

FIRST CRESCENT MODARABA

ANNUAL REPORT 1998

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CORPORATE INFORMATION

ALTAF M. SALEEM

Chairman

MAHMOOD AHMED

Chief Executive

DIRECTORS

(in alphabetical order)

Muhammad Awais Qureshi

Rashid Ahmed

Zaheer A. Shaikh

CORPORATE SECRETARY

Rashid Sadiq

AUDITORS

Riaz Ahmad and Company
Chartered Accountants

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DIRECTORS' REPORT & CHIEF EXECUTIVE'S REVIEW

It is a great pleasure to present to you the Seventh Annual Report of First Crescent Modaraba (FCM), which covers the seventh full year of operations of the Modaraba. Before the review of operating results of the Modaraba, it will be pertinent to have a brief review of the national economic scenario.

MACRO ECONOMIC SCENARIO

The economy did show some signs of revival during the year 1997-98, although most of the macro-economic targets were not met, GDP grew by 5.4 per cent during the year as compared to the previous year's growth of 1.3 per cent. The inflation rate was contained at 7.8 per cent while fiscal deficit was reduced to 5.4 per cent of GDP. The decline in imports and increase in Foreign Currency Accounts and remittances had a positive impact on the current account and balance of payments. However, the post-nuclear scenario and the imposition of economic sanctions have struck a major blow to the economic achievements of last year. As a result, the country is likely to witness deterioration vis-a-vis most of the economic targets during the current year.

Pakistan has relied on extensive external financing to fund its domestic expenditure and investment needs, which has led to an un-sustainable level of external debt. It is estimated that the economy will face a financing gap of over US\$ 3.5 billion in the current year. The non-availability of foreign assistance had an adverse impact on both, Pakistan's external reserves (which have fallen to around US\$ 540 million from US\$ 1.4 billion before the nuclear tests), and its long-term credit rating (which has been downgraded to triple C).

Given the meager foreign exchange reserves and no other means of obtaining external financing, the real crunch will be on imports since the country will be forced to run current account surpluses to meet its external obligations. The Government of Pakistan's (GOP) efforts to cut imports sharply is likely to lead to a fall in industrial activity since the economy relies heavily on imported raw materials and machinery. This will not only hamper economic growth, but will also lead to inflation and unemployment. Moreover, a substantial increase in exports would be required to enhance foreign inflows. The GOP has set a 15 per cent export growth target for the year 1998-99, which seems rather ambitious since the country lacks exportable surplus and most of the exported items are price sensitive (especially textile exports which form almost 65 per cent of total exports). The investors' confidence in the capital market as measured by KSE Index barometer remained in the 'very low to low' category for most part of the year. During the first half of 1997-98, political atmosphere was not conducive for investment owing mainly to GOP's row with the judiciary and the termination of alliance with a political party. In the 4th quarter of the year under review, the IPP issue and decisions on freezing Foreign Currency Accounts by GOP after the nuclear blasts, played adversely with the investors' confidence. The deteriorated level of investor's confidence coupled with severe liquidity crunch pockets in the 2nd half of the year was reflective in the movements at the stock market. KSE- 100 Index registered all time low in June 1998 and closed at 880 points on 30th June, 1998 from 1,566 points as on June 30, 1997, a decline of 43.82 per cent in the market capitalization.

OPERATING AND INVESTING PERFORMANCE

As on 30 June 1998, total assets of First Crescent Modaraba were Rs. 1,131.49 million as against the outstanding of Rs. 1,048.19 million on the corresponding date of last year. During the year under review lease disbursement of Rs. 302.95 million were made. Net investment in leasing business as on June 30, 1998 amounted to Rs. 603.62 million. The leases disbursed during the year comprised of 74.80 % for plant and machinery, 11.65 % for office equipment and 13.60 % for vehicles. Depreciation charge for the year under review was Rs. 152.69 million as compared to Rs. 99.98 million charged in the last year.

The following schedule give the gross amounts of investments made by FCM in comparison with the corresponding figures of previous year.

	Rupees in million	
	1997-98	1996-97
Funds Based:		
Lease Finance	302.95	322.11
Morabaha/Musharika Financing	308.81	457.59

STOCK MARKET OPERATIONS

The nuclear detonations conducted on May 28, 1998 and its subsequent affects on the economy as described in the foregoing review, had a major blow to the already bearish stock market. Resultantly, there has been low return on the funds invested in the equity market.

The Modaraba earned a dividend income of Rs. 6.49 million on its investments during the year 1997-98.

RESOURCE MOBILIZATION

As at 30th June 1998, the Modaraba had an outstanding amount of Rs. 808.73 million mobilized under Morabaha/Musharika arrangements etc. as against Rs. 731.77 million for the last year showing an increase of 10.52% over the previous year.

BALANCE SHEET & OPERATING RESULTS

Total assets of the Modaraba increased by Rs. 83.30 million (7.95%) during 1997-98 to Rs. 1,048.19 million. The Modaraba earned an operating profit before provisions of Rs. 35.13 million during the year as against Rs. 30.27 million last year. The Modaraba received a set back in its capital market operations due to substantial fall in the prices of listed securities as a result of nuclear tests. As a matter of prudence, the Modaraba created a provision of Rs. 33.70 million for the diminution in the value of its equity investments. The year under review was the fourth year during which profits of the Modaraba were taxed, however, the tax depreciation loss on the lease portfolio has more than covered the taxable profits of FCM for the period. Composition of the net loss after provisions is as follows:-

