

First Equity Modaraba

Annual Report 2000

*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*

CONTENTS

REPORT OF THE DIRECTORS
AUDITORS' REPORT TO THE CERTIFICATE HOLDERS
BALANCE SHEET
PROFIT AND LOSS ACCOUNT
STATEMENT OF CHANGES IN FINANCIAL POSITION
NOTES TO THE FINANCIAL STATEMENTS
PATTERN OF CERTIFICATE HOLDING
CORPORATE INFORMATION
BUSINESS AND INVESTOR INFORMATION

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, 2000.

Financial Results

The profit for the year before management fee and provisions amounted to Rs. 65 million, is improved by 13% from the last half year's reported profit of Rs. 29 million and 18% from the corresponding full year. The substantial write back of the provision for diminution in the value of investments as anticipated in the last half year was negated by fresh provisioning requirement at the year end for non performing assets, thus affecting the available profit by Rs. 9 million. Despite of providing for non performing assets the earnings per certificate at June 30, 2000 comes to Rs. 1.90 approximately the same as of the last year's Rs. 1.91. This performance, with our conservative income recognition criteria dictated by prudence, is cause for satisfaction.

Profit and Reserves

Profit for the year after tax is
which together with unappropriated
profit brought forward of

Rupees

49,903,297

18,982,816

68,886,113

makes available for appropriation
from which the Directors have decided to

transfer to

- special reserve	4,995,000
- general reserve	20,000,000
pay a cash dividend of	41,952,000

	66,947,000

and carry forward as unappropriated profit	1,939,113
	=====

Regulation and Taxation

With the new Prudential Regulations specifically for modarabas in place, the managers have to respond while investors need to balance the equation. Regulators now sought for diversification with more stringent regulations. Allowing increase in cash payout as a result of decrease in mandatory reserve at the cost of the financial health of a modaraba will aggravate the resource mobilisation problems of already cash starved sector.

Conditional tax exemption needs to be liberalised especially after Regulators have permitted issue of bonus certificates. Tailor made treasury stock rules specifically for modarabas is demand of the time and may bring value to the investor.

Business Environment and Performance

Our adherence to the financial sectors' dependence on trade and industry remains valid. Multilateral assistance to Pakistan has been committed and major structural reforms launched. The financial implications of structural external imbalances are yet to be crystallized. We, therefore, do not foresee major improvements in the industrial sector.

Last years' improvement in the agricultural products may not be achieved for the current year. This alongwith increase in value of imports due to sharp increase in rupee parity coupled with high rate of government borrowings bound to increase inflation.

As envisaged, our estimate of earnings on equity investment has proved itself. We were able to mobilise capital gain of Rs. 5.4 million as compared to a loss of Rs. 1.6 million last year. The dividend income also registered an increase of 34% over the last year. The average carrying value of our equity investments yielded 22.5% as compared to 5.7% in the same period last year.

The export target of US\$ 10 billion seems to be achievable with continuous slide of rupee value and steep decline in financial cost. Being a non bank financial institution, we were also effected by this decline in profit rates, but cautiously, managed to get better yield on our average investments in morabahas. Unless, sizeable investment is made in the much needed BMR expansion, in the textile sector, the small players will loose their market share.

Other than the textile and agro-based manufacturing the other industrial sector remain under pressure. Without the capital investments, resolution of IPPs brawl, deregulation of gas sectors, privatisation of state owned companies and greater incentives to value added textile sector, the process of revival of economy may not be achieved.

Acknowledgements

We acknowledge the services rendered by Mr. Fakhir A Rahman, as Chief Executive who resigned in February 2000 and appreciate the valuable contributions made by him.

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

Auditors

The Directors have confirmed appointment of Husain Rahman, Chartered Accountants, as auditors of the modaraba subject to the required official approval.

On behalf of the Board

Karachi
December 04, 2000

Adil A. Ghaffar
Chief Executive

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed Balance Sheet as at June 30, 2000 and the related Profit and Loss Account and Statement of Changes in Financial Position (Cash flow statement), together with the Notes to the Financial Statements for the year ended June 30, 2000 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 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 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 (Cash flow statement), 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, 2000 and the profit and the changes in the financial position for the year ended on that date;

(ii) Zakat deductible at source under 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.

