

## FINANCIAL LINK MODARABA

### ANNUAL REPORT 1998

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#### CORPORATE INFORMATION

**MODARABA COMPANY:** Financial Link Limited

<b>BOARD OF DIRECTORS:</b>	Shahid Hameed	<b>Chairman</b>	Nominee Pak. Libya Holding Co. (Pvt) Ltd.
	Syed Ghazanfar Ali		Nominee Pak Libya Holding Co. (Pvt) Ltd.
	Ibrar Gul Niazi		Nominee Pakistan Kuwait Investment Co. (Pvt) Ltd.
	Faridullah Khan		Nominee Saudi Pak Industrial & Agricultural Investment Co. (Pvt) Ltd.
	Sajid Ali Abbasi		Nominee The Bank of Khyber
	Shahid Abdulla		Nominee International Brands (Pvt) Ltd.
	Sajjad Haider		

**COMPANY SECRETARY:** Farooq Hashmi

**AUDITORS:** Khalid Majid Husain Rahman, Chartered Accountants.

**Bankers:** Muslim Commercial Bank Limited  
United Bank Limited

**REGISTRAR:** Khalid Majid Husain Rahman  
1st Floor, Modern Motors House,  
Beaumont Road, Karachi.

**REGISTERED OFFICE:** 1st Floor, Modern Motors House  
Beaumont Road, Karachi.

**POSTAL ADDRESS:** 1st Floor, N.I.C. Building, Abbasi Shaheed Road,  
Off: Shakra-e-Faisal, Karachi.

#### DIRECTORS' REVIEW

The Board of Directors of Financial Link Limited take pleasure in presenting the audited accounts of the Financial Link Modaraba for the year ended June 30, 1998.

#### FINANCIAL HIGHLIGHTS

Operating Income/(Loss)	<b>Rupees in thousand</b>
	(13,072)

Less: Expenses	1,430
Profit on Musharika & Murabaha obligations	3,684
Provision for diminution in value of investment	4,253
Amortization of deferred cost	1,623
	-----
	(10,990)
	-----
Operating (loss)/Profit for the period	(24,062)
Other income	4,363
	-----
	(19,699)
Unappropriated profit brought forward	(74,546)
	-----
Profit (loss) carried forward	(94,245)
	=====

The loss of the company for the period under review is due to the fact that Financial Link Modaraba's major investments were made in the stock market which remained in bearish state for the last couple of years. Despite our best efforts, investment could not be liquidated due to heavy potential losses. This restricted FLM's ability to diversify to other modes of business, specially "leasing". At the appropriate time stock market investments will be liquidated orderly to minimize further losses.

#### PROFIT DISTRIBUTION

The Board of Directors of Madaraba Company have not recommended any dividend for the year ended June 30, 1998. In addition, no management fee has been given to-the company for the period under review.

#### FUTURE OUTLOOK

Once the current investments in the Stock Market are orderly liquidated, more emphasis would be placed on diversification of activities particularly "leasing" for which necessary approvals are in place.

#### AUDITORS

The Present auditors Messrs. Khalid Majid Husain Rahman, Chartered Accountants being due for retirement, have offered themselves for re-appointment for the year ending June 30, 1999. Their appointment has been confirmed by the Board of Directors, subject to the approval by the Registrar of Madaraba Companies and Modaraba.

#### ACKNOWLEDGEMENT

The Board wishes to place on record its appreciation for the dedicated, untiring and positive efforts of all the members of staff and valuable guidance and assistance extended to us by the Registrar of Modaraba and the State Bank of Pakistan.

on behalf of the Board

**FAROOQ HASHMI**

Karachi: December 29, 1998.