	(Rupees in million)		
	Amount for the year ended 30 June 1998	Amount for the year ended 30 June 1997	% change over previous year
INCOME			
Rental/Profit on lease and Morabaha financing	313.46	230.14	36.20
Dividend/Capital Gains	6.49	4.08	59.06
Fees and Commission	2.25	3.56	(36.79)
Profit on placements etc.	3.78	3.42	10.52
Total Income	325.98	241.20	35.14
EXPENDITURE			
Charges/profit/return paid on lease, Morabaha and Musharika	274.44	203.66	37.75
Provisions	35.32	18.30	95.73
Loss on sale of investments	6.80	0.74	(818.92)
Establishment & other operating expenses	9.61	6.53	47.16

Total Expenditure	326.17	229.23	42.29
	-----	-----	-----
NET PROFIT (Before Management fee & tax)	(0.19)	11.97	(101.58)
Management fee	0.00	1.00	-
Provision for taxation	0.00	0.00	-
	-----	-----	-----
NET PROFIT/(LOSS)	(0.19)	10.97	(101.73)
Un-appropriated profit b/f	0.83	0.06	-
	-----	-----	-----
PROFIT AVAILABLE FOR APPROPRIATION	0.64	11.03	-
	-----	-----	-----
APPROPRIATIONS			
Transfer to Statutory Reserve	0.00	2.20	-
Transfer to General Reserve	0.00	8.00	-
	-----	-----	-----
Un-appropriated profit	0.64	0.83	-
	-----	-----	-----

THE MILLENNIUM BUG

The world is stormed by the Year 2000 problem posing a serious threat to the computers all over the world. We, being a financial institution dealing in long-term facilities, were already conscious of the problem and were constantly endeavoring for the achievement of Year 2000 compliance. For this purpose, a survey was conducted of the possible areas, business applications, products, machines and equipments, which could be affected by this problem. The Modaraba will (Insha-Allah) be Year 2000 compliant by the end of 1998. The external parties like lenders, customers, suppliers, utilities, etc. are also being contacted regarding their plans to ensure that they are also Year 2000 compliant.

OBJECTIVES FOR 1998-99

The Modaraba plans to enhance its earnings by concentrating on small and medium sized leases and generating cheaper resources for financing the activity. The Modaraba plans to reduce its current exposure in other activities in planned and phased manner.

Last year, the Modaraba started advisory services on lease syndication and it intends to continue this activity during the year 1998-99.

AUDITORS

The Auditors M/s. Riaz Ahmad & Company, Chartered Accountants, retire and offer themselves for re-election.

We would also like to thank the Corporate Law Authority, Registrar of Modarabas and the State Bank of Pakistan for their continued guidance and support as the regulators for the growth and betterment of the financial sector.

In the end, the Directors appreciate the dedication and hard work put in by the officers and staff of the Modaraba.

MAHMOOD AHMED

Dated: December 09, 1998

Chief Executive

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed Balance Sheet as at 30 June 1998 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 30 June 1998 of FIRST CRESCENT MODARABA, which are modaraba company's [Crescent Business Management (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 Crescent 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 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 30 June 1998 and the Loss and the 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.

LAHORE:- December 09, 1998

RIAZ AHMAD AND COMPANY
Chartered Accountants

BALANCE SHEET AS AT 30 JUNE 1998

	NOTE	1998 Rupees	1997 Rupees
CAPITAL AND RESERVES			
Authorized capital			
30,000,000 modaraba certificates of Rupees 10 each		300,000,000 =====	300,000,000 =====
Issued, subscribed and paid up capital	3	158,025,000	158,025,000
Reserves and surplus			
Capital reserve	4	13,700,000	13,700,000
Revenue reserve-General		25,000,000	25,000,000
Unappropriated profit		634,316	831,733
		-----	-----
		197,359,316	197,556,733
FINANCES UNDER MORABAHA AND MUSHARIKA ARRANGEMENTS			
	5	312,196,882	161,404,880
REDEEMABLE CAPITAL			
	6	230,250,000	200,800,000
LONG TERM DEPOSITS			
	7	64,083,338	45,547,563
CURRENT LIABILITIES			
Current portion of long term finances and deposi	8	14,920,086	34,894,016
Finances under morabaha and musharika arrangemen	9	258,281,148	340,561,550
Creditors, accrued and other liabilities	10	54,406,945	67,431,940
		-----	-----
		327,608,179	442,887,506
CONTINGENCIES AND COMMITMENTS			
		-	-
		-----	-----
		1,131,497,715	1,048,196,682
		=====	=====

The annexed notes form an integral part of these accounts.

CHAIRMAN

CHIEF EXECUTIVE

	NOTE	1998 Rupees	1997 Rupees
TANGIBLE OPERATING FIXED ASSETS			
LONG TERM INVESTMENTS	11	605,136,307	461,221,568
	12	131,434,843	114,994,916
DEFERRED COSTS	13	842,156	1,198,240
CURRENT ASSETS			
Finances under morabaha arrangements	14	35,244,758	99,859,262
Finances under musharika arrangements	15	181,844,084	215,154,613
Short term investments	16	39,488,508	36,755,310
Advances, deposits, prepayments and other receivables	17	125,740,311	106,048,329
Bank balances	18	11,766,748	12,964,444
		-----	-----
		394,084,409	470,781,958
		-----	-----
		1,131,497,715	1,048,196,682
		=====	=====