Karachi
December 04, 2000

Khalid Majid Husain Rahman
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 2000

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
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	68,189,113	60,237,816
		-----	-----
		330,389,113	322,437,816
Deferred liabilities	5	380,250	525,000
		-----	-----
Current Liabilities			
Creditors, accrued expenses and other liabilities	6	7,914,621	7,392,061
Pro fit distribution		41,952,000	39,330,000
Unclaimed profit distribution		7,465,531	5,704,042
Provision for taxation		1,053,786	1,053,786
		-----	-----
		58,385,938	53,479,889
		-----	-----
		389,155,301	376,442,705
		=====	=====
Tangible Fixed Assets	7	43,622	61,672
Deferred Costs	8	--	14,625
Investments	9	54,823,859	40,757,159
Current Assets			
Morabaha receivables	10	147,956,172	184,477,316
Advances, deposits, prepayments and other receivables	11	8,132,212	12,136,667
Cash and bank balances	12	178,199,436	138,995,266
		-----	-----
		334,287,820	335,609,249
		-----	-----
		389,155,301	376,442,705
		=====	=====

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

Adil A. Ghaffar
Chief Executive
Premier Financial
Services (Private) Ltd.

Maqbul Ahmad
Director
Premier Financial
Services (Private) Ltd.

Zahid Bashir
Director
Premier Financial
Services (Private) Ltd.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2000

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
Income	13	72,270,966	61,983,162
Expenditure			
Operating expenses	14	7,439,081	7,011,026
		-----	-----
Reversal of provision for diminution in		64,831,885	54,972,136

value of investments	8,500,000	--
	-----	-----
	73,331,885	54,972,136
Provision for non performing assets	17,883,778	--
	-----	-----
	55,448,107	54,972,136
Modaraba Company's management fee	5,544,810	4,997,466
	-----	-----
Profit for the year	49,903,297	49,974,670
Unappropriated profit brought forward	18,982,816	18,333,146
	-----	-----
Profit available for appropriation	68,886,113	68,307,816
	-----	-----
Appropriations		
Special reserve	4,995,000	9,995,000
General reserve	20,000,000	--
Profit distribution @ 16% (1999: 15%)	41,952,000	39,330,000
	-----	-----
	66,947,000	49,325,000
	-----	-----
Unappropriated profit carried forward	1,939,113	18,982,816
	=====	=====
Earnings per certificate	15	1.90
	=====	=====

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

Adil A. Ghaffar
Chief Executive
Premier Financial
Services (Private) Ltd.

Maqbul Ahmad
Director
Premier Financial
Services (Private) Ltd.

Zahid Bashir
Director
Premier Financial
Services (Private) Ltd.

STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 2000

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
Cash Flows from Operating Activities		
Profit for the year	49,903,297	49,974,670
Adjustments for:		
Depreciation	18,050	18,050
Provision for gratuity	368,750	525,000
Amortisation of deferred costs	14,625	104,319
Reversal of provision for diminution in value of investments	(8,500,000)	--
Provision for non performing assets	17,883,778	--
(Gain) / loss on sale of investments	(5,445,352)	1,673,061
Dividend income	(5,301,131)	(3,966,855)
	-----	-----
	(961,280)	(1,646,425)
	-----	-----
	48,942.02	48,328,245

Decrease / (increase) in current assets

Morabaha receivables	27,831,116	(17,871,157)
Trade debts	--	9,410,601
Advances, deposits, prepayments and other receivables	(5,103,968)	3,200,090
	-----	-----
	22,727,148	(5,260,466)
	-----	-----

(Decrease) / increase in current liabilities

Creditors, accrued expenses and other liabilities	522,560	2,590,558
Gratuity paid	(513,500)	--
Income tax paid	--	(8,648,304)
Dividends paid	(37,568,511)	(563,411)
	-----	-----
	(37,559,451)	(6,621,157)
	-----	-----

