed submissions to various concerned quarters, the required rationalisations have failed to materialise. The relevant issues are detailed in our past reports.

Our previous reports will also show that we had correctly anticipated what has now come to pass. The defensive strategies adopted not only ensured our survival but also regular and reasonable investor returns.

The Pakistan Credit Rating Agency (PACRA), recognising the strength and performance of the Modaraba, has assigned it a B3 rating. Although we believe the rating to be highly conservative, PACRA has confirmed that only two modarabas rank ahead of us.

Our opposition to credit rating of modarabas, in principle, is on record. In spite of our own quality having been endorsed, we maintain our position. Credit ratings, reserve and liquidity requirements are meaningless without direct access to public non-equity funds. The taxation and regulatory regime for modarabas is discriminatory and outdated. This must change if modarabas are to realise their potential. Without a level playing field, credit ratings and the like might as well be post mortems.

**Prospects**

Multilateral assistance to Pakistan has been committed and major structural reforms launched. In the short term, the process will be slow and painful. Perseverance, though, should lead to economic recovery over an extended period.

The outlook for modarabas, however, will remain gloomy unless the suggested reforms are undertaken and rules of the game made fair. Resource mobilisation must be facilitated and tax exemptions categorically restored as for mutual funds. Investment and commercial banks must not be allowed to undertake leasing business.

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The structural adjustments have brought their own paradoxes to the financial market place. Dollarisation and rates for public money offered by banks, DFI's, leasing companies and national savings schemes are all on the rise. This race is likely to be joined by quality corporates issuing commercial paper. On the other hand, lending rates are tending lower, particularly for our quality customers. This move could accelerate as the major local banks and DFI's downsize, restructure portfolios and turnaround.

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Major industrial sectors remain under pressure, though agro-based manufacturing is indicating recovery. Capital investment and employment prospects are lagging. This scenario translates into poor lending and leasing prospects, consumer and corporate, in the short term. Spreads available on commercial borrowing and the attached risk make it uneconomical for modarabas. Return on equity will face pressure.

We, therefore, are considering enhancing our capital market activities in the expectation of improved corporate profitability. Asset acquisition possibilities are also being evaluated. Our guiding light, however, will remain the preservation and creation of investor value.

#### Acknowledgments

We acknowledge the hard work and dedication of our employees and the support of our business associates and investors. We also appreciate the guidance and co-operation received from our regulators. They have our full support and good wishes in their efforts at reform.

#### Auditors

The present auditors Khalid Majid Husain Rahman, Chartered Accountants, have consented to their re-appointment for the year ending June 30, 1998. The Directors have confirmed their appointment subject to the required official approval.

### AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed Balance Sheet as at June 30, 1997 and the related Profit and Loss Account and Statement of Changes in Financial Position together with the Notes to the Accounts for the year ended June 30, 1997 of First Equity Modaraba which are Modaraba Company's [Premier Financial Services (Private) Limited] representation and we state that we have obtained all the information and explanation 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 Equity 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;

(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 Statement of Changes in Financial Position, 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, 1997 and the profit and changes in the 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.

Khalid Majid Husain Rahman  
Chartered Accountants

Karachi: Nov 3, 1997

### BALANCE SHEET AS AT JUNE 30, 1997

Note	1997 Rupees	1996 Rupees
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Authorized capital 30,000,000 modaraba certificates of Rs. 10 each		300,000,000	300,000,000
		-----	-----
Issued, subscribed and paid-up capital	3	262,200,000	262,200,000
Reserves	4	28,039,818	21,155,052
		-----	-----
		290,239,818	283,355,052
Creditors, accrued expenses and other liabilities	5	6,338,843	5,514,853
Profit distribution		34,086,000	19,665,000
Unclaimed profit distribution		5,659,156	3,965,232
Provision for taxation		5,516,325	4,300,000
		-----	-----
		51,600,324	33,445,085
		-----	-----
		341,840,142	316,800,137
		=====	=====
Tangible Fixed Assets	6	34,001	135,600
Deferred Costs	7	396,401	1,126,474
Investments	8	41,970,922	53,089,901
Morabaha receivables	9	155,978,526	144,993,086
Stock-in-trade	10	46,977,923	11,540,260
Advances, deposits, prepayments and other receivables	11	15,058,975	38,769,587
Cash and bank balances	12	81,423,394	67,145,229
		-----	-----
		299,438,818	262,448,162
		-----	-----
		341,840,142	316,800,137
		=====	=====

The annexed notes form an integral part of these accounts.

#### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 1997

	Note	1997 Rupees	1996 Rupees
Income	13	48,572,203	50,878,442
Expenditure		-----	-----
Operating expenses	14	7,504,361	6,445,041
Profit on musharaka obligations		-	6,972,026
		-----	-----
		7,504,361	13,417,067
		-----	-----
		41,067,842	37,461,375
Provision for diminution in value of investments		9,500,000	(4,000,000)
		-----	-----
		50,567,842	33,461,375
Modaraba Company's management fee		4,597,076	3,041,943
		-----	-----
Profit before Taxation		45,970,766	30,419,432
Taxation		5,000,000	4,300,000
		-----	-----
Profit after Taxation		40,970,766	26,119,432
Unappropriated profit brought forward		2,403,052	1,173,620
		-----	-----
Profit available for appropriation		43,373,818	27,293,052
		-----	-----
Appropriations			
Special reserve		8,195,000	5,225,000
Profit distribution @ 13.0% (1996' @ 7.50%)		34,086,000	19,665,000
		-----	-----
		42,281,000	24,890,000
		-----	-----
Unappropriated profit carried forward		1,092,818	2,403,052

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The annexed notes form an integral part of these accounts.

**STATEMENT OF CHANGES IN FINANCIAL POSITION  
(CASH FLOW STATEMENT)  
FOR THE YEAR ENDED JUNE 30, 1997**

	<b>1997</b>	<b>1996</b>
	<b>Rupees</b>	<b>Rupees</b>
Cash Flows from Operating Activities		
Profit for the year before taxation	45,970,766	30,419,432
Adjustments for:	-----	-----
Depreciation	101,599	112,800
Amortisation of deferred costs	730,073	1,182,628
Provision for diminution in value of investments	(9,500,000)	4,000,000
Loss on sale of investments	3,367,096	59,785
Dividend income	(2,306,667)	(451,065)
	-----	-----
	(7,607,899)	4,904,148
	-----	-----
	38,362,867	35,323,580
(Increase)/decrease in current assets		
Morabaha receivables	(10,985,440)	16,833,610
Musharaka receivables	-	20,000,000
Stock-in-trade	(35,437,663)	35,602,500
Advances, deposits, prepayments and other receivables	23,710,612	(35,472,938)
	-----	-----
	(22,712,491)	36,963,172
(Decrease) / increase in current liabilities		
Creditors, accrued expenses and other liabilities	823,990	(10,003,146)
Income tax paid	(3,783,675)	
	-----	-----
	(2,959,685)	(10,003,146)
Net cash from operating activities	-----	-----
Carried forward	12,690,691	62,283,606
	=====	=====

**STATEMENT OF CHANGES IN FINANCIAL POSITION  
(CASH FLOW STATEMENT)  
FOR THE YEAR ENDED JUNE 30, 1997**

	<b>1997</b>	<b>1996</b>
	<b>Rupees</b>	<b>Rupees</b>
Net Cash from Operating Activities		
Brought forward	12,690,691	62,283,606
Cash Flows from Investing Activities		
Dividend income	2,306,667	451,065
Loss sale of investments	(3,367,096)	(59,785)
Decrease in investments	20,618,976	47,607,437
	-----	-----
Net Cash from Investing Activities	19,558,550	47,998,717
Cash Flows from Financing Activities		
Decrease in musharaka obligations	-	(45,000,000)
Dividend paid	(17,971,076)	(52,407,768)
	-----	-----
Net Cash used in Financing Activities	(17,971,076)	(97,407,768)
	-----	-----
Net increase in cash and bank balances	14,278,165	12,874,555
Cash and bank balances at the beginning of the year	67,145,229	54,270,674
Cash and bank balances at the end of the year	-----	-----
	81,423,394	67,145,229

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1997****1. Legal Status and Nature of Business**

First Equity Modaraba was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder and is managed by Premier Financial Services (Private) Limited.

The Modaraba is a perpetual, multipurpose modaraba able to undertake a variety of fund and fee based activities. These include trading, manufacturing, equity investment and their financing and facilitation.