DIRECTOR

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1998

	NOTE	1998 Rupees	1997 Rupees
REVENUES			
Lease rentals		256,961,805	175,612,955
Profit on morabaha/musharika finances		56,494,756	54,530,574
Fee, commission and other income	19	12,528,980	11,054,442
		-----	-----
		325,985,541	241,197,971
OPERATING EXPENSES			
Financial charges	20	120,663,000	102,983,008
Depreciation		153,781,913	100,671,098
Other expenses and charges	21	16,409,497	7,267,409
		-----	-----
		290,854,410	210,921,515
		-----	-----
Operating profit before provisions		35,131,131	30,276,456
		-----	-----
Provision for diminution in value of investments		33,704,360	14,861,558
Provision under NBFIs regulations for receivable		1,624,188	3,441,355
		-----	-----
		35,328,548	18,302,913
		-----	-----
PROFIT/(LOSS) FOR THE YEAR		(197,417)	11,973,543
MODARABA COMPANY'S MANAGEMENT FEE		-	1,000,000
		-----	-----
		(197,417)	10,973,543
UNAPPROPRIATED PROFIT BROUGHT FORWARD		831,733	58,190
		-----	-----
PROFIT AVAILABLE FOR APPROPRIATIONS		634,316	11,031,733
APPROPRIATIONS			
Transferred to:			
Statutory reserve		-	2,200,000
General reserve		-	8,000,000
		-----	-----
		-	10,200,000
		-----	-----
UNAPPROPRIATED PROFIT		634,316	831,733
		=====	=====

The annexed notes form an integral part of these accounts.

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

**STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 1998**

	1998 Rupees	1997 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit/(loss) for the year	(197,417)	10,973,543
Adjustments for non-cash and other items		
Depreciation	153,781,913	100,671,098
Deferred cost amortized	402,055	392,860
Loss on sale of investments	6,809,621	735,762
Gain on sale of fixed assets	(130,329)	(181,570)
Provision for diminution in value of investments	33,704,360	14,861,558
Provision under NBFIs regulations for receivables	1,624,188	3,441,355
	-----	-----
	196,191,808	119,921,063
	-----	-----
Operating profit before working capital changes	195,994,391	130,921,063
Decrease in morabaha arrangements	64,614,504	34,590,738
Decrease/(increase) in musharika arrangements	33,310,529	(214,154,613)
Increase in advances, deposits, prepayments and other receiva	(19,735,494)	(48,347,778)
(Decrease)/increase in creditors, accrued and other liabiliti	(13,023,015)	37,975,023
	-----	-----
	65,166,524	(189,936,630)
	-----	-----
Cash flows from operating activities	261,160,915	(59,042,024)

Income tax paid	(1,580,676)	(42,049)
Dividend paid	(1,980)	(53,570)
	-----	-----
Net cash flows from operating activities	259,578,259	(59,137,643)
CASH FLOWS FROM INVESTING ACTIVITIES		
Deferred cost incurred	(45,971)	(98,300)
Purchase of fixed assets	(304,384,062)	(323,295,439)
Proceeds from sale of fixed assets	6,817,739	11,041,851
Increase in investments	(37,967,033)	(26,790,815)
Loss on sale of investments	(21,720,073)	(735,762)
	-----	-----
	(357,299,400)	(339,878,465)
	1998	1997
	Rupees	Rupees
CASH FLOWS FROM FINANCING ACTIVITIES		
Redeemable capital	29,450,000	24,247,000
Long term finances under morabaha and musharika arrangements	129,792,002	44,542,380
Increase/(decrease) in short term finances under morabaha and musharika arrangements	(82,280,402)	236,785,534
Long term deposits	19,561,845	16,978,787
	-----	-----
	96,523,445	322,553,701
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(1,197,696)	(76,462,407)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	12,964,444	89,426,851
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 18)	----- 11,766,748 =====	----- 12,964,444 =====

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1998**1. LEGAL STATUS AND NATURE OF BUSINESS**

The 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 Crescent Business Management (Private) Limited. It is listed on all the Stock Exchanges in Pakistan and is engaged in the business of leasing, morabaha and musharika financing, investment in marketable securities and other related business.

2. SIGNIFICANT ACCOUNTING POLICIES**2.1 Overall valuation policy**

These accounts have been prepared under the historical cost convention.

2.2 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to revenue on straight line method whereby the cost of an asset is written off over its expected useful life to Modaraba.

2.3 Investments

Long term investments are stated at cost. Short term investments are stated at lower of cost and market value determined on aggregate portfolio basis.

2.4 Deferred costs

These are amortized over a period of five years commencing from the year of incurrence.

2.5 Accounts receivables

Provision for doubtful debts is made/adjusted after review of outstanding portfolio at the year end on the basis of NBFIs Regulations as applicable to the Modarabas and management's own judgement.

2.6 Taxation

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax credits available.

The Modaraba accounts for deferred taxation on all timing differences, using the liability method, excluding the tax effect of those timing differences which are not likely to reverse in the foreseeable future. As a measure of prudence, deferred tax debits are not accounted for.

2.7 Off-setting of financial assets and liabilities

A financial asset and a financial liability is off-set and the net amount reported in the balance sheet if the Modaraba has a legal enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Corresponding income on the assets and charge on the liability is also off-setted.

2.8 Foreign currency

Transactions in foreign currencies are accounted for in Pak Rupees at the rates of exchange ruling at the date of transaction. Monetary assets and liabilities in foreign currency are translated into Pak Rupees at the rate of exchange ruling at the balance sheet date. Exchange gain and losses on translations are included in income currently.

2.9 Revenue recognition

2.9.1 Rental income is recognized on accrual basis over the lease period. In previous years, it was recognized as income when due. This change has been made for more systematic and representative of the time pattern in which leased assets are depreciated. Due to this change, the rental income for the current year has been increased by Rupees 42.637 million.

2.9.2 Income from morabaha/musharika transactions is recognized on pro-rata accrual basis taking into account, the duration of placement of funds and the estimated profit receivable.

2.9.3 Gain/loss on sale of investments is accounted for in the year in which it arises. Dividend income is accounted for on receipt basis.

	1998	1907
	Rupees	Rupees

3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

10,000,000 modaraba certificates of Rupees		
10 each fully paid up in cash	100,000,000	100,000,000
5 802 500 modaraba certificates of Rupees 10 each issued as fully paid bonus certificates	58,025,000	58,025,000
	-----	-----
	158,025,000	158,025,000
	=====	=====

4. CAPITAL RESERVE

This statutory reserve has been created to comply with NBFIs Regulations as applicable to the Modarabas.

