

First Equity Modaraba

Annual Report 1996

Managed by:

Premier Financial Services (Private) Limited
CRESCENT GROUP

First Equity Modaraba is committed to strive for excellence in all areas of its activity

We view our business objective of providing distinctive financial products and services that promote commerce and industry within the context of our overall objective of contributing to the nation's prosperity.

CORPORATE INFORMATION

Modaraba Company

Premier Financial Services (Private) Limited

Board of Director

Mazhar Karim

Nadeem Maqbool

Shaukat Shafi

Maqbul Ahmad

Mohammad Arshad

Zahid Bashir

Fakhir A Rahman

Chief Executive

Company Secretary

Adil A. Ghaffar

Registered Office

3rd Floor, The Cotton Exchange

I.I. Chundrigar Road, Karachi.

Business Office

407, The Cotton Exchange

I.I. Chundrigar Road, Karachi.

Tel: 2433281-4

Fax: 2433280

Auditors

Khalid Majid Husain Rahman

Chartered Accountants

Registrars

Khalid Majid Husain Rahman

Chartered Accountants

First Floor

Modern Motors House

Beaumont Road, Karachi.

Tel: 5685693, 5685785

Fax: 5688834

General Counsel

Mohsin M. Tayebaly & Co.

Advocates & Legal Consultants

Bankers

Citibank N.A.

Crescent Investment Bank Ltd.

Habib Bank AG Zurich

Metropolitan Bank Ltd.

The Bank of Khyber

United Bank Ltd.

BUSINESS INFORMATION

First Equity Modaraba is able to assist with:

Financing under morabaha/musharaka agreements

Equity issue underwriting and placement

Leasing arrangements
Project Financing arrangements
Trading of commodities locally and internationally

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

Manager Credit and Marketing

407, The Cotton Exchange
 I.I. Chundrigar Road
 Karachi.
 Tel : 2433281-4
 Fax : 2433280

INVESTOR INFORMATION

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

Khalid Majid Husain Rahman
 Chartered Accountants
 First Floor
 Modern Motors House
 Beaumont Road, Karachi.
 Tel: 5685693, 5685785
 Fax: 5688834

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

REPORT OF THE DIRECTORS OF THE MODARABA COMPANY

The Directors of Premier Financial Services (Private) Limited, the management company of FIRST EQUITY MODARABA, present their report and the audited financial statements of the Modaraba for the year ended June 30, 1996. In compliance with the Finance Act, 1995 the accounting date of the Modaraba was changed from December 31 to June 30 last year. Consequently, the comparative figures in the financial statements are for the six months ended June 30, 1995.

Financial Results

The full year results are in line with the expectation at the half year. The after tax Re 1 earning per certificate is only marginally better than the annualised profit and loss account comparative. While clearly low in absolute terms, the results should be viewed relative to other modarabas and the larger financial sector. This aspect is more fully covered in later sections of this report.

Profit and Reserves

	Rupees
Profit for the year after tax is	26,119,432
which together with unappropriated profit brought forward of	1,173,620
-----	-----
makes available for appropriation from which the Directors have decided to	27,293,052
transfer to special reserve	5,225,000
pay a cash dividend of	19,665,000
-----	-----
	24,890,000
-----	-----
and carry forward as unappropriated profit	2,403,052

Performance and Policies

We believe that our investors expect and deserve a full account of our stewardship. Our reports, therefore, endeavour to share our policy and perceptions to facilitate objective decision making

Since commencement of operations in 1992, we have expressed concern at our business environment. This was based on the economic conditions on the one hand, and the framework for modarabas on the other.

It is fact that modarabas have now effectively lost all incentives initially available. It is also fact that all restrictions on our business continue. Indeed, the regulatory

requirements are multiplying and our fears about the economy are being confirmed. This is the context in which we evaluate our performance.

REPORT OF THE DIRECTORS OF THE MODARABA COMPANY

Although there is only a modest profit distribution for the year, the investors' interest has been fully protected. This is evidenced by

orderly reduction in equity investments enabled by appropriate provisioning Policies;

timely change of accounting date with a 21.5% cash dividend for the resultant eighteen months period a year ago; and

book value per certificate in excess of Rs. 10.80 after all necessary provisioning and the current profit distribution.

