

First Crescent Modaraba

Annual Report 1999

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CORPORATE INFORMATION

ALTAF M SALEEM

Chairman

MAHMOOD AHMED

Chief Executive

DIRECTORS

(in alphabetical order)

Irfan A. Imtiaz
Muhammad Awais Qureshi
Rashid Ahmed
Zaheer A. Shaikh

CORPORATE SECRETARY

Rashid Sadiq

AUDITORS

Riaz Ahmad and Company
Chartered Accountants

LEGAL ADVISORS

Hassan and Hassan Advocates

PRINCIPAL OFFICE

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DIRECTORS' REPORT & CHIEF EXECUTIVE'S REVIEW

It is a great pleasure to present to you the Eighth Annual Report of First Crescent Modaraba (FCM), which covers the eighth 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 events of May 1998 brought in the open the balance of payment problems that Pakistan had been facing due to high budget deficits. Till such time, government was plugging around USD 5.00 billion Balance of Payment deficit through short term borrowings including Resident Foreign Currency Accounts (FCAs). Conversion of FCAs into local currency and sanctions by multilaterals has meant that inflows from both of these contributors have grossly reduced which in turn forced the country to resort to rescheduling of bilateral and commercial loans.

While the adverse impact of the developments mentioned above was widespread on the economy, it was particularly severe on the foreign and private sector investments. Both the workers' remittances and flow of foreign investments suffered a setback. Decline in imports, particularly of raw materials and machinery, resulting from drying up of foreign resources, affected the pace and level of activity.

Banks and financial institutions have also been affected by the above developments. The conversion of Foreign Currency Accounts into local currency has eliminated the implied around 3% subsidy that State Bank was paying by offering cover at a rate that was less than historic devaluation rate. The spreads have been further squeezed as government is following the policy of reviving the economy through lowering of interest rates and reduce the rates on Treasury bills and National Saving Schemes. There are signs that it is beginning to have a positive impact on corporates as they have started showing earning growth despite economic uncertainty.

The Capital market in line with the haywire economic performance moved into narrow band of 200 points between Index level of 1000 points to 1200 points. In the absence of foreign investors, local retail and institutional investors became market movers and shakers. Massive offloading by international investors has been absorbed on the back of excess liquidity in the local market. The large public sector banks have become fairly active in blue chip stock because they have no option but to deploy excess liquidity.

MERGER

We are pleased to report that the Honorable Lahore High Court has approved the merger of Al-Ata Leasing Modaraba with First Crescent Modaraba (FCM) with effect from February 01, 1999.

OPERATING AND INVESTING PERFORMANCE

As on 30 June 1999 total assets of First Crescent Modaraba were Rs.1,414.65 million as against the outstanding of Rs. 1,131.49 million on the corresponding date of last year. During the year under review lease disbursement of Rs. 156.36 million were made owing to the recession in the country. Net investment in leasing business as on June 30, 1999 amounted to Rs. 596.41 million. The leases disbursed during the year comprised of 63.74 % for plant and machinery, 18.32 % for office equipment and 17.94 % for vehicles. Depreciation charge for the year under review was Rs. 188.91 million as compared to Rs. 153.78 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.

Rs. in million

Funds Based:	1998-99	1997-98
Lease Finance	596.41	603.62
Morabaha / Musharika Financing	395.60	217.09

STOCK MARKET OPERATIONS

The nuclear detonations in May 1998 and its subsequent effects on the economy as described in the foregoing review, had a major blow to the already bearish stock market. The stock market recovered from its lowest ever level to around 1200 points. However, the return on the funds invested in the equity market remained low during the year under review.

The Modaraba earned an income of Rs. 3.52 million on its investments during the year 1998-99.

RESOURCE MOBILIZATION

As at 30th June 1999, the Modaraba had an outstanding amount of Rs. 976.05 mobilized under Morabaha / Musharika arrangements etc. as against Rs. 808.73 million for the last year showing an increase of 20.69% over the previous year.

BALANCE SHEET & OPERATING RESULTS

After merger, total assets of the Modaraba increased by Rs. 283.16 million (25.03%) during 1998-99 to Rs. 1,414.65 million. The Modaraba earned an operating profit before provisions of Rs. 30.80 million during the year as against Rs. 35.13 million last year. Due to the continued bearish condition of the stock markets of the country, the prices of listed securities remained low throughout the year. The modaraba has created a provision of Rs. 25.77 million for the diminution in the value of its equity investments thereby fully providing for its short-term investments. The net profit after tax for the year was Rs. 12.09 million as against a net loss of Rs. 0.20 million last year.

The subject year was the first year for which the government has revived the income tax exemption for modaraba if atleast 90 % of its profits for the year are distributed among the certificate holders. No provision for taxation has been made in these accounts in view of the subject exemption. Composition of the net profit after provisions is as follows:-

	<i>Amount for the Year Ended 30 June 1999</i>	<i>Amount for the Year Ended 30 June 1998</i>	<i>% change over previous year</i>
INCOME			
Renal/Profit on lease and Morabaha financing	355.75	313.46	13.49
Dividend/Capital Gains	3.52	6.49	(45.76)
I Fees and Commission	2.60	2.25	15.56
Profit on placements etc.	7.63	3.78	101.85
	-----	-----	-----
Total Income =	370.66	325.98	13.71
	-----	-----	-----
EXPENDITURE			
Charges/profit/return paid on lease, Morabaha and Musharika	323.71	274.44	(17.95)
Provisions	20.63	35.33	41.61
Loss on sale of investments/fixed assets	1.81	6.81	73.42
Establishment & other operating expenses	14.34	9.60	(49.37)
	-----	-----	-----
Total Expenditure =	360.49	326.18	10.52
	-----	-----	-----
NET PROFIT (Before Management fee & tax)	10.17	(0.20)	
Management fee	(0.92)	0.00	
Provision for taxation	2.85	0.00	
	-----	-----	-----
NET PROFIT / (LOSS)	12.10	(020)	

Un-appropriated profit b/f	0.36	0.83
	-----	-----
PROFIT AVAILABLE FOR APPROPRIATION	12.46	0.63
	-----	-----
APPROPRIATIONS		
Transfer to Statutory Reserve	(2.42)	0.00
Transfer from General Reserve	4.20	0.00
Proposed dividend	14.07	0.00
	-----	-----
Un-appropriated profit	0.17	0.63
	-----	-----

REGULATIONS

We hope that the process of rationalizing the Modaraba Ordinance and relevant rules and regulations by the Securities and Exchange Commission of Pakistan will produce favourable results during the year.