The Modaraba is listed on Karachi, Lahore and Islamabad Stock Exchanges.

**2. Significant Accounting Policies***2.1 Accounting convention*

These financial statements have been prepared under the historical cost convention.

*2.2 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 an asset is written off over its estimated useful life. Normal repairs and maintenance are charged to income as and when incurred. Gains and losses on disposal of assets are taken to the profit and loss account.

*2.3 Deferred costs*

Expenses incurred in connection with the floatation and capital enhancement of the Modaraba are being written off over a period of five years on a proportionate basis as the benefit of these expenses will be derived over an extended period of time.

*2.4 Investments*

(a) Investments are stated at cost and provisions are made for permanent diminution in value, if any.

(b) Gains and losses on disposal of investments are taken to the profit and loss account.

*2.5 Stock-in-trade*

Stock-in-trade is stated at the lower of average cost and net realisable value. Stock in transit is valued at cost comprising invoice values plus other charges paid thereon. Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale.

*2.6 Revenue recognition*

(a) Income from musharaka transactions is recognised on the basis of pro-rata accrual of the estimated profit earned during the year.

(b) Income from morabaha transactions is recognised on the basis of pro-rata accrual of profit earned during the year.

(c) Sales are recognised when goods are identified for despatch and invoiced.

(d) Dividend income is recognised when the right to the dividend is established.

(e) Commission and fee income is recognised when received.

(f) Profit on PLS deposits is recognised on accrual basis.

*2.7 Taxation*

Provision for current taxation is made on taxable income at applicable tax rates after- taking into account tax rebates and credits available, if any.

Deferred taxation is accounted for on all material timing differences using the liability method.

### 3. Issued, Subscribed and Paid-up Capital

Fully paid modaraba certificates of Rs. 10 each.

1996 Number	1997 Number		1997 Rupees	1996 Rupees
20,000,000	20,000,000	Issued for cash	200,000,000	200,000,000
		Issued as bonus		
6,220,000	6,220,000	certificates	62,200,000	62,200,000
-----	-----		-----	-----
26,220,000	26,220,000		262,200,000	262,200,000
=====	=====		=====	=====

### 4. Reserves

	Special reserve Rupees	Unappropriated profit Rupees		
At beginning of the year	18,752,000	2,403,052	21,155,052	14,700,620
Transfer from / (to) profit and loss account	8,195,000	(1,310,234)	6,884,766	6,454,432
	-----	-----	-----	-----
At end of the year	26,947,000	1,092,818	28,039,818	21,155,052
	=====	=====	=====	=====

The special reserve is created and held in compliance with the regulations for Non-Bank Financial Institutions.

### 5. Creditors, Accrued Expenses and Other Liabilities

	1997 Rupees	1996 Rupees
Creditors	3,11,868	1,289,337
Accrued expenses	550,009	562,461
Due to associated undertakings	5,476,966	3,663,055
	-----	-----
	6,338,843	5,514,853
	=====	=====

### 6. Tangible Fixed Assets

Motor vehicles

	1997	1996
Cost at beginning and end of the year	564,000	564,000
Accumulated depreciation	(529,999)	(428,400)
	-----	-----
Book value at end of the year	34,001	135,600
Depreciation charged during the year @ 20% per annum	101,599	112,800
	=====	=====

### 7. Deferred Costs

	1997	1996
Listing and registration fees	1,203,757	1,203,757
Advertising and promotion expenses	1,242,184	1,242,184
Certificate issue expenses	2,224,469	2,224,469
Other floatation expenses	1,242,732	1,242,732
	-----	-----
	5,913,142	5,913,142
Amortisation to date	(5,516,741)	(4,786,668)
	-----	-----
	396,401	1,126,474
	=====	=====

### 8. Investments

Listed Securities

	Note	1997 Rupees	1996 Rupees
Associated undertakings	8.1	16,391,134	23,185,174
Other	8.2	29,279,788	43,104,727

		-----	-----
		45,670,922	66,289,901
Unlisted Securities			
Associated undertakings	8.3	10,000,000	10,000,000
Others	8.4	1,800,000	1,800,000
		-----	-----
		11,800,000	11,800,000
		-----	-----
		57,470,922	78,089,901
Less: Provision for diminution in value		(15,500,000)	(25,000,000)
		-----	-----
		41,970,922	53,089,901
		=====	=====

Market value of listed securities at June 30, 1997 aggregated Rs. 30,181,074  
(1996:Rs.43,517,234)

#### 8.1 Investment in listed securities - associated undertakings

Unless stated otherwise the holdings are in ordinary shares of Rs. 10 each.