**Net Cash from Operating
Activities**

Carried forward 34,109,714 36,446,622

**Net Cash from Operating
Activities**

Brought forward 34,109,714 36,446,622

Dividends received	5,215,804	4,102,712
Purchase of investments	(133,138,581)	(72,270,765)
Proceeds from sale of investments	133,017,233	68,637,065

Net cash from Investing Activities

5,094,456 469,012

Net increase in cash and bank balances

39,204,170 36,915,634

Cash and bank balances at the
beginning of the year

138,995,266 102,079,632

Cash and bank balances at the
end of the year-----
178,199,436 138,995,266
=====

Adil A. Ghaffar
Chief Executive
Premier Financial
Services (Private) Ltd.

Maqbul Ahmad
Director
Premier Financial
Services (Private) Ltd.

Zahid Bashir
Director
Premier Financial
Services (Private) Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000**1. Legal Status and Nature of Business**

First Equity Modaraba was formed in 1991 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, a company incorporated in Pakistan.

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 other than temporary diminution in value, if any.

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

2.5 Stock-in-trade

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

2.6 Revenue recognition

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

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

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

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

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

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

2.7 Taxation

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

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

liability method.

2.8 Retirement benefits

An unfunded gratuity scheme is operated for permanent employees completing prescribed period of service. Provision for obligations under the scheme is made by charging the profit and loss account.

3. Issued, Subscribed and Paid-up Capital

Fully paid modaraba certificates of Rs. 10 each.

<i>1999</i>	<i>2000</i>		<i>2000</i>	<i>1999</i>
<i>Number</i>	<i>Number</i>		<i>Rupees</i>	<i>Rupees</i>
20,000,000	20,000,000	Issued for cash	200,000,000	200,000,000
		Issued as bonus		
6,220,000	6,220,000	certificates	62,200,000	62,200,000
-----	-----		-----	-----
26,220,000	26,220,000		262,200,000	262,200,000
=====	=====		=====	=====

<i>4. Reserves</i>	<i>Special</i>	<i>General</i>	<i>Unappropriated</i>		
	<i>reserve</i>	<i>reserve</i>	<i>profit</i>		
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>		
At beginning of the year	41,255,000	--	18,982,816	60,237,816	49,593,146
Transfer from/(to) profit and loss account	4,995,000	20,000,000	(17,043,703)	7,951,297	10,644,670
	-----	-----	-----	-----	-----
At end of the ye	46,250,000	20,000,000	1,939,113	68,189,113	60,237,816
	=====	=====	=====	=====	=====

The special reserve is created and held in compliance with the Prudential Regulations for Modarabas.

There are no changes in equity except those shown here or in the profit and loss account.

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
5. Deferred Liabilities		
Provision for gratuity	380,250	525,000
	=====	=====

6. Creditors, Accrued Expenses and Other Liabilities

Creditors	375,833	578,110
Accrued expenses	673,020	499,809
Due to associated undertakings	6,865,768	6,314,142
	-----	-----
	7,914,621	7,392,061
	=====	=====

7. Tangible Fixed Assets

Motor vehicles

Cost at beginning and end of the year	430,250	430,250
Accumulated depreciation	(386,628)	(368,578)
	-----	-----
Book value at end of the year	43,622	61,672
	=====	=====
Depreciation charged during the year @ 20% per annum	18,050	18,050
	=====	=====

8. 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
	-----	-----
	5,913,142	5,913,142
Amortisation to date	(5,913,142)	(5,898,517)
	-----	-----
	--	14,625
	=====	=====

9. Investments

Listed Securities			
Associated undertakings	9.1	16,286,851	10,928,380
Others	9.2	45,737,008	45,528,779
		-----	-----
		62,023,859	56,457,159
Unlisted Securities			
Associated undertakings	9.3	10,000,000	10,000,000
Others	9.4	1,800,000	1,800,000
		-----	-----
		11,800,000	11,800,000
		-----	-----
		73,823,859	68,257,159
Provision for diminution in value		(19,000,000)	(27,500,000)
		-----	-----
		54,823,859	40,757,159
		=====	=====

Market value of listed securities at June 30, 2000 aggregated Rs. 55,545,660 (1999: Rs. 33,061,2401).