PROFIT DISTRIBUTION

A profit distribution of Re. 0.75 (7.50%) per certificate of Rs. 10 each has been approved by the Board of Directors in its meeting held on December 31, 1999 for the year ended June 30, 1999. The distribution will be subject to zakat and tax at source, where applicable.

THE MILLENNIUM BUG

By the grace of God, the Modaraba has become fully Year 2000 compliant in June 1999. In addition, we are taking all the necessary precautions to ensure that the external parties like lenders, customers, suppliers, utilities, etc. are also Year 2000 compliant.

OBJECTIVES FOR 1999-2000

The Modaraba is continuously focusing to enhance its earnings by concentrating on small and medium sized leases and generating cheaper resources for financing the activity. New areas of business will continue to be explored with greater care and prudence. The Modaraba plans to reduce its current exposure in other activities in planned and phased manner.

The Modaraba intends to continue its advisory services on lease syndication during the year 1999-2000.

AUDITORS

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

ACKNOWLEDGEMENT

We would like to thank the Securities and Exchange Commission of Pakistan, Registrar of Modarabas and the State Bank of Pakistan for their continued guidance and support not only as the regulators for the growth and betterment of the financial sector but for their co-operation in the merger. We would also like to thank lending institutions and our certificate holders for their co-operation and support for the merger.

We welcome Mr. Irfan Ahmed Imtiaz in the Board of Directors of Crescent Business Management (Private) Limited.

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

MAHMOOD AHMED
Chief Executive

Dated: December 31, 1999

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF

CRESCENT BUSINESS MANAGEMENT (PRIVATE) LIMITED

We have audited the annexed Balance Sheet as at 30 June 1999 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 1999 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; and

(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 1999 and the Profit 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.

RIAZ AHMAD AND COMPANY
Chartered Accountants

LAHORE:- December 31,1999

BALANCE SHEET AS AT JUNE 30, 1999

	<i>NOTE</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
Certificate capital			
Authorized 30 000 000 modaraba certificates of Rupees 10 each		300,000,000	300,000,000
		=====	=====
Issued, subscribed and paid up capital	3	187,670,180	158,025,000
Reserves and surplus			
Capital reserve	4	23,822,000	13,700,000
Revenue reserve-General	5	45,482,407	25,000,000
Unappropriated profit		165,279	634,316
		-----	-----
		257,139,866	197,359,316

NON-CURRENT LIABILITIES

Finances under morabaha and musharika arrangements	6	350,225,643	312,196,882
Redeemable capital	7	257,000,000	230,250,000
Long term deposits	8	67,090,918	64,083,338
		-----	-----
		674,316,561	606,530,220

CURRENT LIABILITIES

Current portion of long term finances and deposits	9	68,482,500	14,920,086
Finances under musharika arrangements	10	324,082,070	258,281,148
Creditors, accrued and other liabilities	11	76,554,670	54,406,945
Profit distribution		14,075,264	--
		-----	-----
		483,194,504	327,608,179

CONTINGENCIES AND COMMITMENTS	12	--	--
		-----	-----

TOTAL EQUITY AND LIABILITIES		1,414,650,931	1,131,497,715
		=====	=====

ASSETS

NON-CURRENT ASSETS

Tangible operating fixed assets	13	603,492,167	605,136,307
Long term investments	14	224,843,427	131,434,843
Deferred costs	15	749,877	842,156
		-----	-----
		829,085,471	737,413,306

CURRENT ASSETS

Finances under morabaha arrangements	16	21,266,297	35,244,758
Finances under musharika arrangements	17	374,338,394	181,844,084
Short term investments	18	--	39,488,508
Advances, deposits, prepayments and other receivables	19	125,620,004	125,740,311
Stores and spares		158,388	--
Cash and bank balances	20	64,182,377	11,766,748
		-----	-----
		585,565,460	394,084,409

TOTAL ASSETS		1,414,650,931	1,131,497,715
		=====	=====

The annexed notes form an integral part of these accounts.

MAHMOOD AHMED
CHIEF EXECUTIVE

IRFAN A. IMTIAZI
DIRECTOR

RASHID AHMED
DIRECTOR

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 1999

	<i>NOTE</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
OPERATING INCOME			
Lease rentals		311,516,282	256,961,805
Profit on morabaha and musharika finances		44,229,488	56,494,756
Revenue from other services	21	1,160,589	--
Fee, commission and other income	22	13,751,309	12,528,980
		-----	-----
		370,657,668	325,985,541
OPERATING EXPENSES			
Financial charges	23	133,098,501	120,663,000
Depreciation		188,909,250	153,781,913
Cost of other services	24	1,697,832	--
Other expenses and charges	25	16,148,985	16,409,497
		-----	-----
		339,854,568	290,854,410
Operating profit before provisions		-----	-----
		308,031.00	35,131,131
Provision for diminution in value of investments		25,768,238	33,704,360
Provision under NBFIs regulations for receivables		(5,139,413)	1,624,188
		-----	-----
		20,628,825	35,328,548
PROFIT/(LOSS) FOR THE YEAR		10,174,275	(197,417)
MODARABA COMPANY'S MANAGEMENT FEE		924,934	--
		-----	-----
PROFIT/(LOSS) BEFORE TAXATION		9,249,341	(197,417)
PROVISION FOR TAXATION - Prior period		2,848,555	--
		-----	-----
PROFIT/(LOSS) AFTER TAXATION		12,097,896	(197,417)
UNAPPROPRIATED PROFIT BROUGHT FORWARD		634,316	831,733
LOSS BROUGHT FORWARD AS ON 01 FEBRUARY			
1999 OF AL-ATA LEASING MODARABA		(271,669)	--
		-----	-----
		362,647	831,733
PROFIT AVAILABLE FOR APPROPRIATIONS		12,460,543	634,316
APPROPRIATION			
Transfer to statutory reserve		(2,420,000)	--
Transfer from general reserve		4,200,000	--
Profit distribution		(14,075,264)	--
		-----	-----
		(12,295,264)	--
UNAPPROPRIATED PROFIT		165,279	634,316
		=====	=====
EARNING/(LOSS) PER CERTIFICATE	27	0.64	(0.012)

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The annexed notes form an integral part of these accounts.