1996 Number	1997 Number	1997 Rupees	1996 Rupees
24,084	24,084 Crescent Boards Ltd.	487,462	487,462
22,407	75 Crescent Investment Bank Ltd.	1,716	1,134,372
2,000	200 Crescent Steel and Allied Products Ltd.	6,700	104,350
254,995	293,244 Crescent Sugar Mills & Distillery Ltd.	3,639,216	4,665,106
50,081	30,889 Crescent Textile Mills Ltd.	731,183	1,304,063
226,885	223,885 Pakistan Industrial Leasing Corporation Ltd.	7,007,072	9,011,312
319,515	300,000 Premier Insurance Company of Pakistan Ltd. (Ordinary shares of Rs. 5 each)	3,571,595	5,532,319
19,965	21,961 Shakarganj Mills Ltd.	506,250	506,250
28,400	28,400 Suraj Cotton Mills Ltd.	439,940	439,940
		-----	-----
		16,391,134	23,185,174
		=====	=====

#### 8.2 Investment in listed securities - others

Unless stated otherwise the holdings are in ordinary shares/modaraba certificates of Rs. 10 each.

1996 Number	1997 Number	1997 Rupees	1996 Rupees
16,250	6,875 Al-Ghazi Tractors Ltd. (Ordinary shares of Rs. 5 each)	398,460	1,035,960
-	23,000 Askari Leasing Company Ltd.	622,575	-
-	1,000 Askari Commercial Bank Ltd.	27,070	-
32,225	14,725 Bankers Equity Ltd.	235,072	1,116,497
13,200	13,200 BRR Capital Modaraba Managed by BRR Investments (Pvt.) Ltd.	234,842	234,842
33,000	- Cherat Cement Ltd.	-	2,427,185
430,800	399,800 Crescent Leasing Corporation Ltd.	4,780,100	5,708,730
-	1,000 Engro Chemicals Ltd.	148,900	-
300	- Essa Cement Industries Ltd.	-	14,562
-	3,000 Fauji Fertilizer Company Ltd.	235,863	-

-	8,000	Faysal Bank Ltd.	220,120	-
2,179		-First UDL Modaraba Managed by UDL Modaraba Management (Pvt.) Ltd.	-	11,949
4,000		-FFC - Jordan Fertilizer Company Ltd.	-	61,170
52,375	43,375	Gadoon Textile Mills Ltd.	1,459,335	3,208,095
19,500	15,000	Habib Arkady Ltd. (Ordina~2¢ shares of Rs. 5 each)	174,750	217,085
22,000	12,000	Hub Power Company Ltd.	449,455	736,445
		Carried forward	8,986,542	14,772,520

1996 Number	1997 Number		1997 Rupees	1996 Rupees
		Brought forward	8,986,542	14,772,520
150,000		-Ibrahim Fibres Ltd.	-	2,400,000
-	6,500	I.C.P.-8th Mutual Fund	160,974	-
-	15,000	I.C.P.-SEMF	847,285	-
-	15,000	Japan Power Generation Ltd.	151,825	-
-	15,000	Kohinoor Energy Ltd	277,120	-
20,000	6,500	Kohinoor Weaving Mills Ltd.	96,571	297,111
500		-LTV Capital Modaraba Managed by National Technology Development Corporation Ltd. (Modaraba certificates of Rs. 5 each)	-	2,465
10,300		-Modaraba AI-Mali Managed by Modaraba AI-Mal Corporation Ltd.	-	212,485
1,775		-National Development Leasing Corporation Ltd. (Ordinary Shares of Rs. 5 each)	-	64,385
8,000		-National Refinery Ltd.	-	604,000
18,000	9,000	Nishat (Chunian) Ltd.	175,548	380,200
16,500	16,500	Pakistan Industrial & Commercial Leasing Ltd.	415,600	415,600
500	300	Pakistan State Oil Company Ltd.	90,402	127,842
5,000	4,000	Pakistan Tobacco Company Ltd.	145,800	182,250
47,100	47,100	Pakistan Venture Capital Ltd.	471,000	471,000
11,000	18,000	Paramount Leasing Company Ltd.	161,370	108,130
-	42,000	Platinum Commercial Bank Ltd.	402,585	-
100		-PTC Vouchers (convertible into 100 shares each of Pakistan Telecommunication Corporation Ltd.)	-	409,250
	820,000	Saadi Cement Ltd.	8,200,000	
573	573	Sail Textile Mills Ltd.	9,249	6,869
115,800		--Sana Industries Ltd.	-	10,306,200
		Carried forward	20,591,871	30,760,307