9.1 Investment in listed securities - associated undertakings

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

<i>1999</i>	<i>2000</i>		<i>2000</i>	<i>1999</i>
<i>Number</i>	<i>Number</i>		<i>Rupees</i>	<i>Rupees</i>
103,584	103,801	Crescent Boards Ltd.	588,788	588,352
--	7,000	Crescent Investment Bank Ltd;	127,040	--
2,980	2,980	Crescent Steel and Allied Products Ltd.	81,390	81,390

322,568	322,568 Crescent Sugar Mills & Distillery Ltd.	3,639,22	3,639,216
85,320	77,820 Crescent Textile Mills Ltd.	1,265,300	1,382,935
10,000	3,000 Pakistan Industrial Credit & Investment Corporation Ltd.	39,800	109,800
19,662	19,662 Pakistan Industrial Leasing Corporation Ltd.	512,647	512,647
360,000	360,000 Premier Insurance Company of Pakistan Ltd. (Ordinary shares of Rs. 5 each)	3,573,245	3,573,245
24,157	24,157 Shakarganj Mills Ltd.	506,250	506,250
44,900	562,400 Suraj Cotton Mills Ltd.	5,953,175	534,545
		-----	-----
		16,286,851	10,928,380
		=====	=====

9.2 Investment in listed securities - others

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

<i>1999</i> <i>Number</i>	<i>2000</i> <i>Number</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
8,327	572 Al-Ghazi Tractors Ltd. (Ordinary shares of Rs. 5 each)		329,995
72,000	39,000 Askari Commercial Bank Ltd.	717,897	1,568,089
37,000	38,450 Askari Leasing Company Ltd.	733,895	838,170
19,800	11,360 Bank Al Habib Ltd.	213,572	467,242
--	3,000 Bolan Castings Ltd.	134,960	--
60,200	60,700 B.R.R. International Modaraba Managed by B.R.R. Investments (Pvt.) Ltd.	481,611	478,225
--	3,500 Cherat Cement Ltd.	76,925	--
125,720	103,220 Crescent Leasing Corporation Ltd.	1,030,481	1,255,031
--	8,000 Dhan Fibres Ltd.	96,536	--
6	-- Engro Chemicals Ltd.	--	329
44,550	-- Fauji Cement Company Ltd.	--	224,720
100,900	70,500 Fauji Fertilizer Company Ltd.	4,065,179	5,900,483
31,500	-- Faysal Bank Ltd.	--	749,201
50,500	64,500 First Grindlays Modaraba Managed by Grindlays Services of Pakistan (Pvt) Ltd.	901,230	637,870
34,000	31,500 First International Investment Bank Ltd.	253,100	273,180
1,000	FFC-Jordan Fertilizer Company Ltd.	--	14,480
		-----	-----
	Carried forward	8,731,131	12,737,015
	Brought forward	8,731,131	12,737,015
40,375	15,875 Gadoon Textile Mills Ltd.	466,819	1,361,666
8,250	-- Habib Arkady Ltd. (Ordinary shares of Rs. 5 each)	--	61,938
119,500	116,000 Hub Power Company Ltd.	2,286,188	2,047,393