MAHMOOD AHMED
CHIEF EXECUTIVE

IRFAN A. IMTIAZI
DIRECTOR

RASHID AHMED
DIRECTOR

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 1999

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit/(loss) for the year	9,249,341	(197,417)
Adjustments for non-cash and other items		
Depreciation	189,230,975	153,781,913
Deferred cost amortized	466,591	402,055
Loss on sale of investments	1,757,453	6,809,621
Gain on sale of fixed assets	(1,345,071)	(130,329)
Provision for diminution in value of investments	25,768,238	33,704,360
Provision under NBFIs regulations for receivables	(5,139,413)	1,624,188
	-----	-----
	210,738,773	196,191,808
	-----	-----
Operating profit before working capital changes	219,988,114	195,994,391
Decrease in finance under morabaha arrangements	17,478,461	64,614,504
Decrease/(increase) in finance under musharika arrangements	(207,121,993)	33,310,529
Decrease/(increase) in stores and spares	(80,216)	--
Decrease/(increase) in advances, deposits, prepayments and other receivables	8,311,704	(19,735,494)
(Decrease)/increase in creditors, accrued and other liabilities	20,869,159	(13,023,015)
	-----	-----
	(160,542,885)	65,166,524
	-----	-----
Cash generated from operating activities	59,445,229	261,160,915
Income tax paid	(54,023)	(1,580,676)
Dividend paid	(1,320)	(1,980)
	-----	-----
NET CASH GENERATED FROM OPERATING ACTIVITIES	59,389,886	259,578,259
CASH FLOWS FROM INVESTING ACTIVITIES		
Deferred cost incurred	--	(45,971)
Purchase of fixed assets	(158,026,691)	(304,384,062)
Proceeds from sale of fixed assets	41,467,899	6,817,739
Net increase in investments	(83,656,348)	(59,687,106)
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(200,215,140)	(357,299,400)
CASH FLOWS FROM FINANCING ACTIVITIES		

Increase in redeemable capital	26,750,000	29,450,000
Obligation under lease finance	(91,263)	--
Increase in long term finances under morabaha and musharika arrangements	72,746,135	129,792,002
Increase/(Decrease) in short term finances under morabaha and musharika arrangements	87,428,606	(82,280,402)
Increase in long term deposits	4,692,332	19,561,845
	-----	-----
NET CASH GENERATED FROM FINANCING ACTIVITIES	191,525,810	96,523,445
NET INCREASE/(DECREASE)IN CASH AND CASH EQUIVALENTS	50,700,556	(1,197,696)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	13,481,821	12,964,444
	-----	-----
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	64,182,377	11,766,748
	=====	=====

MAHMOOD AHMED
CHIEF EXECUTIVE

IRFAN A. IMTIAZI
DIRECTOR

RASHID AHMED
DIRECTOR

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1999

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, investments in marketable securities and other businesses. AI-Ata Leasing Modaraba has been merged with First Crescent Modaraba with effect from 01 February 1999 in accordance with the scheme of arrangements allowed by the Lahore High Court, Lahore.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Overall valuation policy

These accounts have been prepared under the historical cost convention.

2.2 Tangible fixed assets

Assets in own use

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

Maintenance and normal repairs are charged to income as and when incurred. Gain/loss on disposal of fixed assets are included in income currently.

Assets leased out

These 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.

Assets subject to finance lease

Assets subject to finance lease are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of the assets acquired on lease. The related obligations under the leases are accounted for as liabilities. Depreciation is charged on the basis and rates similar to those applied for Modaraba owned assets.

2.3 Stores and spares

These are stated at cost determined on first in first out basis.

2.4 Investments

Long term investments are stated at cost. Provision for diminution in the value of investments is made if considered permanent. Short term investments are stated at lower of cost and market value determined on aggregate portfolio basis.

2.5 Deferred costs

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

2.6 Provision for doubtful receivables

Provision for doubtful receivables 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.

2.7 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. After amendment in clause 102E of Second Schedule of Part-I of the Income Tax Ordinance, 1979 made through Finance Act, 1998, the Modaraba considers itself exempt from income tax application as it distribute 90 percent of its profits to the certificate holders. Therefore, no provision for taxation is required.

2.8 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.

2.9 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.

2.10 Staff retirement benefits

The modaraba operates a recognized provident fund for all eligible employees. Equal monthly contributions are made to the fund both by the modaraba and the employees at the rate of 10% of the basic salary.

2.11 Revenue recognition

2.11.1 Lease rentals are recognized as income on accrual basis over the lease period.

2.11.2 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.

2.11.3 Gain/loss on sale of investments is accounted for in the year in which it arises. Revenue from dry-cleaning

operations, dividend income, project examination fee, commitment and other charges are accounted for on actual receipt basis.

2.11.4 Profit on bank deposits is taken on accrual basis.

	1999 Rupees	1998 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
2 964 518 modaraba certificates of Rupees 10 each issued to the certificate holders of Al-Ata Leasing Modaraba in accordance with the scheme of arrangement allowed by the Lahore High Court, Lahore	29,645,180	--
5 802 500 modaraba certificates of Rupees 10 each issued as fully paid bonus certificates	58,025,000	58,025,000
	-----	-----
	187670180	158,025,000
	=====	=====

3.1 Crescent Business Management (Private) Limited - Management Company holds 2,204,748 (1998: 1,646,767) modaraba certificates of Rupees 10 each.

	1999 Rupees	1998 Rupees
4. CAPITAL RESERVE		
Opening balance	13,700,000	13,700,000
Capital reserve as on 01 February 1999 of Al-Ata Leasing Modaraba	7,702,000	--
Transferred from profit and loss account	2,420,000	--
	-----	-----
	23,822,000	13,700,000
	=====	=====

4.1 Capital reserve represents the merged statutory reserve created to comply with NBFIs Regulations as applicable to the Modaraba.

5. REVENUE RESERVE -- GENERAL		
Opening balance	25,000,000	25,000,000
Surplus on account of merger (Note 5.1)	24,682,407	--
	-----	-----
	49,682,407	25,000,000
Less: Transferred to profit and loss account	4,200,000	--
	-----	-----
	45,482,407	25,000,000
	=====	=====

5.1 This represents the surplus arising due to the difference between the net assets and paid up value of the certificates issued to the certificate holders of Al-Ata Leasing Modaraba after adjusting the inter modaraba

holdings in pursuant to the scheme of arrangement allowed by the Lahore High Court, Lahore.

6. FINANCES UNDER MORABAHA AND MUSHARIKA

ARRANGEMENTS

Morabaha finances (Note 6.1)	81,529,560	--
Musharika finances (Note 6.2)	313,436,085	320,196,882
	-----	-----
	394,965,645	320,196,882
Less: Current portion (Note 9)	44,740,002	8,000,000
	-----	-----
	350,225,643	312,196,882
	=====	=====

6.1 Morabaha finances obtained from the financial institutions under morabaha (purchase and sale) arrangements at a specified profit margin to finance the leased out assets. The morabaha purchase and sale prices of facilities are Rupees 3.5 million, Rupees 4.839 million, Rupees 87.86 million and Rupees 109.2 million respectively. Sale prices are payable in twelve equal quarterly installments inclusive of mark-up commencing from 26 September 1997 and in thirty two unequal monthly installments commencing from 31 May 1999 respectively. The morabaha sale prices are secured by way of first hypothecation charge over leased assets and lease rentals and other receivables of the modaraba and a demand promissory note.