There have been no cash calls in the form of right issues. Profit distribution levels required of modarabas have prevented reserves creation and have diluted earnings. While this past imbalance requires correction, we also have to be mindful of investor expectations in the short term.

Regulation and Taxation

Development in both areas are negative. Untenable interpretations of taxation laws and new duties and taxes have aggravated difficulties. The significance of these matters has compelled individual and collective recourse to the courts. As the issues affect both mobilisation and deployment of funds, proper planning becomes critical yet more difficult.

Regulatory developments include mandatory cash reserves and credit ratings. Both of these will add to cost with no benefit apparent. Restrictions on bank lending to modarabas are likely to further squeeze the sector.

The deep discount at which modaraba certificates are priced is reflective of investor perception. The managers have been made the convenient scapegoats. It is forgotten that the managers and sponsors are the largest single investors in each modaraba. Not being responsible for the post flotation taxation and regulatory turnaround, their predicament is greater than others. Instead of being allowed to focus on managing the change, they are somehow deemed liable for the downturn. Their input continues to be largely disregarded in the policy making with obvious consequences.

It is unfortunate that the demonstrated potential of this sector should be so systematically dismantled. The policy makers have been urged to level the playing field for modarabas. A continuation of unilateral action, though well intentioned, will eventually defeat even the most persistent managers. With two modarabas having announced exit plans, others may well follow. In the worst cases, where modarabas are unable to recoup losses as going concerns, investors will suffer.

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Prospects

Given the present uncertainties, our paramount concern is to preserve our equity. Expansion of business in size and scope, an obvious priority, is dependent on bankable opportunities. We are fortunate in not having high cost leveraging or tax depreciation reversals to compel compromises.

Acknowledgments

We mourn the recent passing away of Mr. N.M. Uquaili, our Chairman, and acknowledge a debt of gratitude to him. He was a founding father of our national financial and economic system and a source of wisdom and inspiration to us. We shall miss Mr. Uquaili as we progress along the way shown by him.

We are grateful for the support of our investors, business associates and employees. We are also thankful for the guidance and co-operation received from our regulators.

Auditors

The present auditors, Khalid Majid Husain Rahman, Chartered Accountants, have consented to their re-appointment for the year ending June 30, 1997. The Directors have confirmed their appointment subject to the required official approval.

On behalf of the Board
FAKHIR A RAHMAN
Chief Executive

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed Balance Sheet as at June 30, 1996 and the related Profit and Loss Account and Statement of Changes in Financial Position together with the Notes to the Accounts for the year ended June 30, 1996 of First Equity Modaraba which are Modaraba Company's [Premier Financial Services (Private) Limited] representation and we state that we have obtained all the information and explanation which we required and, after due verification thereof, we report that:

(a) in our opinion, proper books of account have been kept by the Modaraba Company in respect of First Equity Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, and Modaraba Companies and Modaraba Rules, 1981;

(b) in our opinion, the Balance Sheet and the Profit and Loss Account have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, and Modaraba Companies and Modaraba Rules, 1981; 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 June 30, 1996 and the profit and changes in the financial position for the year ended on that date;

(ii) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, has been deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance; and

(iii) the business conducted, investments made and expenditure incurred by the Modaraba are in accordance with the objects, terms and conditions of the Modaraba.

Khalid Majid Husain Rahman
Chartered Accountants

BALANCE SHEET**AS AT JUNE 30, 1996**

	Note	1996 Rupees	1995 Rupees
Capital and Reserves			
Authorised capital 30,000,000 modaraba certificates of Rs. 10 each		300,000,000	300,000,000

Issued, subscribed and paid-up capital		3 262,200,000	262,200,000
Reserves	4	21,155,052	14,700,620

		283,355,052	276,900,620
Current Liabilities			
Musharaka obligations		-	45,000,000
Creditors, accrued expenses and other liabilities	5	5,514,853	15,517,999
Profit distribution		19,665,000	56,373,000
Unclaimed profit distribution		3,965,232	-
Provision for taxation		4,300,000	-