22,500	10,000 Ibrahim Fibres Ltd.	168,817	143,365
--	8,000 ICI Pakistan Ltd.	122,913	--
6,500	6,500 I.C.P.- 8th Mutual Fund	161,041	160,974
--	6,500 I.C.P.- 21st Mutual Fund	17,420	--
--	42,500 I.C.P.- 25th Mutual Fund	230,150	--
99,500	85,500 I.C.P.- S.E.M.F.	1,309,447	1,471,890
27,500	-- Japan Power Generation Ltd.	--	137,857
82,500	77,000 Kohinoor Energy Ltd.	990,567	1,146,156
--	3,000 Kohinoor Raiwind Mills Ltd.	33,615	--
9,500	5,500 Kohinoor Weaving Mills Ltd.	88,684	125,381
--	10,500 Lucky Cement Ltd.	97,400	--
7,500	3,000 Muslim Commercial Bank Ltd.	109,540	221,120
15,000	43,400 Nishat (Chunian) Ltd.	451,695	281,490
--	2,500 Nishat Mills Ltd.	25,055	--
20,000	20,000 Orix Investment Bank Ltd.	234,505	234,505
10,000	26,000 Packages Ltd.	1,411,291	351,990
		-----	-----
	Carried forward	16,936,278	20,482,740
	Brought forward	16,936,278	20,482,740
17,545	20,176 Pakistan Industrial & Commercial Leasing Ltd.	365,397	365,397
23,052	30,642 Pakistan State Oil Company Ltd.	2,685,861	1,572,548
17,500	-- Pak Suzuki Motor Company Ltd.	--	858,626
22,500	190,000 Pakistan Telecommunication Corporation Ltd. 'A'	4,326,284	477,210
47,100	44,600 Pakistan Venture Capital Ltd.	446,446	471,471
25,000	24,000 Paramount Leasing Company Ltd.	216,514	225,482
3,000	-- Platinum Commercial Bank Ltd.	--	29,362
820,000	820,000 Saadi Cement Ltd.	8,200,000	8,200,000
41,300	40,300 Sapphire Fibres Ltd.	1,790,773	1,834,967
61,828	-- Searle Pakistan Ltd.	--	1,657,484
18,617	15,417 Shell Pakistan Ltd.	3,329,996	4,055,348
104,000	156,000 Southern Electric Power Company Ltd.	1,549,851	1,163,686
118,469	259,189 Sui Northern Gas Pipelines Ltd.	2,927,605	2,167,222
75,403	99,663 Sui Southern Gas Company Ltd.	1,179,562	1,141,806
--	37,000 Tri-Pack Films Ltd.	957,011	--
74,500	74,500 Tri-Star Shipping Lines Ltd.	825,430	825,430
		-----	-----
		45,737,008	45,528,779
		=====	=====

9.3 Investment in unlisted securities - associated undertakings

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

<i>1999</i>	<i>2000</i>	<i>Note</i>	<i>2000</i>	<i>1999</i>
<i>Number</i>	<i>Number</i>		<i>Rupees</i>	<i>Rupees</i>

500,000	500,000 Crescent Greenw	9.3.1	5,000,000	5,000,000
500,000	500,000 Crescent Powert	9.3.1	5,000,000	5,000,000
			-----	-----
			10,000,000	10,000,000
			=====	=====

9.3.1 Net asset value per share of Crescent Greenwood Ltd. and Crescent Powertec Ltd. is Rs. 0.62 and Rs. 27.43 as per financial statements as at September 30, 1998 and June 30, 1999 respectively. These financial statements were audited by A.F. Ferguson & Co., Chartered Accountants, and Ebrahim & Co., Chartered Accountants, respectively.

9.4 Investment in unlisted securities - others

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

<i>1999</i>	<i>2000</i>		<i>2000</i>	<i>1999</i>
<i>Number</i>	<i>Number</i>	<i>Note</i>	<i>Rupees</i>	<i>Rupees</i>
50,000	50,000 Sapphire Power Generation Ltd.	9.4.1	1,800,000	1,800,000
			-----	-----
			1,800,000	1,800,000
			=====	=====

9.4.1 Net asset value per share of Sapphire Power Generation Ltd. is Rs. 38.90 as per financial statements as at June 30, 1999 audited by Riaz Ahmad, Saqib, Gohar & Company, Chartered Accountants.

10. Modaraba Receivables

Balance as at June 30, 2000	156,646,200	184,477,316
Provision for non performing assets	8,690,028	--
	-----	-----
	147,956,172	184,477,316
	=====	=====

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

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>Rupees</i>	<i>Rupees</i>
11. Advances, Deposits, Prepayments and other receivables			
Advances, deposits and prepayments	11.1	3,677,662	1,406,056
Other receivables			
Sale proceeds of investments		9,951,200	9,365,155
Dividends		924,375	839,048
Profit on PLS deposits		2,772,725	526,408
		-----	-----
		13,648,300	10,730,611
Provision for non performing assets		9,193,750	--
		-----	-----
		4,454,550	10,730,611
		-----	-----
		8,132,212	12,136,667

11.1 These include advances to staff at June 30, 2000 amounting to Rs. 46,926 (1999: Rs. 346,060). The maximum aggregate amount due from staff at the end of any month during the year was Rs. 291,860 (1999: Rs. 826,030).