1996 Number	1997 Number		1997 Rupees	1996 Rupees
		Brought forward	20,591,871	30,760,307
24,300	24,300	Sapphire Fibres Ltd.	1,330,764	1,330,684
23,225	51,508	Searle Pakistan Ltd.	1,790,370	1,625,845



8,500	- Service Fabrics Ltd.	-	110,630
13,500	- Service (Textile) Industries Ltd.	-	413,838
-	600 Shell Pakistan Ltd.	139,100	-
15,000	45,500 Southern Electric Power Company Ltd.	564,760	224,625
30	- Standard Chartered Mercantile Leasing Company Ltd.	-	1,083
224,744	108,580 Sui Northern Gas Pipelines Ltd.	2,625,520	6,266,330
13,800	17,195 Sui Southern Gas Company Ltd.	470,566	444,970
33,350	26,350 Third Prudential Modaraba Managed by Prudential Capital Management Ltd.	180,277	228,165
15,000	14,000 Tri-Star Power Ltd.	761,130	815,500
75,000	74,500 Tri-Star Shipping Lines Ltd.	825,430	830,970
6,000	- Zahoor Textile Mills Ltd.	-	51,780
		-----	-----
		29,279,788	43,104,727
		=====	=====

### 8.3 Investment in unlisted securities - associated undertakings

The holdings are in ordinary shares of Rs. 10 each.

1996 Number	1997 Number	1997 Rupees	1996 Rupees
500,000	500,000	5,000,000	5,000,000
500,000	500,000	5,000,000	5,000,000
		-----	-----
		10,000,000	10,000,000
		=====	=====

8.3.1 Net asset value per share of Crescent Powertec Ltd. and Crescent Greenwood Ltd. is Rs. 12.16 and Rs. 8.57 as per accounts as at June 30, 1996 and September 30, 1996 respectively. These accounts were audited by Ebrahim & Co., Chartered Accountants, and A.F. Ferguson & Co., Chartered Accountants, respectively.

### 8.4 Investment in unlisted securities - others

The holdings is in ordinary shares of Rs. 10 each.

1996 Number	1997 Number	1997 Rupees	1996 Rupees
50,000	50,000	1,800,000	1,800,000
		-----	-----
		1,800,000	1,800,000
		=====	=====

8.4.1 Net asset value per share of Sapphire Power Generation Ltd. is Rs. 18.33 as per accounts as at June 30, 1996 audited by Riaz Ahmad, Saqib, Gohar & Co., Chartered Accountants.

### 9. Morabaha Receivables

These arise from sales on deferred payment basis at specified profit margins. The outstanding sums are secured and considered good.

### 10. Stock-In-Trade

This comprises rice and raw cotton in hand.

11. Advances, Deposits, Prepayments and Other Receivables	Note	1997 Rupees	1996 Rupees
Advances, deposits and prepayments	11.1	2,172,598	15,235,433
Other receivables			
Sale proceeds of investments		12,443,903	23,083,372
Dividends receivable		383,136	199,697
Others		59,338	251,085
		-----	-----
		12,886,377	23,534,154
		-----	-----
		15,058,975	38,769,587

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11.1 These include advances to staff at June 30, 1997 amounting to Rs. 31,552 (1996: Rs. 76,080). The maximum aggregate amount due from staff at the end of any month during the year was Rs. 148,300 (1996: Rs. 114,120).