5. FINANCES UNDER MORABAHA AND MUSHARIKA ARRANGEMENTS

Morabaha finance	-	17,000,000
Musharika finances (Note 5.1)	320,196,882	173,404,880
	-----	-----
	320,196,882	190,404,880
Less: Current portion	8,000,000	29,000,000
	-----	-----
	312,196,882	161,404,880
	=====	=====

5.1 These represent the finances obtained from financial institutions, corporate bodies and other institutions under musharika arrangements on profit and loss sharing basis. The estimated share of profit payable on these finances ranges between paisas 47 to 58 per Rupees thousand per day.

These finances are secured by way of charge over leased assets, hypothecation of lease rentals and demand promissory notes.

6. REDEEMABLE CAPITAL

This represents IFC income notes issued according to permission granted by the Registrar Modaraba for expanding leasing activities.

International Finance Corporation (IFC) has subscribed 20 "A" series income notes of face value US\$ 250,000 each for an aggregate face value of US\$ 5,000,000 under agreement dated 25 July 1995. These are negotiable instruments freely transferable at any time by IFC or subsequent holder, if any.

IFC may exercise an option to convert 20% of the income notes into modaraba certificates at a price equivalent to the book value at any time before commencement of redemption of the notes.

The unconverted portion of income notes shall be redeemed by the modaraba at par in six equal semi annual installments payable on 30 September and 31 March in each year commencing on 30 September 2002.

A first ranking security interest by way of hypothecation of assets covered by each income note lease and assignment of all income note lease receivables has been created in favour of the trustee for exclusive benefit of IFC.

Al-Faysal Investment Bank Limited has been appointed as a Trustee. Registrar and Transfer Agent as per terms of income notes agreement.

The income notes shall have the right, linked to the rights of the holder of the modaraba certificates, to participate in the profits of the modaraba for each financial year.

The profit participation payable will be equal to aggregate of face value of income notes outstanding at the end of financial year multiplied by income notes rate determined in accordance with the agreement.

	1998 Rupees	1997 Rupees
7. LONG TERM DEPOSITS		
Lessees security deposits	71,003,424	51,441,579
Less: Current portion	6,920,086	5,894,016
	-----	-----
	64,083,338	45,547,563
	=====	=====
8. CURRENT PORTION OF LONG TERM FINANCES AND DEPOSITS		
Finances under morabaha and musharika arrangements	8,000,000	29,000,000
Long term deposits	6,920,086	5,894,016
	-----	-----
	14,920,086	34,894,016
	=====	=====
9. FINANCES UNDER MORABAHA AND MUSHARIKA ARRANGEMENTS		
Morabaha finance	-	10,000,000
Musharika finances (Note 9.1)	258,281,148	330,561,550
	-----	-----
	258,281,148	340,561,550
	=====	=====

9.1 These represent the finances obtained from financial institutions. corporate bodies and other institutions under musharika arrangements on profit and loss sharing basis. The estimated share of profit payable on these finances ranges between paisas 27 to 68 per Rupees thousand per day. These finance are repayable at the end of maturity period i.e. one month to one year.

	1998 Rupees	1997 Rupees
10. CREDITORS, ACCRUED AND OTHER LIABILITIES		
Creditors	6,708,738	3,990,512
Profit accrued on morabaha/musharika finances	36,992,788	39,040,094
Profit on IFC income notes	-	14,500,000
Payable to management company	520,792	1,544,092
Accrued expenses	275,222	117,002
Withholding tax	15,374	1,914,477
Lease rentals received in advance	8,590,108	5,344,146
Unclaimed dividend	190,158	192,138
Other Liabilities	1,113,765	789,479
	-----	-----
	54,406,945	67,431,940
	=====	=====
11. TANGIBLE OPERATING FIXED ASSETS		
Assets leased out (Note 11.1)	603,615,771	460,044,356
Assets in own use (Note 11.3)	1,520,536	1,177,212
	-----	-----
	605,136,307	461,221,568
	=====	=====

11.1 ASSETS LEASED OUT

	Cost			Accumulated Depreciation			Book Value As at 30 June 1998	Depreciation charge for the year
	As at 01 July 1997	Additions/ (Deletions)	As at 30 June 1998	As at 01 July 1997	Adjustments	As at 30 June 1998		
	Plant and Machinery	471,164,282	226,446,526 (45,713,351)	651,897,457	125,323,426	41,142,016		