12. Cash and Bank Balances

Cash in hand	4,544	8,503
Cash reserve with State Bank of Pakistan	--	100,000
Cash at bank		
On current account	4,293,416	1,244,197
On saving account	88,344,837	68,375,958
On deposit	85,556,639	69,266,608
	-----	-----
	178,194,892	138,886,763
	-----	-----
	178,199,436	138,995,266
	=====	=====

13. Income

Profit on morabahas	35,409,220	40,859,646
Gain / (loss) on sale of investments	5,445,352	116,730,611
Dividends	5,301,131	3,966,855
Commission and fees	7,459,061	4,160,437
Profit on PLS deposits	18,656,202	14,503,075
Other	--	166,210
	-----	-----
	72,270,966	61,983,162
	=====	=====

14. Operating Expenses

Salaries, allowances and benefits	14.1	3,759,655	3,410,218
Travelling, conveyance and entertainment		102,094	101,745
Telephone and postage		364,282	228,412
Electricity		178,874	124,381
Insurance		114,850	148,261
Printing, stationery and advertising,		278,235	199,739
Bank charges and commission		122,335	6,466
Fees and subscriptions		298,860	307,330
Vehicle running and maintenance		240,524	225,239
Amortisation of deferred costs		14,625	104,319
Depreciation		18,050	18,050
Facilities and services		1,013,116	1,011,347
Repairs and maintenance		104,081	105,477
Auditors' remuneration	14.2	607,896	515,570
Legal and professional		60,700	52,000
Professional tax		100,000	325,000
Training and development		3,600	4,200
Zakat deducted at source		17,125	48,849
Miscellaneous		40,179	74,423
		-----	-----
		7,439,081	7,011,026
		=====	=====

14.1 Remuneration of officers and other employees

The aggregate amount charged in the financial statements for remuneration,

including benefits, to 8 (1999: 8) employees of the Modaraba is:

	2000		1999	
	Rupees		Rupees	
	Officers	Other employees	Officers	Other employees
Salaries and allowances	1,705,231	959,745	2,034,598	472,025
Gratuity and leave fare	375,413	90,460	447,286	148,065
Expenses reimbursed:				
-Medical	13,532	75,154	67,057	35,746
	-----	-----	-----	-----
	2,094,176	1,125,359	2,548,941	655,836
	=====	=====	=====	=====

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

	2000	1999
	Rupees	Rupees
14.2 Auditors' remuneration		
Audit fee	60,000	55,000
	-----	-----
Registrar services	435,000	360,000
Out of pocket expenses	36,366	25,570
	-----	-----
	471,366	385,570
Tax and sundry advisory services	76,530	75,000
	-----	-----
	607,896	515,570
	=====	=====
15. Earnings per Certificate		
Profit for the year	49,903,297	49,974,670
	=====	=====

	2000	1999
	(Number of certificates)	
Weighted average number of certificates outstanding during the year	26,220,000	26,220,000
	=====	=====

	2000	1999
	Rupees	Rupees
Earnings per certificate	1.90	1.91
	=====	=====

16. Maturities of Assets and Liabilities

Total	Upto one month	Over one month to one year	Over one year to five years	Over five years
Rupees	Rupees	Rupees	Rupees	Rupees

Assets

Tangible fixed assets	43,622	--	--	43,622	--
Investments	54,823,859	--	--	54,823,859	--
Morabaha receivables	147,956,172	10,242.27	137,713,898	--	--
Advances, deposits, prepayments and other receivables	8,132,212	3,211,380	4,920,832	--	--
Cash & bank balances	178,199,436	178,199,436	--	--	--
	-----	-----	-----	-----	-----
	389,155,301	191,653,090	142,634.73	54,867,481	--