		33,445,085	116,890,999

		316,800,137	393,791,619
		=====	
		1996	1995
Note		Rupees	Rupees

Tangible Fixed Assets	6	135,600	248,400
Deferred Costs	7	1,126,474	2,309,102
Investments	8	53,089,901	104,697,338
Current Assets			
Morabaha receivables	9	144,993,086	161,826,696
Musharaka receivables		-	20,000,000
Stock-in-trade	10	11,540,260	47,142,760
Advances, deposits, prepayments and other receivables	11	38,769,587	3,296,649
Cash and bank balances	12	67,145,229	54,270,674
		-----	-----
		262,448,162	286,536,779
		-----	-----
		316,800,137	393,791,619
		=====	=====

The annexed notes form an integral part of these accounts.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 1996

	Note	June 30, 1996 Rupees	Six Months Ended June 30, 1995 Rupees
Income	13	50,878,442	28,717,088
Expenditure			
Operating expenses	14	6,445,041	2,154,163
Profit on musharaka obligations		6,972,026	3,202,603
		-----	-----
		13,417,067	5,356,766
		-----	-----
		37,461,375	23,360,322
Provision for diminution in value of investments		(4,000,000)	(10,177,660)
		-----	-----
		33,461,375	13,182,662
Modaraba Company's management fee		3,041,943	1,198,424
		-----	-----
Profit before Taxation		30,419,432	11,984,238
Taxation		4,300,000	-
		-----	-----
Profit after Taxation		26,119,432	11,984,238
Unappropriated profit brought forward		1,173,620	4,699,382
		-----	-----
Profit available for appropriation		27,293,052	16,683,620
Appropriations			
Special reserve		5,225,000	2,400,000
Profit distribution @ 7.5% (1995: @ 5.00%)		19,665,000	13,110,000
		-----	-----
		24,890,000	15,510,000
		-----	-----
Unappropriated profit carried forward		2,403,052	1,173,620
		=====	=====

The annexed notes form an integral part of these accounts.

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1996**

	June 30, 1996 Rupees	Six Months Ended June 30, 1995 Rupees
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Cash Flows from Operating Activities

Profit for the year before tax	30,419,432	11,984,238
Adjustments for :		
Depreciation	112,800	56,400
Amortisation of deferred costs	1,182,628	591,726
Provision for diminution in value of investments	4,000,000	10,177,660
Loss / (profit) on sale of investments	59,785	(1,799,192)
Dividend income	(451,065)	(2,928,010)
	4,904,148	6,098,584
	35,323,580	18,082,822
(Increase)/decrease in current assets		
Morabaha receivables	16,833,610	(26,251,614)
Musharaka receivables	20,000,000	15,000,000
Stock-in-trade	35,602,500	(47,142,760)
Advances, deposits, prepayments and other receivables	(35,472,998)	(896,458)
	36,963,172	(59,290,832)
(Decrease)/increase in current liabilities		
Creditors, accrued expenses and other liabilities	(10,003,146)	2,643,518
Net Cash from / (used in) Operating Activities	62,283,606	(38,564,492)
Carried forward		

STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1996

	Six Months	
	June 30, 1996	Ended June 30, 1995
	Rupees	Rupees
Net Cash from / (used in) in operating Activities	62,283,606	(38,564,492)
Cash Flows from Investing Activities		
Dividend income	451,065	2,928,010
(Loss) / profit on sale of investments	(59,785)	1,799,192
Decrease / (increase) in investments	47,607,437	(12,455,618)
Net Cash from / (used in) Investing Activities	47,998,717	(7,728,416)
Cash Flow from Financing Activities		
(Decrease) / increase in musharaka obligations	(45,000,000)	15,000,000
Dividend paid	(52,407,768)	
Net Cash (used in) / from financing Activities	(97,407,768)	15,000,000
Net increase / (decrease) in cash and bank balances	12,874,555	(31,292,908)
Cash and bank balances at the beginning of the year	54,270,674	85,563,582
Cash and bank balances at the end of the year	67,145,229	54,270,674

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1996**1. Legal Status and Nature of Business**

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

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

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

2. Significant Accounting Policies

2.1 Accounting convention

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

2.2 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to income applying the straight line method whereby the cost of an asset is written off over its estimated useful life. Normal repairs and maintenance are charged to income as and when incurred. Gains and losses on disposal of assets are taken to the profit and loss account.