12.1 SHARES OF QUOTED COMPANIES

	1998		Average Cost	1997	
	Cost Rupees	Market Value Rupees	Per Share Rupees	Cost Rupees	Market Value Rupees
Associated undertakings					
Crescent Leasing Corporation Limited					
1,696,880 fully paid ordinary shares of Rupees 10 each	21,976,797	16,120,360	12.95	21,976,789	13,575,040
Pakistan Industrial Leasing Corporation Limited					
273,600 fully paid ordinary shares of Rupees 10 each	11,910,252	2,530,800	43.53	11,910,252	3,693,600
Crescent Textile Mills Limited					
188,872 (1997: 179,879) fully paid ordinary shares of Rupees 10 each	6,314,070	1,558,194	33.43	6,314,070	2,824,100
Pakistan Industrial Credit and Investment Corporation Limited					
947,375 (1997: 394,375) fully paid ordinary shares of Rupees 10 each	22,532,262	5,021,088	23.78	15,044,687	3,647,969
Shakarganj Mills Limited					
329,540 (1997: 299,582) fully paid ordinary shares of Rupees 10 each	8,363,330	3,460,170	25.38	8,363,330	2,771,134
Crescent Investment Bank Limited					
397,224 (1997: 358,224) fully paid ordinary shares of Rupees 10 each	9,625,467	2,383,344	24.23	8,911,767	5,140,514
Others					
Maple Leaf Electric Company Limited					
543,000 (1997: 400,000) fully paid ordinary shares of Rupees 10 each	10,622,150	1,900,500	19.56	10,460,000	3,700,000
D.G. Khan Electric Company Limited					
140,000 fully paid ordinary shares of Rupees 10 each	4,126,252	672,000	29.47	4,126,252	1,120,000
Crescent Steel and Allied Products Limited					
27,441 (1997: 23,862) fully paid ordinary shares of Rupees 10 each	1,183,351	658,584	43.12	1,183,351	680,067
Husein Sugar Mills Limited					
171,971 (1997: 156,249) fully paid ordinary shares of Rupees 10 each	-	-	-	3,678,499	2,617,171
Escorts Investment Bank Limited					
417,656 (1997: 418,156) fully paid ordinary shares of Rupees 10 each	-	-	-	3,972,484	4,808,794
Noon Sugar Mills Limited					
49,500 fully paid ordinary shares of Rupees 10 each	-	-	-	813,477	1,046,925
	96,653,931	34,305,040		96,754,958	45,625,314
	=====	=====		=====	=====

12.2 OTHER CERTIFICATES - QUOTED

	1998		Average Cost	1997	
	Cost Rupees	Market Value Rupees	Per Share Rupees	Cost Rupees	Market Value Rupees
National Investment Trust Limited					
650,058 (1997: 709,952) fully paid ordinary shares of Rupees 10 each	9,195,300	8,905,795	14.15	9,991,322	9,726,342
	9,195,300	8,905,795		9,991,322	9,726,342
	=====	=====		=====	=====
	1998	Average Cost	1997		

	Cost Rupees	Per Share Rupees	Cost Rupees
12.3 SHARES OF UN-QUOTED COMPANIES			
Crescent Greenwood Limited			
300,000 fully paid ordinary shares of Rupees 10 each	3,000,000	10.00	3,000,000
Break up value of Rupees 8.57 as per accounts for the year ended 30 September, 1996 audited by Messrs. A. F. Ferguson and Company			
Crescent Powertech Limited			
500,000 fully paid ordinary shares of Rupees 10 each	5,000,000	10.00	5,000,000
Break up value of Rupees 12.16 as per accounts for the year ended 30 June, 1996 audited by Messrs Ebrahim and Company			
	----- 8,000,000 =====		----- 8,000,000 =====

Investment in un-quoted companies has been made as one of the sponsors of the companies. Public issue of the companies is expected in subsequent period.

	1998 Rupees	1997 Rupees
12.4 Certificates of investment (Note 12.4.1)	263,573,898	215,136,922
Less: Morabaha facilities availed (Note 12.4.2)	245,988,286	214,888,286
	----- 17,585,612 =====	----- 248,636 =====

12.4.1 The proceeds of disbursement of IFC income notes (referred to in note No.6) have been invested in foreign currency certificates of investment with Al-Faysal Investment Bank Limited. These will be utilized to redeem the IFC income notes. The maturity dates coincide with the redemption dates alongwith the amount of income notes. Profit on foreign currency certificates of investment amounting to US\$ 366,295 (1997: US\$ 357,351) earned during the year under reference were redeposited in foreign currency certificates.

12.4.2 These are repayable in six equal semi annual installments payable on 30 September and 31 March in each year commencing on 30 September 2002. The profit rates are estimated to be 38 to 57 paisas per thousand per day.

The above morabaha facilities are secured by way of lien on certificates of investment of US\$ 5.724 million (1997: US\$ 5.357 million), hypothecation on leased assets and demand promissory notes.

	1998 Rupees	1997 Rupees
13. DEFERRED COSTS		
IFC income notes issue and other expenses	2,010,271	1,964,300
Less: Amortized todate	1,168,115	766,060
	----- 842,156 =====	----- 1,198,240 =====

14. FINANCES UNDER MORABAHA ARRANGEMENTS

Balance as at 30 June	44,144,758	108,759,262
Less: Provision under NBFIs Regulation for receivables	8,900,000	8,900,000
Considered good	----- 35,244,758 =====	----- 99,859,262 =====

14.1 The modaraba has sold goods under morabaha arrangements whereby payment is deferred alongwith specified profit margin ranging between 51 and 63 paisas per thousand per day. These finances are secured by hypothecation and pledge of goods sold, demand promissory notes and personal guarantees.

15. FINANCES UNDER MUSHARIKA ARRANGEMENTS

These represent the amounts invested in NBFIs and other institutions under musharika arrangements on profit and loss sharing basis. Expected rate of profit is ranging between 49 to 82 paisas per thousand per day.

16. SHORT TERM INVESTMENTS

Shares of quoted companies (Note 16.1)	73,084,458	46,432,201
Modaraba and other certificates quoted (Note 16.2)	108,410	5,233,561
	-----	-----
	73,192,868	51,665,762
	(33,704,360)	(14,910,452)
	-----	-----
Less: Provision for diminution in value of investments	39,488,508	36,755,310
	=====	=====