Liabilities

Deferred liabilities	380,250	--	--	380,250	--
Creditors, accrued expenses and other liabilities	7,914,621	216,166	7,698,455	--	--
Profit distribution	41,952,000	--	41,952,000	--	--
Unclaimed profit distribution	7,465,531	7,465,531	--	--	--
Provision for taxation	1,053,786	--	1,053,786	--	--
	-----	-----	-----	-----	-----
	58,766,188	7,681,697	50,704,241	380,250	--

Net balance	=====	=====	=====	=====	=====
	330,389,113	183,971,393	91,930,489	54,487,231	--

Represented by:

Certificate holders' equity	=====	=====	=====	=====	=====
	330,389,113				

The above analysis is based on the contractual / expected maturities of assets and liabilities which may not necessarily correspond with actual maturities.

The maturity profile is monitored by management on a daily basis to ensure that adequate liquidity is maintained.

17. Financial Assets and Financial Liabilities

These are stated at fair values or at amounts approximating fair values. There is no exposure to interest rate risk.

Credit Risk

Financial assets such as morabahas, other receivables and balances with banks are exposed to credit risk.

The credit risk inherent in transactions giving rise to receivables is mitigated by application of appropriate credit criteria and adequate collateral security. Mitigation of credit risk for bank balances is achieved by continuous diversification of placements among institutions whose standing has been evaluated.

Market and Liquidity Risk

These risks, inherent in equity investments, are mitigated to the extent practicable by basing decisions on fundamentals and avoiding speculation.

18. Segment Analysis**18.1 Geographic**

The Modaraba's assets are employed and its income is derived in Pakistan.

1 8.2 Business

	<i>Morabahas</i>		<i>Investments</i>	
	<i>Rupees</i>	<i>%</i>	<i>Rupees</i>	<i>%</i>
Mutual Funds	--	--	1,275,882	2.33
Modarabas	--	--	1,026,940	1.87
Leasing Companies	--	--	2,123,132	3.87
Investment Companies/Banks	--	--	1,590,641	2.90
Insurance	--	--	2,653,602	4.84
Textile Spinning	43,137,038	29.16	6,433,010	11.73
Textile Weaving	--	--	90,823	0.17
Textile Composite	--	--	4,671,410	8.52
Synthetic & Rayon	--	--	197,059	0.36
Sugar & Allied Industries	513,260	0.35	3,078,550	5.62
Cement	--	--	6,219,030	11.34
Fuel & Energy	--	--	16,151,941	29.46
Engineering	--	--	60,443	0.11
Auto & Allied Engineering	--	--	119,344	0.22
Transport & Communication	--	--	3,825,821	6.98
Chemical & Pharmaceutical	--	--	3,110,205	5.67
Paper & Board	--	--	1,485,320	2.71
Trading	76,402,299	51.63	--	--
Distribution	27,903,575	18.86	--	--
Other	--	--	710,706	1.30
	-----	-----	-----	-----
	147,956,172	100.00	54,823,859	100.00
	=====	=====	=====	=====

19. Transactions with Associated Undertakings

The aggregate amounts in respect of transactions with associated undertakings during the year, in addition to the Modaraba Company's management fee, are purchase of goods and services Rs. 1,023,801 (1999: Rs. 1,159,608) and sale of goods and services Rs. 1,134,395 (1999: Rs. 1,437,321). Further, profit of Rs. 10,860,339 (1999: Rs. 7,830,598) was received on deposits placed and maintained with Crescent Investment Bank Limited, an associated company, in the normal course of business.

Dividend income from associated undertakings comprises:

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
Crescent Investment Bank Ltd.	5,750	--
Crescent Powertec Ltd.	1,250,000	1,250,000
Crescent Steel and Allied Products Ltd.	1,490	43,700
Crescent Textile Mills Ltd.	207,113	101,572
Premier Insurance Company of Pakistan Ltd.	450,000	300,000
Pakistan Industrial Leasing Corporation Ltd.	14,746	--
Suraj Cotton Mills Ltd.	54,500	--

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

Adil A. Ghaffar
Chief Executive
Premier Financial
Services (Private) Ltd.