2.3 Deferred costs

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

2.4 Investments

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

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

2.5 Stock-in-trade

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

2.6 Revenue recognition

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

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

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

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

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

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

2.7 Taxation

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

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

3. Issued, Subscribed and paid-up Capital

Fully paid modaraba certificates of Rs. 10 each.

1995 Number	1996 Number	1996 Rupees	1995 Rupees
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20,000,000	20,000,000	Issued for cash	200,000,000	200,000,000
6,220,000	6,220,000	Issued as bonus certificates	62,200,000	62,200,000
26,220,000	26,220,000		262,200,000	262,200,000

4. Reserves

	Special reserve Rupees	Unappropriated profit Rupees		
At beginning of the year	13,527,000	1,173,620	14,700,620	15,826,382
Transfer from/(to)				
profit and loss account	5,225,000	1,229,432	6,454,432	(1,125,762)
At end of the year	18,752,000	2,403,052	21,155,052	14,700,620

The special reserve is held in compliance with the State Bank of Pakistan's regulations for Non-Bank Financial Institutions.

	1996 Rupees	1995 Rupees
5. Creditors Accrued Expenses and Other liabilities		
Creditors	1,289,337	9,216,401
Accrued expenses	562,461	560,293
Due to associated undertakings	3,663,055	2,538,703
Profit accrued on musharakas	-	3,202,602
	5,514,853	15,517,999

6. Tangible Fixed Assets

Motor vehicles

Cost at beginning and end of the year	564,000	564,000
Accumulated depreciation	(428,400)	(315,600)
Book value at end of the year	135,600	248,400
Depreciation charged during the year @ 20% per anum	112,800	56,400

7. Deferred Costs

Listing and registration fees	1,203,757	1,203,757
Advertising and promotion expenses	1,242,184	1,242,184
Certificate issue expenses	2,224,469	2,224,469
Other floatation expenses	1,242,732	1,242,732
Amortisation to date	(4,786,668)	(3,604,040)
	1,126,474	2,309,102

8. Investments

Listed Securities

	Note	1996 Rupees	1995 Rupees
Associated undertakings	8.1	21,881,111	27,037,951
Other	8.2	44,408,790	86,859,387

			66,289,901	113,897,338
Unlisted Securities				
Associated undertakings	8.3	10,000,000	10,000,000	
Others	8.4	1,800,000	1,800,000	
			-----	-----
			11,800,000	11,800,000
			-----	-----
			78,089,901	125,697,338
Less: Provision for diminution in value		(25,000,000)	(21,000,000)	
			-----	-----
			53,089,901	104,697,338
			=====	=====

Market value of listed securities at June 30, 1996 aggregated Rs. 43,517,234
(1995: Rs. 92,427,535)

8.1 Investment in listed securities - associated undertakings

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

1995 Number	1996 Number		1996 Rupees	1995 Rupees
24,084	24,084	Crescent Boards Ltd.	487,462	487,462
99,907	22,407	Crescent Investment Bank Ltd.	1,134,372	5,433,072
-	2,000	Crescent Steel and Allied Products Ltd.	104,350	-
231,814	254,995	Crescent Sugar Mills & Distillery Ltd.	4,665,106	4,665,106
226,885	226,885	Pakistan Industrial Leasing Corporation Ltd.	9,011,312	9,011,312
376,515	319,515	Premier Insurance Company of Pakistan Ltd. (Ordinary shares of Rs. 5 each)	5,532,319	6,519,559
16,500	19,965	Shakarganj Mills Ltd.	506,250	481,500
28,400	28,400	Suraj Cotton Mills Ltd.	439,940	439,940
			-----	-----
			21,881,111	27,037,951
			=====	=====