6.2 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.

7. 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. AI-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.

8. LONG TERM DEPOSITS

	1999	1998
	Rupees	Rupees
Lessees security deposits (Note 8.1)	90,833,416	71,003,424
Less: Current potion (Note 9)	23,742,498	6,920,086
	-----	-----

	67,090,918	64,083,338
	=====	=====

8.1 These represent the interest free security deposits (lease key money) received on lease contracts and are repayable/adjustable at the expiry/termination of the respective leases.

9. CURRENT PORTION OF LONG TERM FINANCES AND DEPOSITS

Finances under morabaha and musharika arrangements (Note 6)	44,740,002	8,000,000
Long term deposits (Note 8)	23,742,498	6,920,086
	-----	-----
	68,482,500	14,920,086
	=====	=====

10. FINANCES UNDER MUSHARIKA ARRANGEMENTS

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

	1999	1998
	Rupees	Rupees

11. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	16,553,985	6,708,738
Profit accrued on musharika finances	33,476,293	36,992,788
Profit on IFC income notes	10,935,306	--
Lease rentals received in advance	12,193,734	8,590,108
Payable to management company	1,300,349	520,792
Accrued liabilities	523,335	290,115
Other liabilities	854,824	694,683
Central excise duty payable	383,359	115,556
Withholding income tax	17,701	15,374
Due to employees' provident fund trust	41,724	288,633
Unclaimed profit distribution	274,060	190,158
	-----	-----
	76,554,670	54,406,945
	=====	=====

12. CONTINGENCIES AND COMMITMENTS

The Modaraba's income tax assessments have been finalized upto the assessment year 1998-99 by assessing income tax liability amounting to Rupees 4.256 million by the assessing officer under section 80D of the Income Tax Ordinance, 1979 including additional tax amounting to Rupees 0.160 million. The Modaraba filed appeals with the Commissioner of Income Tax (Appeals) which are still pending. The management is of the view that no minimum tax is payable under section 80D of the Income Tax Ordinance, 1979 on the modaraba income as per Central Board of Revenue's circular No. 24 dated 30 July 1992. Therefore, no provision for minimum tax amounting to Rupees 4.256 million has been made in these accounts.

13. TANGIBLE OPERATING FIXED ASSETS

Assets leased out (Note 13.1)	596,407,274	603,615,771
Assets in own use (Note 13.3)	7,084,893	1,520,536
	-----	-----
	603,492,167	605,136,307

13.1 ASSETS LEASED OUT

<i>Description</i>	<i>COST</i>			<i>ACCUMULATED DEPRECIATION</i>				<i>BOOK VALUE</i>		
	<i>As at 01 July 1998</i>	<i>As at 01 February 1999 Al-Ata Leasing Modaraba</i>	<i>Additions/ (Deletions)</i>	<i>As at 30 June 1999</i>	<i>As at 01 July 1998</i>	<i>As at 01 February 1999 Al-Ata Leasing Modaraba</i>	<i>Adjustments</i>	<i>Charge for the year</i>	<i>As at 30 June 1999</i>	<i>As at 30 June 1999</i>
Plant and machinery	651,897,457	68,542,917	99,661,014 (106,922,391)	713,178,997	200,776,942	38,259,159	(83,669,391)	142,310,549	297,677,259	415,501,738
Office equipments	93,063,404	24,941,733	28,639,039 (15,259,816)	131,384,360	22,254,855	12,924,513	(5,824,589)	16,645,042	45,999,821	85,384,539
Vehicles	118,311,120	27,266	28,057,126 (14,943,370)	158,691,252	36,624,413	5,756,637	(7,523,769)	28,312,974	63,170,255	95,520,997
1999 Rupees	863,271,981	120,751,026	156,357,179 (137,125,577)	1,003,254,609	259,656,210	56,940,309	(97,017,749)	187,268,565	406,847,335	596,407,274
1998 Rupees	617,773,360	--	302,950,105 (57,451,484)	863,271,981	157,729,004	--	(50,764,074)	152,691,280	259,656,210	603,615,771

13.2 Deletions represent the assets disposed of through negotiation after expiry/termination of leases. However, in view of the large number of disposals of assets given on lease, the detail of each disposal has not been given.

13.3 ASSETS IN OWN USE

<i>Description</i>	<i>COST</i>			<i>ACCUMULATED DEPRECIATION</i>				<i>BOOK VALUE</i>		
	<i>As at 01 July 1998</i>	<i>As at 01 February 1999 Al-Ata Leasing Modaraba</i>	<i>Additions/ (Deletions)</i>	<i>As at 30 June 1999</i>	<i>As at 01 July 1998</i>	<i>As at 01 February 1999 Al-Ata Leasing Modaraba</i>	<i>Adjustments</i>	<i>Charge for the year</i>	<i>As at 30 June 1999</i>	<i>As at 30 June 1999</i>
Furniture and fixtures	877,421	495,918	1,200 (25,000)	1,349,539	545,812	287,101	(10,000)	212,050	1,034,963	314,576
Plant and machinery	--	5,673,867	43,080	5,716,947	--	1,463,028	--	240,717	1,703,745	4,013,202
Vehicles	547,900	579,654	1,414,000 (209,400)	2,332,154	136,975	381,014	(209,400)	559,043	867,632	1,464,522
Equipments	2,135,923	810,296	201,800	3,148,019	1,602,346	443,531	--	778,780	2,824,657	323,362
Leased hold improvement	--	931,170	--	931,170	--	240,553	--	38,798	279,351	651,819
Books	366,593	--	9,432	376,025	122,168	--	--	75,205	197,373	178,652
	3,927,837	8,490,905	1,669,512 (234,400)	13,853,854	2,407,301	2,815,227	(219,400)	1,904,593	6,907,721	6,946,133

ASSETS SUBJECT TO FINANCE LEASE

Vehicle	--	693,800	--	693,800	--	497,223	--	57,817	555,040	138,760
1999 Rupees	3,927,837	9,184,705	1,669,512 (234,400)	14,547,654	2,407,301	3,312,450	(219,400)	1,962,410	7,462,761	7,084,893
1998 Rupees	2,493,880	--	1,433,957	3,927,837	1,316,668	--	--	1,090,633	2,407,301	1,520,536