	1998		Average Cost	1997	
	Cost	Market Value	Per Share	Cost	Market Value
	Rupees	Rupees	Rupees	Rupees	Rupees
16.1 SHARES OF QUOTED COMPANIES					
Associated undertaking					
Trust Investment Bank Limited					
15,000 (1997: 108,000) fully paid ordinary shares of Rupees 10 each	150,000	135,000	10.00	1,080,000	1,101,600
Others					
Paramount Spinning Mills Limited					
25,000 fully paid ordinary shares of Rupees 10 each	368,750	350,000	14.75	368,750	512,500
Sajjad Textile Mills Limited					
9,300 fully paid ordinary shares of Rupees 10 each	42,315	9,300	4.55	42,315	16,275
Service Industries Textile Limited					
50,000 fully paid ordinary shares of Rupees 10 each	180,000	217,500	3.60	180,000	225,000
Nafees Cotton Mills Limited					
4,800 fully paid ordinary shares of Rupees 10 each	57,633	24,000	12.01	57,633	45,600
Dhan Fibres Limited					
Nil (1997: 20,000) fully paid Ordinary shares of Rupees 10 each	-	-	-	124,000	94,000
Sakrand Sugar Mills Limited					
198,000 fully paid ordinary shares of Rupees 10 each	1,243,525	1,584,000	6.28	1,243,525	1,336,500
Fecto Cement Limited					
500 (1997: 57,000) fully paid ordinary shares of Rupees 10 each	4,100	2,500	8.20	886,387	584,250
Pakistan Venture Capital Limited					
Nil (1997:188,500) fully paid Ordinary shares of Rupees 10 each	-	-	-	1,121,850	1,131,000
Prudential Discount and Guarantee House Limited					
300 (1997: 171,300) fully paid ordinary shares of Rupees 10 each	1,368	600	4.56	781,129	642,375
Ravi Alkalis Limited					
Nil (1997: 65,000) fully paid ordinary shares of Rupees 10 each	-	-	-	398,250	250,250
AI-Towfeek Investment Bank Limited					
100 fully paid ordinary shares of Rupees 10 each	799	275	7.99	799	1,000
Shabbir Tiles and Ceramics Limited					
453 fully paid ordinary shares of Rupees 10 each	-	4,960	-	-	6,206
Sind Abadgar's Sugar Mills Limited					

50,000 fully paid ordinary shares of Rupees 10 each	325,000	300,000	6.50	325,000	350,000
Atlas Lease Limited					
11,701 fully paid ordinary shares of Rupees 10 each	196,070	292,525	16.76	196,070	244,551
Fidelity Investment Bank Limited					
130 fully paid ordinary shares of Rupees 10 each	1,300	390	10.00	1,300	910
Nazir Cotton Mills Limited					
637,722 fully paid ordinary shares of Rupees 10 each	6,369,749	3,026,805	9.99	6,377,220	2,965,407
Shaheen cotton Mills Limited					
1,045,000 fully paid ordinary shares of Rupees 10 each	13,820,629	5,747,500	13.23	13,820,629	6,008,750
Kohinoor Sugar Mills Limited					
800 fully paid ordinary shares of Rupees 10 each	14,760	8,200	18.45	14,760	8,280
Dada Bhoy Cement Limited					
1,850 fully paid ordinary shares of Rupees 10 each	23,125	6,475	12.50	23,125	14,800
Muslim Commercial Bank Limited					
314 fully paid ordinary shares of Rupees 10 each	12,536	5,840	39.92	7,522	10,284
Pakistan Telecommunications Company Limited					
200,000 (1997: 35,000) fully paid ordinary shares of Rupees 10 each	4,054,830	3,330,000	20.27	1,235,319	1,072,750
National Development Leasing Corporation Limited					
24,000 (1997: 15,000) fully paid ordinary shares of Rupees 10 each	283,760	96,000	11.82	235,200	135,000
Commercial Union Life Assurance Company Limited					
25,500 fully paid ordinary shares of Rupees 10 each	377,583	216,750	14.81	377,583	279,225
Nishat Mills Limited					
10,000 fully paid ordinary shares of Rupees 10 each	261,000	85,000	26.10	261,000	200,000
Schon Bank Limited					
Nil (1997: 114,500) fully paid ordinary shares of Rupees 10 each	-	-	-	1,016,893	1,030,500
Mohib Textile Mills Limited					
417,000 (1997: 600,000) fully paid ordinary shares of Rupees 10 each	834,000	312,750	2.00	1,200,000	2,400,000
Crescent Knitwear Limited					
500 fully paid ordinary shares of Rupees 10 each	5,540	5,540	11.08	5,540	2,500
ICI Pakistan Limited					
242,700 (1997: 375,200) fully paid ordinary shares of Rupees 10 each	3,153,304	2,936,669	12.99	9,550,900	9,098,600
Husein Sugar Mills Limited					
171,971 (1997: 156,249) fully paid ordinary shares of Rupees 10 each	3,678,499	2,290,654	21.39	-	-
Escorts Investment Bank Limited					
417,656 (1997: 418,156) fully paid ordinary shares of Rupees 10 each	3,967,734	1,670,624	9.50	-	-
Noon Sugar Mills Limited					
49,500 fully paid ordinary shares					