Maqbul Ahmad
Director
Premier Financial
Services (Private) Ltd.

Zahid Bashir
Director
Premier Financial
Services (Private) Ltd.

**PATTERN OF HOLDING OF CERTIFICATES
BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 2000**

<i>Number of Certificate Holders</i>	<i>Certificate Holding</i>		<i>Total Certificates Held</i>
	<i>From</i>	<i>To</i>	
1,966	1	100	138,975
996	101	500	238,782
2,943	501	1000	1,970,553
1,040	1001	5000	2,317,783
245	5001	10000	1,732,048
98	10001	15000	1,200,839
41	15001	20000	710,281
24	20001	25000	538,842
12	25001	30000	325,195
12	30001	35000	390,013
7	35001	40000	274,705
3	40001	45000	128,652
7	45001	50000	350,000
6	50001	55000	316,077
5	55001	60000	290,276
2	60001	65000	125,550
11	65001	70000	726,614
1	70001	75000	73,000
4	75001	80000	309,351
1	90001	95000	91,770
1	100001	105000	103,000
2	110001	115000	227,781
1	130001	135000	131,100
1	135001	140000	136,155
2	155001	160000	318,036
2	160001	165000	326,871
1	275001	280000	277,750
1	300001	305000	300,874
1	595001	600000	600,000
1	640001	645000	644,800
1	1015001	1020000	1,018,304
1	1315001	1320000	1,316,750
1	2445001	2450000	2,446,237
1	2620001	2625000	2,622,000
1	3500001	3505000	3,501,036
-----			-----
7,442			26,220,000
=====			=====

<i>Categories of Certificate Holders</i>	<i>Number of Certificate Holders</i>	<i>Total Certificates Held</i>	<i>Percentage</i>
Individuals	7381	12,261,120	46.76
In vestment Companies	8	4,343,148	16.56
Insurance Companies	6	1,113,666	4.25
Joint Stock Companies	24	670,303	2.56
Financial Institutions	22	5,209,763	19.87

Modaraba Company	1	2,622,000	10.00
	-----	-----	-----
	7442	26,220,000	100.00
	=====	=====	=====

CORPORATE INFORMATION

Modaraba Company

Premier Financial Services (Private) Limited

Board of Directors

Maqbul Ahmad

Mohammad Arshad	Zahid Bashir
Nadeem Maqbool	Shaukat Shafi
Adil A. Ghaffar	Chief Executive

Registered and Business Office

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

Registrars

Husain Rahman
Chartered Accountants
1st Floor, Modern Motor House
Karachi.
Tel: 5210516- 17, 5210735
Fax: 5210626

Auditors

Husain Rahman
Chartered Accountants

General Counsel

Mohsin M. Tayebaly & Co.
Advocates & Legal Consultants

Bankers

ABN AMRO Bank N.V.	National Bank of Pakistan.
Citibank N.A.	Platinum Commercial Bank Ltd.
Crescent Investment Bank Ltd.	Standard Chartered Grindlays Bank
Habib Bank AG Zurich	The Bank of Khyber
Metropolitan Bank Ltd.	United Bank Ltd.

BUSINESS INFORMATION

First Equity Modaraba is able to assist with:

Financing	Working capital, transaction, term and lease
Investment & Portfolio Management	Equity, non-equity, money market
Corporate Finance	Capital and transaction structuring, acquisitions, privatisations, divestitures, underwritings, placements, arrangements

Further information can be provided in the context of specific proposals. Please contact:

Manager Credit and Marketing

B-1004, 10th Floor
Lakson Square Building # 3
Sarwar Shaheed Road

Karachi.

Tel: 5672815- 8

Fax: 5686116

INVESTOR INFORMATION

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

Husain Rahman

Chartered Accountants

First Floor, Modern Motor House

Beaumont Road,

Karachi.

Tel: 5210516- 17,5210735

Fax: 5210626

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

(This page can be detached for easy reference)