13.4 ASSETS SOLD OUT

DESCRIPTION OF ASSETS	COST	ACCUMULATED DEPRECIATION	BOOK VALUE	SALE PROCEEDS	MODE OF DISPOSAL	PARTICULARS OF BUYER
Vehicle	209,400	209,400	--	39,000	Negotiation	Mr. Kamran Hameed
Furniture and fixtures	25,000	10,000	15,000	15,000	Negotiation	Khawaja Zia Abbas

1999
Rupees

1998
Rupees

14. LONG TERM INVESTMENTS

Shares of quoted companies (Note 14.2)	133,412,046	96,653,931
Modaraba and other certificates--Quoted (Note 14.3)	10,138,404	9,195,300
Shares of unquoted companies (Note 14.4)	6,500,000	8,000,000
Certificates of investment (Note 14.5)	74,792,977	17,585,612
	224,843,427	131,434,843

14.1 Face value of the ordinary shares/certificates of each investee company/modaraba is Rupees 10 per share/certificate. Aggregate break-up value of these investments other than certificates of investment based on latest published financial statements was Rupees 179.482 million (1998: Rupees 111.187 million). The management intends to retain these investments for a longer period as the quoted prices are not truly reflective of the state of affairs and operating performance of the investees.

14.2 SHARES OF QUOTED COMPANIES

1999	1998		1999		1998	
No of Shares	Company	Cost Rupees	Market Value Rupees	Avg. Cost Rupees	Cost Rupees	
					Market Value Rupees	
1,964,292	1,696,880 Crescent Leasing Corporation Limited	22,283,048	10,803,606	11.34	21,976,797	16,120,360
328,040	273,600 Pakistan Industrial Leasing Corporation Limited	11,910,252	1,640,210	36.31	11,910,252	2,530,800
80,190	188,872 The Crescent Textile Mills Limited	2,553,148	601,425	31.84	6,314,070	1,558,194
751,875	947,375 Pakistan Industrial Credit and Investment Corporation Limited	15,739,348	5,413,500	20.93	22,532,262	5,021,088
329,540	329,540 Shakarganj Mills Limited	8,363,330	2,471,550	25.38	8,363,330	3,460,170
380,512	397,224 Crescent Investment Bank Limited	7,604,806	1,921,586	19.99	9,625,467	2,383,344
15,000	-- Trust Investment Bank Limited	150,000	120,000	10.00	--	--
45,500	543,000 Maple Leaf Electric Company Limited	927,500	166,075	20.38	10,622,150	1,900,500

--	140,000 D.G. Khan Electric Company Limited	--	--	--	4,126,252	672,000
27,441	27,441 Crescent Steel and Allied Products Limited	1,183,351	411,615	43.12	1,183,351	658,584
100,000	--Telecards Limited	2,459,920	1,820,000	24.60	--	--
12,000	--Askari Leasing Limited	346,250	16,200	28.85	--	--
11,112	--Prime Commercial Bank Limited	277,500	61,116	24.97	--	--
58,476	--Muslim Commercial Bank Limited	1,548,925	1,159,595	26.49	--	--
500,000	--Ravi Alkalies Limited	5,000,000	850,000	10.00	--	--
32,850	--Askari Commercial Bank Limited	1,013,564	390,915	30.85	--	--
25,200	--ICI Pakistan Limited	457,469	223,020	18.15	--	--
25,000	--FFC Jordan Limited	487,750	278,750	19.51	--	--
25,000	--Maple Leaf Cement Company Limited	95,050	68,750	3.80	--	--
25,000	--Paramount Spinning Mills Limited	368,750	325,000	14.75	--	--
9,300	--Sajjad Textile Mills Limited	42,315	10,695	4.55	--	--
50,000	--Service Industries Textile Limited	180,000	217,500	3.60	--	--
4,800	--Nafees Cotton Mills Limited	57,633	21,600	12.01	--	--
382,000	--Dhan Fibres Limited	1,523,075	1,738,100	3.99	--	--
198,000	--Sakrand Sugar Mills Limited	1,243,525	1,980,000	6.28	--	--
500	--Fecto Cement Limited	4,100	2,000	8.20	--	--
300	--Prudential Discount and Guarantee House Ltd.	1,368	675	4.56	--	--
100	--Al-Towfeek Investment Bank Limited	799	300	7.99	--	--
453	--Shabbir Tiles and Ceramics Limited	--	4,304	--	--	--
50,000	--Sind Abadgar's Sugar Mills Limited	325,000	350,000	6.50	--	--
11,701	--Atlas Lease Limited	196,070	318,852	16.76	--	--
130	--Fidelity Investment Bank Limited	1,300	273	10.00	--	--
637,722	--Nazir Cotton Mills Limited	6,369,749	3,026,805	10.00	--	--
1,045,000	--Shaheen Cotton Mills Limited	13,820,629	5,747,500	13.23	--	--
800	--Kohinoor Sugar Mills Limited	14,760	8,200	18.45	--	--
1,850	--Dada Bhoj Cement Limited	23,125	7,585	12.50	--	--
416,000	--Pakistan Telecommunications Company Ltd.	7,818,865	8,257,600	18.80	--	--
16,000	--National Development Leasing Corporation Ltd.	189,173	68,000	11.82	--	--
3,500	--Commercial Union Life Assurance Company Ltd.	51,825	33,250	14.81	--	--
39,500	--Mohib Textile Mills Limited	79,000	17,775	2.00	--	--
500	--Crescent Knitwear Limited	5,540	6,500	11.08	--	--
171,971	--Husein Sugar Mills Limited	3,678,499	2,290,654	13.32	--	--
417,656	--Escorts Investment Bank Limited	3,967,734	4,803,044	9.50	--	--
49,500	--Noon Sugar Mills Limited	813,477	742,500	16.43	--	--
213	--Bank of Punjab Limited	12,100	2,822	56.81	--	--
10,000	--Faysal Bank Limited	212,525	85,500	21.25	--	--
166,500	--Fauji Cement Limited	1,993,759	491,175	11.97	--	--
92	--Dewan Salman Fibres Limited	--	2,286	--	--	--
10,000	--Maple Leaf Cement Factory Limited	39,483	27,500	3.95	--	--
55,000	--Kohinoor Energy Limited	844,264	605,000	15.35	--	--
13,000	--Pakistan International Airlines Limited	118,546	167,050	9.12	--	--
743,000	--Japan Power Generation Company Limited	5,983,931	2,897,700	8.05	--	--
15,050	--Karachi Electric Supply Corporation Limited	196,422	128,678	13.05	--	--
75,000	--Southern Electric Power Company Limited	1,280,503	450,000	17.07	--	--
550	--Sui Northern Gas Pipelines Limited	7,126	4,593	12.96	--	--
1,220,000	--Hub Power Company Limited	21,909,143	17,202,000	17.96	--	--
10,000	--Fauji Fertilizers Limited	565,200	411,575	55.96	--	--
221	--D.G. Khan Cement Company Limited	13,568	917	61.39	--	--
320	--Engro Chemical Pakistan Limited	30,400	23,200	113.86	--	--
		-----	-----		-----	-----
		158,000,548	81,715,621		96,653,931	34,305,040