of Rupees 10 each	813,477	1,089,000	16.43	-	-
Ibrahim Fibers Limited					
50,000 (1997: Nil) fully paid ordinary shares of Rupees 10 each	530,000	242,500	10.60	-	-
Askari Commercial Bank Limited					
167,000 (1997: Nil) fully paid ordinary shares of Rupees 10 each	4,540,839	2,329,650	27.19	-	-
Union Bank Limited					
63,000 (1997: Nil) fully paid ordinary shares of Rupees 10 each	811,050	441,000	12.87	-	-
Bank of Punjab Limited					
55,000 (1997: Nil) fully paid ordinary shares of Rupees 10 each	1,048,975	357,500	19.07	-	-
Platinum Bank Limited					
146,000 (1997: Nil) fully paid ordinary shares of Rupees 10 each	1,515,056	730,000	10.38	-	-
Faysal Bank Limited					
10,000 (1997: Nil) fully paid ordinary shares of Rupees 10 each	212,525	90,000	21.25	-	-
Fauji Cement Limited					
212,000(1997: Nil) fully paid ordinary shares of Rupees 10 each	2,538,600	848,000	11.97	-	-
D. G. Cement Limited					
100,000 (1997: Nil) fully paid ordinary Shares of Rupees 10 each	1,409,225	495,000	14.09	-	-
Maple Leaf Cement Limited					
100,000 (1997: Nil) fully paid ordinary shares of Rupees 10 each	675,251	320,000	6.75	-	-
Kohinoor Energy Limited					
200,000 (1997: Nil) fully paid ordinary shares of Rupees 10 each	3,122,000	1,000,000	15.61	-	-
Pakistan International Airlines Limited					
125,000 (1997: Nil) fully paid ordinary shares of Rupees 10 each	1,258,654	500,000	10.07	-	-
Japan Power Generation Company Limited					
768,000 (1997: Nil) fully paid ordinary shares of Rupees 10 each	6,156,362	3,532,800	8.02	-	-
Karachi Electric Supply Corporation Limited					
200,000 (1997: Nil) fully paid ordinary shares of Rupees 10 each	2,720,000	1,670,000	13.60	-	-
Southern Electric Power Company Limited					
75,000 (1997: 13,000) fully paid ordinary shares of Rupees 10 each	1,322,370	180,000	17.63	196,690	146,250
Sui Northern Gas Pipelines Limited					
21,550 (1997: 165,600) fully paid ordinary shares of Rupees 10 each	675,660	188,563	31.35	5,302,812	5,257,800
F.F.C. Jordan Fertilizer Limited					
150,000 (1997: Nil) fully paid ordinary shares of Rupees 10 each	2,733,650	1,972,500	18.22	-	-
Hub Power Company Limited					
55,000 (1997: Nil) fully paid Ordinary shares of Rupees 10 each	1,572,855	706,750	28.60	-	-
	-----	-----		-----	-----
	73,084,458	39,353,120		46,432,201	35,172,163
	=====	=====		=====	=====

16.2 MODARABA AND OTHER CERTIFICATES - QUOTED**First Equity Modaraba**

10,105 (1997: 29,605) fully paid

Certificates of Rupees 10 each Managed by Premier Financial Services (Private)Limited	33,955	42,946	3.36	97,877	118,420
---	--------	--------	------	--------	---------

	1998	Average Cost	1997		
	Cost	Market Value	Per Share	Cost	Market Value
	Rupees	Rupees	Rupees	Rupees	Rupees

Second Prudential Modaraba

12,100 fully paid Certificates of Rupees 10 each Managed by Prudential Capital Management (Pvt) Ltd	14,026	18,150	1.16	14,026	29,040
--	--------	--------	------	--------	--------

First Pak Modaraba

44,642 fully paid Certificates of Rupees 10 each Managed by Royal Management Services	58,034	71,427	1.30	58,034	109,373
---	--------	--------	------	--------	---------

Al-Zamin Leasing Modaraba

500 (1997: 20,500) fully paid Certificates of Rupees 10 each Managed by Al-Zamin Modaraba Management	1,950	2,375	3.90	79,950	79,950
---	-------	-------	------	--------	--------

Allied Bank Modaraba

83 (1997: 43,583) fully paid Certificates of Rupees 10 each Managed by Allied Management Services	445	490	5.36	233,674	296,364
---	-----	-----	------	---------	---------

First Capital Mutual Fund

Nil (1997: 475,000) fully paid Certificates of Rupees 10 each	-	-	-	4,750,000	950,000
	-----	-----		-----	-----
	108,410	135,388		5,233,561	1,583,147
	=====	=====		=====	=====

	1998	1997
	Rupees	Rupees

**17. ADVANCES, DEPOSITS, PREPAYMENTS
AND OTHER RECEIVABLES**

Profit accrued on Modaraba/Musharika Finances	13,606,565	38,979,309
Due from lessees	88,000,376	40,871,782
Less: Provision under NBFIs regulations for receivables	2,889,667	1,265,479
	-----	-----
	85,110,709	39,606,303
Due from stock brokers	18,308,510	24,615,164
	-----	-----
Profit receivable on certificates of investment	7,080,739	4,662,450
Profit payable on Morabaha finances - off setted (Note 12.4)	3,999,864	3,956,695
	-----	-----
	3,080,875	705,755
Short term prepayments	589,131	478,421
Advance income tax	2,492,935	912,259
Security deposits	498,750	177,400
Advances to staff-considered good (Note 17.1)	331,124	171,870
Sundry receivables	1,721,712	401,848
	-----	-----
	125,740,311	106,048,329
	=====	=====

17.1 The maximum aggregate amount due from staff at the end of any month during the year was Rupees 435,954 (1997: Rupees 207,127).

	1998	1997
	Rupees	Rupees

18. BANK BALANCES

Deposit accounts	5,929,405	9,979,398
Current accounts	2,537,343	185,046
Cash rescue with State Bank of Pakistan (Note 18.1)	3,300,000	2,800,000
	-----	-----
	11,766,748	12,964,444
	=====	=====

18.1 It is interest free deposit with State Bank of Pakistan as required under NBFIs Regulations applicable to the modaraba.