Company Secretary

#### Pattern of holding of shares held by the Shareholders as at June 30, 1998

No. of Shareholders	SHARE FROM	HOLDING TO	Total Shares Held
22	1	100	2,200
2,530	101	500	1,254,400
52	501	1000	49,000
57	1001	5000	153,700
38	5001	10000	336,500
6	10001	15000	72,500
3	15001	20000	55,500
2	20001	25000	42,300
5	25001	30000	145,100
2	30001	35000	67,000
2	40001	45000	82,300
1	45001	50000	50,000
3	55001	60000	173,500
4	60001	65000	260,000
2	65001	70000	132,500
2	95001	100000	200,000
1	115001	120000	116,300
1	145001	150000	145,400
1	290001	295000	290,500
3	295001	300000	900,000

1	340001	345000	345,000
1	345001	350000	348,600
2	370001	375000	750,000
1	580001	585000	580,800
1	695001	700000	696,900
1	745001	750000	750,000
1	1995001	2000000	2,000,000
-----			
2,745			10,000,000
=====			

CATEGORIES OF SHARE HOLDERS	NUMBER	SHARES HELD	PERCENTAGE
1. JOINT STOCK COMPANIES	12	2,449,100	24.49
2. FINANCIAL INSTITUTIONS	6	1,222,300	12.22
3. LEASING/MODARABA COMPANIES	4	172,700	1.73
4. MODARABA COMPANIES	1	2,000,000	20.00
5. INSURANCE COMPANIES	2	87,500	0.88
6. INVESTMENT COMPANIES	7	1,268,800	12.69
7. INDIVIDUALS	2,713	2,799,800	28.00
8. ASSOCIATED COMPANIES	0	0	0.00
9. FOREIGN INVESTORS	0	0	0.00
10. OTHERS	0	0	0.00
-----			
	2,745	10,000,000	100.00
=====			

#### AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited in accordance with the International Standards on Auditing, the annexed Balance Sheet as at June 30, 1998 and the related Profit and Loss Account and Statement of Changes in Financial Position together with the Notes to the financial Statements for the year ended June 30, 1998 of Financial Link Modaraba which are Modaraba Company's (Financial Link 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:

1. as stated in note 14.3 to the financial statements, the Modaraba has paid Rs. 1,594,364 to its management company in violation of section 17(2) of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, which prohibits a modaraba company to obtain loan, advance or credit from the funds of the modaraba:

2. (a) in our opinion proper books of account have been kept by the Modaraba Company in respect of Financial Link 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, 1998 and the loss and the changes in the financial position for the year ended on that date;

(ii) no Zakat was deductible at source under the Zakat and Ushr Ordinance 1980; and

(iii) except as stated in paragraph 1 above, the business conducted, investments made and expenditure incurred by the Modaraba are in accordance with the objects, terms and conditions of the Modaraba.

3. Without qualifying our opinion, we draw attention to note 1.2 to the financial statement which interalia states that the Modaraba has accumulated loss of Rs. 94.24 million (1997: Rs. 74.55 million) during the year ended June 30, 1998 and as of that date the Modaraba's current liabilities exceeded its current assets by Rs. 23.07 million (1997: Rs. 32.93 million). Management is working on a plan to reduce expenses and generated enough cash flow to pay the liabilities. For these reasons, these financial statements have been prepared on a going concern assumption.

**KHALID MAJID HUSAIN RAHMAN**  
Chartered Accountant

**BALANCE SHEET AS AT JUNE 30, 1998**

	Note	June 30, 1998 Rupees	June 30, 1997 Rupees
<b>CAPITAL AND RESERVES</b>			
<b>Authorised capital</b>			
25,000,000 modaraba certificates of Rs. 10 each		250,000,000	250,000,000
		=====	=====
<b>Issued, subscribed and paid-up capital</b>			
10,000,000 modaraba certificates of Rs. 10 each fully paid in cash		100,000,000	100,000,000
Statutory reserve	3	1,368,000	1,368,000
Accumulated loss		(94,244,751)	(74,545,605)
		-----	-----
		7,123,249	26,822,395
<b>OBLIGATIONS UNDER FINANCE LEASE</b>			
	4	17,300	-
<b>CURRENT LIABILITIES</b>			
Current portion of obligations under finance lease		11,658	-
Musharika obligations	5	30,702,659	44,317,784
Creditors, accrued expenses and other liabilities	6	16,358,325	20,997,727
Unclaimed profit distribution		69,016	69,016
		-----	-----
		47,141,658	65,384,527
		-----	-----
		54,282,207	92,206,922
		=====	=====