Less: Provision for diminution in value of investments	24,588,502	--	--	--
	-----	-----	-----	-----
	133,412,046	81,715,621	96,653,931	34,305,040
	=====	=====	=====	=====

14.3 MODARABA AND OTHER CERTIFICATES-QUOTED

15,505	--First Equity Modaraba Managed by Premier Financial Services (Private) Limited	94,165	46,515	6.07	--	--
12,100	--Second Prudential Modaraba Managed by Prudential Capital Management (Private) Limited	14,026	24,200	1.16	--	--
44,642	--First Pak Modaraba Managed by Royal Management Services	58,034	71,427	1.30	--	--
500	--Al-Zamin Leasing Modaraba Managed by Al-Zamin Modaraba Management	1,950	1,800	3.90	--	--
83	--Allied Bank Modaraba Managed by Allied Management Services	445	519	5.36	--	--
703,558	650,058 National Investment Trust Limited	9,973,500	9,638,745	14.18	9,195,300	8,905,795
		-----	-----		-----	-----
		10,142,120	9,783,206		9,195,300	8,905,795
		=====	=====		=====	=====
	Less: Provision for diminution in value of investments	3,716	--		--	--
		-----	-----		-----	-----
		10,138,404	9,783,206		9,195,300	8,905,795
		=====	=====		=====	=====

14.4 SHARES OF UNQUOTED COMPANIES

300,000	300,000 Crescent Greenwood Limited 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	3,000,000	--	10.00	3,000,000	--
500,000	500,000 Crescent Powertech Limited Break-up value of Rupees 21.89 as per accounts for the year ended 30 June 1998 audited by Messrs Ebrahim and Company	5,000,000	--	10.00	5,000,000	--
		-----	-----		-----	-----
		8,000,000	--		8,000,000	--
		=====	=====		=====	=====

Less: Provision for diminution in

value of investments

1,500,000	--	--	--
-----	-----	-----	-----
6,500,000	--	8,000,000	--
=====	=====	=====	=====

14.4.1 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.

	1999	1998
	Rupees	Rupees
14.5 Certificates of investment (Note 14.5.1)	320,781,263	263,573,898
Less: Morabaha facilities availed (Note 14.5.2.)	245,988,286	245,988,286
	-----	-----
	74,792,977	17,585,612
	=====	=====

14.5.1 The proceeds of disbursement of IFC income notes (referred to in note No.7) have been invested in foreign currency certificates of investment with AI-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\$ 488,363 (1998: US\$ 366,295) earned during the year under reference.

14.5.2 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 paisas 38 to 57 per Rupees thousand per day. The morabaha facilities from AI-Faysal Investment Bank Limited are secured by way of lien on certificates of investment of US\$ 6.172 million (1998: US\$ 5.724 million), hypothecation on leased assets and demand promissory notes.

	1999	1998
	Rupees	Rupees
IFC income notes issue and other expenses	2,384,583	2,010,271
Less: Amortized to date	1,634,706	1,168,115
	-----	-----
	749,877	842,156
	=====	=====

15. DEFERRED COSTS

IFC income notes issue and other expenses
Less: Amortized to date

	1999	1998
Balance as at 30 June	26,666,297	44,144,758
Less: Provision under NBFIs Regulation for receivables	5,400,000	8,900,000
	-----	-----
Considered good	21,266,297	35,244,758
	=====	=====

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

17. 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 paisas 51 to 71 per Rupees thousand per day.

18. SHORT TERM INVESTMENTS

Shares of quoted companies (Note 18.1)	--	73,084,458
Modaraba and other certificates -- quoted (Note 18.2)	--	108,410

	--	73,192,868
Less: Provision for diminution in value of investments	--	(33,704,360)

Market value	--	39,488,508
		=====

18.1 SHARES OF QUOTED COMPANIES

		1999			1998	
1999	1998	Cost	Market	Avg.	Cost	Market
No. of Shares	Company	Rupees	Rupees	Cost	Rupees	Rupees
--	15,000 Trust Investment Bank Limited	--	--	--	150,000	135,000
--	25,000 Paramount Spinning Mills Limited	--	--	--	368,750	350,000
--	9,300 Sajjad Textile Mills Limited	--	--	--	42,315	9,300
--	50,000 Service Industries Textile Limited	--	--	--	180,000	217,500
--	4,800 Nafees Cotton Mills Limited	--	--	--	57,633	24,000
--	198,000 Sakrand Sugar Mills Limited	--	--	--	1,243,525	1,584,000
--	500 Fecto Cement Limited	--	--	--	4,100	2,500
--	300 Prudential Discount & Guarantee House Ltd.	--	--	--	1,368	600
--	100 Al-Towfeek Investment Bank Limited	--	--	--	799	275
--	453 Shabbir Tiles and Ceramics Limited	--	--	--	--	4,960
--	50,000 Sind Abadgar's Sugar Mills Limited	--	--	--	325,000	300,000
--	11,701 Atlas Lease Limited	--	--	--	197,060	292,525
--	130 Fidelity Investment Bank Limited	--	--	--	1,300	390
--	637,722 Nazir Cotton Mills Limited	--	--	--	6,369,749	3,026,805
--	1,045,000 Shaheen Cotton Mills Limited	--	--	--	13,820,629	5,747,500
--	800 Kohinoor Sugar Mills Limited	--	--	--	14,760	8,200
--	1,850 Dada Bhoj Cement Limited	--	--	--	23,125	6,475
--	314 Muslim Commercial Bank Limited	--	--	--	12,536	5,840
--	200,000 Pakistan Telecommunications Company Ltd.	--	--	--	4,054,830	3,330,000
--	24,000 National Development Leasing Corporation Ltd.	--	--	--	283,760	96,000
--	25,500 Commercial Union Life Assurance Company Limited	--	--	--	377,583	216,750
--	10,000 Nishat Mills Limited	--	--	--	261,000	85,000
--	417,000 Mohib Textile Mills Limited	--	--	--	834,000	312,750
--	500 Crescent Knitwear Limited	--	--	--	5,540	5,540
--	242,700 ICI Pakistan Limited	--	--	--	3,153,304	2,936,669
--	171,971 Husein Sugar Mills Limited	--	--	--	3,678,499	2,290,654
--	417,656 Escorts Investment Bank Limited	--	--	--	3,967,734	1,670,624
--	49,500 Noon Sugar Mills Limited	--	--	--	813,477	1,089,000
--	50,000 Ibrahim Fibres Limited	--	--	--	530,000	242,500
--	167,000 Askari Commercial Bank Limited	--	--	--	4,540,839	2,329,650