<b>12. Cash and Bank Balances</b>	<b>Note</b>	<b>1997 Rupees</b>	<b>1996 Rupees</b>
Cash in hand		7,588	10,378
Cash reserve with State Bank of Pakistan		100,000	50,000

**Cash at bank**

On current account		3,253,332	2,100,276
On saving account		40,247,685	6,760,293
On deposit		37,814,789	58,224,282
		-----	-----
		81,315,806	67,084,851
		-----	-----
		81,423,394	67,145,229
		=====	=====

**13. Income**

Profit on morabahas		21,172,296	25,828,783
Profit on trading	13.1	14,527,194	10,537,125
Loss on sale of investments		(3,367,096)	(59,785)
Dividends		2,306,667	451,065
Commission and fees		7,072,601	6,238,303
Profit on PLS deposits		6,615,641	7,882,951
Other		244,900	-
		-----	-----
		48,572,203	50,878,442
		=====	=====

*13.1 Profit on trading*

Sales		130,959,534	120,606,149
Cost of sales		-----	-----
Opening stock		11,540,260	47,142,760
Purchases		151,870,003	74,466,524
Closing stock		(46,977,923)	(11,540,260)
		-----	-----
		116,432,340	110,069,024
		-----	-----
		14,527,194	10,537,125
		=====	=====

<b>14. Operating Expenses</b>	<b>Note</b>	<b>1997 Rupees</b>	<b>1996 Rupees</b>
Salaries, allowances and benefits	14.1	2,337,253	1,959,105
Travelling, conveyance and entertainment		96,185	93,624
Telephone and postage		364,855	400,272
Electricity		111,377	119,338
Insurance		127,688	89,742
Printing, stationery and advertising		378,572	503,974
Bank charges and commission		84,531	182,048
Fees and subscriptions		777,496	128,076
Amortisation of deferred costs		730,073	1,182,628
Depreciation		101,599	112,800
Vehicle running and maintenance		173,310	193,338
Facilities and services		799,233	540,726
Repairs and maintenance		76,588	40,116
Auditors' remuneration	14.2	457,180	613,187
Legal and professional		535,757	43,300
Professional tax		127,250	127,250
Training and development		2,150	4,850
Zakat deducted at source		166,709	2,488
Miscellaneous		56,555	108,179
		-----	-----
		7,504,361	6,445,041
		=====	=====

*14.1 Remuneration of officers and other employees*

The aggregate amount charged in the accounts for remuneration, including benefits, to employees of the Modaraba are:

	1997		1996	
	Rupees		Rupees	
	Other Officers	employees	Other Officers	employees
Salaries and allowances	1,086,000	967,319	930,308	805,114
Gratuity and leave fare	36,670	33,270	-	34,337
Expenses reimbursed:				
- Medical	9,947	13,284	2,211	7,350
	-----	-----	-----	-----
	1,132,617	1,013,873	932,519	846,801
	=====	=====	=====	=====

Officers are also provided with free use of Modaraba maintained cars.

	1997	1996
	Rupees	Rupees
14.2 Auditors' remuneration		
Audit fee	52,250	50,000
Out of pocket expenses	-	5,000
	-----	-----
	52,250	55,000
Special audit for State Bank of Pakistan	35,000	45,000
	-----	-----
Registrar services	369,930	358,345
Out of pocket expenses	-	80,221
	-----	-----
	369,930	438,566
Tax and sundry advisory service	-	74,621
	-----	-----
	457,180	613,187
	=====	=====

#### 15. Transactions with Associated Undertakings

The aggregate amounts in respect of transactions with associated undertakings during the year, in addition to the Modaraba Company's management fee, are purchase of goods and services Rs. 11,954 (1996: Rs. 52,655,477) and sale of goods and services Rs. 112,534,002 (1996: Rs. 120,606,149). Further, profit of Rs. 5,606,870 (1996 : Rs. 7,553,174) was received on deposits placed and maintained with Crescent Investment Bank Limited, an associated company, in the normal course of business.

Dividend income from associated undertakings comprises:

	1997	1996
	Rupees	Rupees
Crescent Steel and Allied Products Ltd.	12,000	-
Premier Insurance Company of Pakistan Ltd.	241,457	199,697
Pakistan Industrial Leasing Corporation Ltd.	453,770	-

#### 16. General

The comparative figures have been re-arranged, wherever necessary, for the purposes of comparison.