8.2 Investment in listed securities - others

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

1995 Number	1996 Number		1996 Rupees	1995 Rupees
12,500	16,250	Al-Ghazi Tractors Ltd. (Ordinary shares of Rs. 5 each)	1,035,960	1,035,960
36,225	32,225	Bankers Equity Ltd.	1,116,497	1,400,127
13,200	13,200	BRR Capital Modaraba Managed by BRR Investments (Pvt.) Ltd.	234,842	232,816
17,600	33,000	Cherat Cement Ltd.	2,427,185	1,963,150
25,000	-	Citicorp Investment Bank Ltd.	-	1,562,164
430,800	430,800	Crescent Leasing Corporation Ltd.	5,708,730	5,708,730

68,417	50,081	Crescent Textile Mills Ltd.	1,304,063	1,997,983
16,000	-	Dawood Leasing Company Ltd.	-	192,505
29,000	-	Dhan Fibre Ltd.	-	407,745
5,750	300	Essa Cement Industries Ltd.	14,562	500,150
20,000	-	Fauji Fertilizer Company Ltd.	-	1,761,500
20,000	-	Faysal Bank Ltd.	-	657,250
2,000	-	First Grindlays Modaraba Managed by Grindlays Services of Pakistan (Pvt.) Ltd.	-	58,400
49,179	2,179	First UDL Modaraba Managed by UDL Modaraba Management (Pvt.) Ltd.	11,949	539,179
-	4,000	FFC - Jordan Fertilizer Company Ltd.	61,170	-
52,375	52,375	Gadoon Textile Mills Ltd.	3,208,095	3,208,095
25,000	19,500	Habib Arkady Ltd. (Ordinary shares of Rs. 5 each)	217,085	278,300
-	22,000	Hub Power Company Ltd.	736,445	-
----- Carried forward			16,076,583	21,504,054
1995 Number	1996 Number		1996 Rupees	1995 Rupees
Brought forward			16,076,583	21,504,054
500,000	150,000	Ibrahim Fibres Ltd.	2,400,000	8,000,000
8,000		ICI Pakistan Ltd.	-	1,894,330
20,000		InterAsia Leasing Company Ltd.	-	200,000
20,000	20,000	Kohinoor Weaving Mills Ltd.	-	297,111
90,000	500	LTV Capital Modaraba Managed by National Technology Development Corporation Ltd. (Modaraba certificates of Rs. 5 each)	-	792,225
15,000	-	Lucky Cement Ltd.	-	317,550
10,800	10,300	Modaraba Al-Mali Managed by Modaraba Al-Mal Corporation Ltd.	-	222,800
33,125	1,775	National Development Leasing Corporation Ltd.	64,385	1,290,250
8,000	8,000	National Refinery Ltd.	604,000	604,000
18,000	18,000	Nishat (Chunian) Ltd.	380,200	380,200
15,000	16,500	Pakistan Industrial & Commercial Leasing Ltd.	415,600	415,600
7,800	500	Pakistan State Oil Ltd.	127,842	2,592,885

-	5,000	Pakistan Tobacco Company Ltd.	182,250	-
47,100	47,100	Pakistan Venture Capital Ltd.	471,000	471,000
468,750	-	Pakland Cement Ltd.	-	25,046,875
-	11,000	Paramount Leasing Company Ltd	108,130	-
1,975	100	PTC Vouchers (convertible into 100 shares each of Pakistan Telecommunication Corporation Ltd.)	409,250	8,998,475
7,312	573	Saif Textile Mills Ltd.	6,869	154,439
-	115,800	Sana Industries Ltd.	10,306,200	-
----- Carried forward -----			32,064,370	73,181,794
1995 Number	1996 Number		1996 Rupees	1995 Rupees
----- Brought forward -----			32,064,370	73,181,794
23,800	24,300	Sapphire Fibres Ltd.	1,330,684	1,315,584
13,225	23,225	Searle Pakistan Ltd.	1,625,845	1,181,800
8,500	8,500	Service Fabrics Ltd.	110,630	110,630
13,500	13,500	Service (Textile) Industries Ltd.	413,838	413,838
-	15,000	Southern Electric Power Company Ltd.	224,625	-
13,225	30	Standard Chartered Mercantile Leasing Company Ltd.	1,083	641,871
243,120	224,744	Sui Northern Gas Pipelines Ltd.	6,266,330	8,134,390
9,000	13,800	Sui Southern Gas Company Ltd.	444,970	371,000
33,350	33,350	Third Prudential Modaraba Managed by Prudential Capital Management Ltd.	228,165	228,165
15,000	15,000	Tri-Star Power Ltd.	815,500	815,500
27,000	75,000	Tri-Star Shipping Lines Ltd.	830,970	380,855
6,000	6,000	Zahoor Textile Mills Ltd.	51,780	51,780
2,000	-	Zainab Textile Mills Ltd.	-	32,180
-----			44,408,790	86,859,387