--	63,000 Union Bank Limited	--	--	811,050	441,000
--	55,000 Bank of Punjab Limited	--	--	1,048,975	357,500
--	146,000 Platinum Bank Limited	--	--	1,515,056	730,000
--	10,000 Faysal Bank Limited	--	--	212,525	90,000
--	212,000 Fauji Cement Limited	--	--	2,538,600	848,000
--	100,000 D.G. Khan Cement Company Limited	--	--	1,409,225	495,000
--	100,000 Maple Leaf Cement Factory Limited	--	--	675,251	320,000
--	200,000 Kohinoor Energy Limited	--	--	3,122,000	1,000,000
--	125,000 Pakistan International Airlines Limited	--	--	1,258,654	500,000
--	768,000 Japan Power Generation Company Limited	--	--	6,156,362	3,532,800
--	200,000 Karachi Electric Supply Corporation Limited	--	--	2,720,000	1,670,000
--	75,000 Southern Electric Power Company Limited	--	--	1,322,370	180,000
--	21,550 Sui Northern Gas Pipelines Limited	--	--	675,660	188,563
--	150,000 F.F.C. Jordan Fertilizer Limited	--	--	2,733,650	1,972,500
--	55,000 Hub Power Company Limited	--	--	1,572,855	706,750
				-----	-----
				73,084,458	39,353,120
				=====	=====

18.2 MODARABA AND OTHER CERTIFICATES-QUOTED

--	10,105 First Equity Modaraba Managed by Premier Financial Services (Private) Limited	--	--	33,955	42,946
--	12,100 Second Prudential Modaraba Managed by Prudential Capital Management (Private) Limited	--	--	14,026	18,150
--	44,642 First Pak Modaraba Managed by Royal Management Services	--	--	58,034	71,427
--	20,500 Al-Zamin Leasing Modaraba Managed by Al-Zamin Modaraba Management	--	--	1,950	2,375
--	83 Allied Bank Modaraba Managed by Allied Management Services	--	--	445	490
				-----	-----
				108,410	135,388
				=====	=====

18.3 Short-term investment portfolio has been reclassified into long term after fully providing for diminution in the market value of each investment. Since the market has touched its lowest level, therefore, the management is of the view that the short term portfolio be held for a longer term anticipating a slightly long term recovery period of the equity market of the country.

1998	1998
Rupees	Rupees

19. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Profit accrued on Morabaha/Musharika Finances	27,798,639	13,606,565
---	------------	------------

Due from lessees	93,227,863	88,000,376
Less: Provision under NBFIs regulations for receivables	9,424,223	2,889,667
	-----	-----
	83,803,640	85,110,709
Due from stock brokers	2,479,115	18,308,510
	-----	-----
Profit receivable on certificates of investment	7,094,889	7,080,739
Profit payable on Morabaha finances-off settled (Note 14.5)	3,475,994	3,999,864
	-----	-----
	3,618,895	3,080,875
Short term prepayments	1,661,661	589,131
Advance income tax	2,765,567	2,492,935
Security deposits	894,230	498,750
Advances to staff-considered good (Note 19.1)	139,038	331,124
Sundry receivables-Considered good	2,459,219	1,721,712
	-----	-----
	125,620,004	125,740,311
	=====	=====

19.1 The maximum aggregate amount due from staff at the end of any month during the period was Rupees 663,729 (1998: Rupees 435,954).

20. CASH AND BANK BALANCES

Cash in hand	35,449	--
Cash with banks		
Deposit accounts	1,595,047	5,929,405
Current accounts	58,983,881	2,537,343
Cash reserve with State Bank of Pakistan (Note 20.1)	3,568,000	3,300,000
	-----	-----
	64,146,928	11,766,748
	-----	-----
	64,182,377	11,766,748
	=====	=====

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

21. REVENUE FROM OTHER SERVICES

Dry cleaning services	1,295,792	--
Less: Discount allowed to customers	135,203	--
	-----	-----
	1,160,589	--
	=====	=====

1999 **1998**
Rupees **Rupees**

22. FEE, COMMISSION AND OTHER INCOME

Fee and commission	1,260,666	2,118,775
Return on investments		
Dividend income	3,463,071	6,495,480
Gain on sale of investments	53,875	--
	-----	-----
	3,516,946	6,495,480
Profit on shod term placement of funds with NBFIs	--	833,092
Gain on sale of fixed assets	1,345,071	130,329
Exchange gain on foreign currency deposits	6,270,248	2,886,976
Miscellaneous income	--	64,328
	-----	-----
	13751309	12,528,980
	=====	=====

23. FINANCIAL CHARGES

Profit on Morabaha/Musharika finances	102,073,650	104,738,756
Profit on Morabaha finance off-setted	40,303,899	33,901,117
Profit on certificates of investment off-setted (Note 14.5)	20,661,267	18,136,870
	-----	-----
	19,642,632	15,764,247
Bank charges and commission	242,037	53,636
Profit on IFC income notes	10,935,306	--
Zakat	204,876	106,361
	-----	-----
	133,098,501	120,663,000
	=====	=====

24. COST OF OTHER SERVICES

Salaries, allowances and other benefits	514,671	--
Rent, rates and taxes	265,464	--
Packing material, detergents and store consumed	204,747	--
Electricity, gas and water	188,602	--
Insurance and security	22,741	--
Repair and maintenance	61,647	--
Printing and stationery	21,857	--
Travelling and vehicle running	31,438	--
Telephone and telegrams	14,232	--
Advertisement	5,000	--
Fees and subscription	20,000	--
Entertainment	6,968	--
Depreciation	321,725	--
Miscellaneous	18,740	--
	-----	-----
	1,697,832	--
	=====	=====