#### PATTERN OF HOLDING OF CERTIFICATES

##### BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 1997

Number of Certificate Holders	Certificate Holding		Total Certificates Held
	From	To	
1,957	1	100	138,890
856	101	500	210,277
3,086	501	1000	2,053,466
1,089	1001	5000	2,386,561
266	5001	10000	1,855,302
108	10001	15000	1,325,747
36	15001	20000	622,091

31	20001	25000	698,924
15	25001	30000	408,415
11	30001	35000	361,705
6	35001	40000	230,085
4	40001	45000	172,513
2	45001	50000	98,480
4	50001	55000	210,305
3	55001	60000	175,496
3	60001	65000	188,050
10	65001	70000	656,564
2	70001	75000	147,505
4	75001	80000	309,351
1	80001	85000	80,395
1	90001	95000	91,770
1	100001	105000	104,780
1	110001	115000	114,581
1	115001	120000	118,709
1	130001	135000	131,100
1	140001	145000	141,055
2	155001	160000	318,036
1	185001	190000	187,161
1	210001	215000	210,580
1	300001	305000	300,874
1	325001	330000	327,750
1	595001	600000	600,000
1	675001	680000	678,300
1	1015001	1020000	1,017,959
1	1315001	1320000	1,316,750
1	2105001	2110000	2,105,037
1	2620001	2625000	2,622,000
1	3500001	3505000	3,503,436
-----	-----	-----	-----
7,513			26,220,000
=====	=====	=====	=====

Categories of Certificate Holders	Number of Certificate Holders	Total Certificates Held	Percentage
1. Individuals	7454	12,504,944	47.69
2. Investments Companies	10	4,394,702	16.76
3. Insurance Companies	6	1,119,821	4.27
4. Joint Stock Companies	22	700,046	2.67
5. Financial Institutions	20	4,878,487	18.61
6. Modaraba Company	1	2,622,000	10.00
-----	-----	-----	-----
	7513	26,220,000	100.00
=====	=====	=====	=====

## FIRST EQUITY MODARABA

### CORPORATE INFORMATION

#### Modaraba Company

Premier Financial Services (Private) Limited

#### Board of Directors

Maqbul Ahmad	Mazhar Karim
Mohammad Arshad	Nadeem Maqbool
Zahid Bashir	Shaukat Shafi
Fakhir A Rahman	Chief Executive

#### Company Secretary

Adil A. Ghaffar

#### Registered and Business Office

B-1004, 10th Floor  
Lakson Square Building 44 3  
Sarwar Shaheed Road  
Karachi.  
Tel · 5672815-8  
Fax: 5686116

#### Registrars

Khalid Majid Husain Rahman Limited  
16- K, Block-6, P.E.C.H.S.  
Off: Shahrah-e-Faisal  
Karachi.  
Tel: 111414141,4542333  
Fax: 4527076

**Auditors**

Khalid Majid Husain Rahman  
Chartered Accountants

**General Counsel**

Mohsin M. Tayebaly & Co.  
Advocates & Legal Consultants

**Bankers**

Citibank N.A.  
Crescent Investment Bank Ltd.  
Habib Bank AG Zurich

Metropolitan Bank Ltd.  
The Bank of Khyber  
United Bank Ltd.

**BUSINESS INFORMATION**

First Equity Modaraba is able to assist with:  
Financing under morabaha/musharaka agreements  
*Equity issues underwriting and placement*  
Leasing arrangements  
Project finance arrangements  
Trading of commodities locally and internationally

For further information on how we may help in the above areas, or perhaps design a specific solution, please contact:

**Manager Credit and Marketing**

B-1004, 10th Floor  
Lakson Square Building # 3  
Sarwar Shaheed Road  
Karachi.  
Tel: 5672815 - 8  
Fax: 5686116

**INVESTOR INFORMATION**

For all enquiries and processing related to certificates of First Equity Modaraba (including verification of signatures, registration of transfers, lost/duplicate certificates etc.) please contact the Registrars:

Khalid Majid Husain Rahman Limited  
16-K, Block-6, P.E.C.H.S.  
Off: Shahrah-e-Faisal  
Karachi.  
Tel: 111414141, 4542333  
Fax: 4527076

However, if necessary, matters may be referred to the Company Secretary at our business address.