8.3 Investment in unlisted securities - associated undertakings

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

1995 Number	1996 Number			
500,000	500,000	Crescent Powertec Ltd.	5,000,000	5,000,000
500,000	500,000	Crescent Greenwood Ltd.	5,000,000	5,000,000
-----			10,000,000	10,000,000
=====	=====	=====	=====	=====

8.3.1 Net asset value per share of Crescent Powertec Ltd. and Crescent Greenwood Ltd. is Rs. 10.00 and Rs. 9.30 as per accounts as at June 30, 1995 and September 30, 1995 respectively. These accounts were audited by Ebrahim & Co., Chartered Accountants, and A. F. Ferguson & Co., Chartered Accountants, respectively.

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8.4 Investment in unlisted securities - others
The holding is in ordinary shares of Rs. 10 each.

1995 Number	1996 Number		1996 Rupees	1995 Rupees
50,000	50,000	Sapphire Power Generation Ltd.	1,800,000	1,800,000
-----	-----	-----	-----	-----
=====	=====	=====	1,800,000	1,800,000
=====	=====	=====	=====	=====

8.4.1 Net asset value per share of Sapphire Power Generation Ltd. is Rs. 18.15 as per accounts as at June 30, 1995 audited by Riaz Ahmad & Co., Chartered Accountants.

9. Modaraba Receivables

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

10. Stock - In - Trade

This comprises raw cotton in hand.

Note	1996 Rupees	1995 Rupees
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11. Advances, deposits and prepayments and Other receivables

Advances, deposits and prepayments	11.1	15,235,433	2,145,266
Other receivables			
Sale proceeds of investments		23,083,372	1,011,677
Others		450,782	139,706
-----	-----	-----	-----
		23,534,154	1,151,383
-----	-----	-----	-----
		38,769,587	3,296,649
=====	=====	=====	=====

11.1 Advances to staff at June 30, 1996 amounted to Rs. 76,080 (1995: Rs. 68,500). The maximum aggregate amount due from staff at the end of any month during the period was Rs. 114,120 (1995 - Rs. 113,200).

Advances include Rs. 15,000,000 for supply of trading goods

Note	1996 Rupees	1995 Rupees
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12. Cash and Bank Balances

Cash in hand		10,378	5,418
Cash reserve with State Bank of Pakistan		50,000	-
Cash at bank			
On current account		2,100,276	23,017
On saving account		6,760,293	1,083,344
On deposit		58,224,282	53,158,895
-----	-----	-----	-----
		670,841,351	54,265,256
-----	-----	-----	-----
		67,145,229	54,270,674
=====	=====	=====	=====

13. Income

Profit on morabahas / musharakas		25,828,783	14,777,626
Profit on trading	13.1	10,537,125	4,033,061
(Loss) / profit on sale of investments		(59,785)	1,799,192
Dividends		451,065	2,928,010
Commission and fees		6,238,303	2,223,310
Profit on PLS deposits		7,882,951	2,955,889
-----		50,878,442	28,717,088
=====		=====	=====

13.1 Profit on trading

Sales		120,606,149	47,215,351
Cost of sales			
Opening stock		47,142,760	-
Purchases		74,466,524	90,325,050
Closing stock		(11,540,260)	(47,142,760)
-----		110,069,024	43,182,290
-----		10,537,125	4,033,061
=====		=====	=====