1999 **1998**
Rupees **Rupees**

25. OTHER EXPENSES AND CHARGES

Salaries, allowances and other benefits (Including contribution to provident fund of Rupees 309,731 -- Note 25.1)	4,174,450	3,018,454
Staff training and development	331,969	--
Postage, telephone and telex	849,700	641,145
Documentation and stationery	774,002	831,350
Fee and subscription	479,841	1,278,815
Legal and professional	2,200,283	421,995
Lease rentals	565,540	737,705
Travelling and vehicles' running	712,107	620,165
Electricity	249,461	173,399
Insurance	394,728	395,321
Auditor's remuneration (Note 25.3)	55,000	50,000
Deferred cost amortized	466,591	402,055
Loss on sale of investments	1,811,328	6,809,621
Miscellaneous	3,083,985	1,029,472
	-----	-----
	16,148,985	16,409,497
	=====	=====

25.1 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:

	<i>1999</i>		<i>1998</i>	
	<i>Officers</i>	<i>Other Employees</i>	<i>Officers</i>	<i>Other Employees</i>
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Basic salary	878,400	1,056,932	378,000	933,353
Allowances and other benefits (Note 25.2)	1,275,577	963,541	481,309	1,225,792
	-----	-----	-----	-----
	2,153,977	2,020,473	859,309	2,159,145
	=====	=====	=====	=====
Number of persons	5	16	2	18

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

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>

25.3 AUDITOR'S REMUNERATION

Audit fee	42,500	42,500
Out of pocket expenses	7,500	7,500
	-----	-----
	55,000	50,000
	=====	=====

26. RENTALS RECEIVABLE WITHIN NEXT TWELVE MONTHS

Lease rentals receivable during the next twelve months ending on 30 June 2000, on the basis of lease

agreements executed upto 30 June 1999 aggregate to approximately Rupees 240.865 million (1998: Rupees 210.172 million).

27. EARNINGS PER CERTIFICATE

There is no dilutive effect on the basic earnings per certificate of the modaraba, which is based on:

Profit/(loss) after taxation	12,097,896	(197,417)
Number of modaraba certificates	18,767,018	15,802,500
	-----	-----
Earning/(loss) per certificate	0.64	(0.012)
	=====	=====

28. STATEMENT OF CHANGES IN EQUITY

	<i>Share Capital Rupees</i>	<i>Capital Reserve Rupees</i>	<i>General Reserve Rupees</i>	<i>Unappropriated Profit Rupees</i>	<i>Total Rupees</i>
Balance as at 01 July 1997	158,025,000	13,700,000	25,000,000	831,733	197,556,733
Net loss for the year	--	--	--	(197,417)	(197,417)
	-----	-----	-----	-----	-----
Balance as at 30 June 1998	158,025,000	13,700,000	25,000,000	634,316	197,359,316
2 964 518 certificates issued to the certificate holders of Al-Ata Leasing Modaraba	29,645,180	--	--	--	29,645,180
Reserves/(loss) of Al-Ata Leasing Modaraba as on 01 February 1999	--	7,702,000	24,682,407	(271,669)	32,112,738
Net profit for the year	--	--	--	12,097,896	12,097,896
Transferred to profit and loss account	--	--	(4,200,000)	4,200,000	--
Transferred to capital reserve	--	2,420,000	--	(2,420,000)	--
Profit distribution	--	--	--	(14,075,264)	(14,075,264)
	-----	-----	-----	-----	-----
Balance as at 30 June 1999	187,670,180	23,822,000	45,482,407	165,279	257,139,866
	=====	=====	=====	=====	=====

29. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying value of financial assets and financial liabilities approximates their fair values as reflected in the financial statements except for investments stated in note No.14 at cost less provision for diminution in value.

30. CREDIT RISK EXPOSURE

The Modarabas credit risk exposure is not much different from that shown in annual accounts. The management has developed such procedures to efficiently monitor the credit risk exposure through initial credit approvals, monitoring of clients credit exposures and limits, adopting a prudent approach for collateral policy and conservative estimates of provisions for doubtful receivables.

31. FOREIGN EXCHANGE RISK MANAGEMENT

Foreign currency risk arises mainly due to conversion of foreign currency assets and liabilities into local currency. Payables exposed to foreign currency risks are covered through placement of foreign currency

deposits/certificates.

32. GENERAL

32.1 Current year's accounts reflects the combined results of the merged modarabas whereas corresponding figures are of First Crescent Modaraba only.

32.2 Corresponding figures relating to last year have been re-arranged and re-grouped wherever necessary for the purpose of comparison.

32.3 Office space has been provided by the management company.

MAHMOOD AHMED
CHIEF EXECUTIVE

IRFAN A. IMTIAZI
DIRECTOR

RASHID AHMED
DIRECTOR

PATTERN OF HOLDING OF CERTIFICATES AS AT 30 JUNE, 1999

<i>No. of Certificates</i>	<i>Certificate Holding</i>		<i>Total Certificates Held</i>
	<i>From</i>	<i>To</i>	
630	1	100	32426
799	101	500	179841
1580	501	1000	1088830
990	1001	5000	2154848
184	5001	10000	1323301
65	10001	15000	800329
38	15001	20000	631319
23	20001	25000	538298
6	25001	30000	166863
18	30001	35000	577675
8	35001	40000	297359
5	45001	45000	207101
12	45001	50000	573029
5	50001	55000	265090
1	65001	70000	66667
11	75001	80000	869132
1	90001	95000	90864
3	100001	105000	308864
3	110001	115000	338642
1	115001	120000	117575
1	120001	125000	123653
1	125001	130000	126420
1	135001	140000	139378
1	160001	165000	162312
1	220001	225000	223192
1	265001	270000	267540
1	610001	615000	611966
1	730001	735000	734053
1	820001	825000	824199
1	1090001	1095000	1090209

1	1630001	1635000	1631295
1	1645001	1650000	2204748
-----			-----
4395			18767018
=====			=====

<i>Categories of Certificate Holders</i>	<i>Number</i>	<i>Certificates Held</i>	<i>Percentage</i>
Individuals	4343	10067375	53.644
Investment Companies	5	858201	4.573
Insurance Companies	7	1185539	6.317
Joint Stock Companies	17	491489	2.619
Financial Institutions	14	3618137	19.279
Modaraba Institutions	1	2204748	11.748
Others	8	341529	1.820
-----			-----
Total	4395	18767018	100.000
-----			-----
Others			
Association	1	20328	.108
Modarabas	5	43004	.229
Trust	2	278197	1.482
-----			-----
Total	8	341529	1.820
=====			=====

INVESTORS' 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 Relations:

SHAHID LATIF DAR

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.

Te1: 92-42-5839631,5881974-75

Fax: 92-42-5881976