19. FEE, COMMISSION AND OTHER INCOME

Fee and commission	2,118,775	3,560,779
Dividend income	6,495,480	4,081,781
Profit on short term placement of funds with NBFIs	833,092	2,872,762
Gain on sale of fixed assets	130,329	181,570
Exchange gain	2,886,976	-
Miscellaneous income	64,328	357,550
	-----	-----
	12,528,980	11,054,442
	=====	=====

20. FINANCIAL CHARGES

Profit on Morabaha/Musharika finances	104,738,756	73,894,623
Profit on Morabaha finance off-setted	33,901,117	28,526,507
Profit on certificates of investment off-setted (Note 12.4)	18,136,870	14,324,096
	-----	-----
	15,764,247	14,202,411
Bank charges and commission	53,636	385,974
Profit on IFC income notes	-	14,500,000
Zakat	106,361	-
	-----	-----
	120,663,000	102,983,008
	=====	=====

21. OTHER EXPENSES AND CHARGES

Salaries, allowances and other benefits (Note 21.1)	3,018,454	2,164,610
Postage, telephone and telex	641,145	270,721
Documentation and stationery	831,350	727,646
Fee and subscription	1,278,815	800,412
Legal and professional	421,995	660,875
Lease rentals	737,705	557,125
Travelling and vehicles' running	620,165	264,947
Electricity	173,399	134,045
Insurance	395,321	90,649
Auditors' remuneration (Note 21.2)	50,000	96,550
Deferred cost amortized	402,055	392,860
Loss on sale of investments	6,809,621	735,762
Miscellaneous	1,029,472	371,207
	-----	-----
	16,409,497	7,267,409
	=====	=====

21.1 REMUNERATION OF OFFICERS AND OTHERS

The aggregate amount charged in the accounts for the year for remuneration, allowances and other benefits to the officers and other employees of the modaraba was as follows:

	30 June 1998		30 June 1997	
	Officers Rupees	Other Employees Rupees	Officers Rupees	Other Employees Rupees
Basic salary	1,069,144	242,209	998,102	74,720
Allowances and other benefits	1,541,600	165,501	1,091,788	-
	-----	-----	-----	-----
	2,610,744	407,710	2,089,890	74,720
	=====	=====	=====	=====
Number of persons	14	6	14	3

In addition, modaraba has also provided facility of vehicles to its three officers.

1998	1997
Rupees	Rupees

21.2 AUDITORS' REMUNERATION

Audit fee	42,500	42,500
SBP's special audit fee	-	46,550
Out of pocket expenses	7,500	7,500
	-----	-----
	50,000	96,550
	=====	=====

22. RENTALS RECEIVABLE WITHIN NEXT TWELVE MONTHS

Lease rentals receivable during the next twelve months ending on 30 June 1999, on the basis of lease agreements executed upto 30 June 1998 aggregate to approximately Rupees 210.172 million (1998: Rupees 180.079 million).

23. PROVISION FOR TAXATION

Tax losses are estimated at Rupees 17.389 million as on 30 June 1998 (1997: Rupees 66 million). Deferred taxation arising due to timing differences computed under liability method is estimated at Rupees 28.680 million as on 30 June 1998 (1997: Rupees 13.50 million). Keeping in view, the lease portfolio expansion plan, the liability for deferred taxation is not likely to be reversed in the foreseeable future. Therefore, no provision for deferred taxation has been made in these accounts.

In view of Central Board of Revenue circular No. 24 dated 30 July 1992, minimum tax is not payable under section 80D of the Income Tax Ordinance, 1979 on the modaraba income. Therefore, no provision for minimum tax amounting to Rupees 4.535 million including for the year amounting to Rupees 1.680 million has been made in these accounts. However, the assessing officer has created demand of Rupees 2.905 million upto the assessment year 1997-98 by applying minimum tax on the modaraba. Appeals against the order of the assessing officer have been filed before Commissioner of Income Tax (Appeals) which are still pending.

24. GENERAL

24.1 Previous year's figures have been re-arranged wherever necessary for the purpose of comparison.

24.2 Office space has been provided by the management company.

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

PATTERN OF HOLDING OF CERTIFICATES AS AT 30 JUNE, 1998

No. of Certificates	Certificate Holding		Total Certificates Held
	From	To	
530	1	100	26269
719	101	500	155919
1007	501	1000	765344
889	1001	5000	1948775
159	5001	10000	1140764
56	10001	15000	690839
34	15001	20000	562230
24	20001	25000	562230
4	25001	30000	108141
18	30001	35000	578950
9	35001	40000	332476
5	45001	45000	207101
12	45001	50000	570756
4	50001	55000	211401
1	55001	60000	55308
11	75001	80000	869132
1	90001	95000	90864
2	100001	105000	206523
1	110001	115000	114127
2	120001	125000	245228
1	125001	130000	126420
1	135001	140000	139378
1	160001	165000	162312
1	735001	740000	739833
1	820001	825000	824199
1	1090001	1095000	1090209
1	1630001	1635000	1630295
1	1645001	1650000	1646767
-----			-----
3496			15802500
=====			=====

Categories of Certificate Holders	Number	Certificates Held	Percentage
Individuals	3456	8931801	56.521
Investment companies	2	747684	4.731
Insurance Companies	4	961939	6.087
Joint Stock Companies	16	490125	3.101
Financial Institutions	10	2950195	18.669
Modaraba Institutions	1	1646767	10.420
Others	7	73989	.468
Total	3496	15802500	100.000

Others

Association	1	20328	.128
Modarabas	5	43004	.272
Trust	1	10657	.067
Total	7	73989	.468

INVESTOR'S INFORMATION

STOCK EXCHANGE LISTING

First Crescent Modaraba is listed
On the Karachi, Lahore and Islamabad
Stock Exchange

Daily quotes on the Crescent Modaraba Certificates
can be obtained from leading newspapers,
listed under "Modaraba Companies"

PUBLIC INFORMATION

Financial analysts, stock brokers,
interested investors and financial media
desiring information about FIRST CRESCENT MODARABA
should contact the following individual
In corporate Investor Relation:

KHAWAJA ZIA ABBAS

Tel: (042) 7238331, 7238336-7
Fax: (042) 7230504

CERTIFICATE HOLDERS INFORMATION

Inquires concerning lost stock
certificates, dividend payments,
change of address, verification of transfer deeds
and certificates transfer should be directed to:

FIRST CRESCENT MODARABA

83-Babar Block, New Garden Town, Lahore - Pakistan.
Tel: 92-42-5839631,5881974-75
Fax: 92-42-5881976