	Note	1996 Rupees	1995 Rupees
14. Operating Expenses			
Salaries, allowances and benefits	14.1	1,959,105	675,837
Travelling, conveyance and entertainment		93,624	40,236
Telephone and postage		400,272	47,368
Electricity		119,338	47,881
Insurance		89,742	25,710
Printing, stationery and advertising		503,974	78,889
Bank charges and commission		182,048	2,038
Fees and subscriptions		128,076	79,200
Amortisation of deferred costs		1,182,628	591,726
Depreciation		112,800	56,400
Vehicle running and maintenance		193,338	38,279
Facilities and services		540,726	201,162
Repairs and maintenance		40,116	56,887
Auditors' remuneration	14.2	613,187	147,523
Legal and professional		43,300	17,586
Professional tax		127,250	-
Training and development		4,850	6,000
Zakat deducted at source		2,488	4,000
Miscellaneous		108,179	37,441
-----		6,445,041	2,154,163
=====		=====	=====

14.1 Remuneration of officers and other employees

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

	1996 Rupees		1995 Rupees	
	Officers	Other employees	Officers	Other employees
Salaries and allowances	930,308	805,114	185,165	356,895
Gratuity and leave fare	-	34,377	19,800	4,900
Expenses reimbursed				
-- Medical	2,211	7,350	1,827	46,232
-----		932,519	206,792	408,027
=====		=====	=====	=====

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

	1996 Rupees	1995 Rupees
14.2 Auditors' remuneration		
Audit fee	50,000	20,000

Out of pocket expenses	5,000	4,225
-----	-----	-----
	55,000	24,225
Special audit for State Bank of Pakistan	45,000	-
-----	-----	-----
Registrar services	358,345	96,000
Out of pocket expenses	80,221	27,298
-----	-----	-----
	438,566	123,298
Tax and sundry advisory services	74,621	-
-----	-----	-----
	613,187	147,523
=====	=====	=====

15. Transaction with Associated Undertakings

The aggregate amounts in respect of transactions with associated undertakings during the year, in addition to the Modaraba Company's management fee, are purchase of goods and services Rs. 52,655,477 (1995: Rs. 423,991) and sale of goods and services Rs. 120,606,149 (1995: Rs. 47,215,351). Further, profit of Rs. 7,553,174 (1995: Rs. 2,849,140) was received on deposits placed and maintained with Crescent Investment Bank Limited, an associated company, in the normal course of business.

Dividend income includes Rs. 199,697 (1995: Rs. 171,143) from Premier Insurance Company of Pakistan Limited, an associated undertaking.

16. General

The comparative figures are for the six months ended June 30, 1995 and have been re-arranged, wherever necessary, for the purposes of comparison.

PATTERN OF HOLDING OF CERTIFICATES

BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 1996

Number of Certificate Holders	Certificate Holding		Total Certificates Held
	From	To	
1,942	1	100	138,255
815	101	500	200,693
3,128	501	1000	2,079,310
1,094	1001	5000	2,372,950
267	5001	10000	1,853,946
110	10001	15000	1,343,666
31	15001	20000	540,184
29	20001	25000	656,945
16	25001	30000	436,893
11	30001	35000	353,802
5	35001	40000	192,970
5	40001	45000	215,587
4	45001	50000	189,865
6	50001	55000	312,875
3	55001	60000	176,706
3	60001	65000	188,050
10	65001	70000	656,564
2	70001	75000	148,005
3	75001	80000	231,651
1	80001	85000	80,395
1	90001	95000	91,770
1	95001	100000	95,800
1	110001	115000	114,581
1	115001	120000	118,709
1	130001	135000	131,100
1	150001	155000	153,055
2	155001	160000	318,036
1	195001	200000	198,805
1	200001	205000	200,096
1	210001	215000	210,580
1	300001	305000	300,874
1	325001	330000	327,750
1	980001	985000	983,250
1	1015001	1020000	1,017,959
1	1315001	1320000	1,316,750
1	2105001	2110000	2,108,137

1	2620001	2625000	2,622,000
1	3540001	3545000	3,541,436

7,504			26,220,000
=====			

Categories of Certificate Holders	Number of Certificate Holders	Total Certific- ates Held	Percentage
Individuals	7,451	12,327,847	47.02
Investment Companies	7	4,815,687	18.37
Insurance Companies	6	1,121,021	4.27
Joint Stock Companies	21	790,888	3.02
Financial Institutions	18	4,542,557	17.32
Modaraba Company	1	2,622,000	10.00

	7,504	26,220,000	100.00
=====			