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

	Note	June 30, 1998 Rupees	June 30, 1997 Rupees
<b>TANGIBLE FIXED ASSETS</b>			
	7	1,440	480,318
<b>ASSETS SUBJECT TO FINANCE LEASE</b>			
	8	33,813	-
<b>LONG TERM INVESTMENTS</b>			
	9	29,308,775	56,778,250
<b>DEFERRED COSTS</b>			
	10	872,220	2,494,875
<b>CURRENT ASSETS</b>			
Short term investments	11	5,392,366	14,021,200
Musharika receivable	12	8,601,404	8,800,000
Debtors	13	1,027,579	372,000
Advances, prepayments and other receivables	14	7,852,052	8,681,656
Cash and bank balances	15	1,192,558	578,623
		-----	-----
		24,065,959	32,453,479
		-----	-----
		54,282,207	92,206,922
		=====	=====

<b>Director</b>	<b>Director</b>	<b>Director</b>
Financial Link Limited	Financial Link Limited	Financial Link Limited

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 1998**

Note	June 30, 1998 Rupees	June 30, 1997 Rupees
------	----------------------------	----------------------------

Profit on musharika receivable		1,956,983	2,710,354
Loss on sale of investments		(16,112,964)	(6,049,493)
Dividend income		1,083,750	1,881,000
Financial advisory fee from an associated undertaking		-	290,431
		-----	-----
		(13,072,231)	(1,167,708)
Operating expenses	16	1,430,487	2,915,126
Profit on musharika obligations		3,683,575	10,354,814
Amortisation of deferred cost		1,622,655	2,731,871
Provision for diminution in value of investments		4,253,242	8,284,403
		-----	-----
		(10,989,959)	(24,286,214)
		-----	-----
Operating loss for the year		(24,062,190)	(25,453,922)
Other income	17	4,363,044	804,041
		-----	-----
Loss for the year		(19,699,146)	(24,649,881)
Accumulated loss carried forward		(74,545,605)	(49,895,724)
		-----	-----
		(94,244,751)	(74,545,605)
		=====	=====

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

<b>Director</b>	<b>Director</b>	<b>Director</b>
Financial Link Limited	Financial Link Limited	Financial Link Limited

**STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**(CASH FLOW STATEMENT)**  
**FOR THE YEAR ENDED JUNE 30, 1998**

	Note	June 30, 1998 Rupees	June 30, 1997 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations (Note 18)		5,796,958	11,626,528
Dividend received		1,083,750	2,969,844
		-----	-----
Net cash generated from operating activities		6,880,708	14,596,372
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds on disposal of fixed assets		850,000	985,000
Purchase of fixed assets		(1,600)	(17,310)
proceeds from sale of long term investments		12,035,308	8,464,850
Purchase of long term investments		(2,840)	(106,000)
		-----	-----
Net cash generated from investing activities		12,880,868	9,326,540
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from musharika obligation		-	534,894
Payment of musharika obligation		(13,615,125)	(18,060,671)
Payment of profit on musharika obligations		(5,518,366)	(7,297,904)
Payment against finance lease		(8,612)	-
Payment of financial charges		(5,538)	-
		-----	-----
Net cash used in financing activities		(19,147,641)	(24,823,681)
<b>NET INCREASE/(DECREASE) IN CASH AND BANK BALANCES</b>			
		613,935	(900,769)
<b>OPENING CASH AND BANK BALANCES</b>			
		578,623	1,479,392
		-----	-----
<b>CLOSING CASH AND BANK BALANCES</b>			
		1,192,558	578,623
		=====	=====

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

<b>Director</b>	<b>Director</b>	<b>Director</b>
Financial Link Limited	Financial Link Limited	Financial Link Limited

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 1998**

### **1. LEGAL STATUS AND NATURE OF BUSINESS**

1.1 Financial Link Modaraba was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder and is managed by Financial Link Limited. The Modaraba was floated on January 09, 1994 and is commenced its operation in March, 1994.

The Modaraba is a perpetual and multipurpose modaraba and is engaged in venture capital, equity investment, musharika financing arrangement and financial advisory services.

1.2 The Modaraba has accumulated losses of Rs. 94.24 million as at June 30, 1998 (1997: Rs. 74.55 million) as against its paid-up capital of Rs. 100 million and statutory reserve of Rs. 1.37 million. The Modaraba incurred a net loss of Rs. 19.69 million during the year (1997: Rs. 24.64 million). The Modaraba's current liabilities exceed its current assets by Rs. 23.07 million (1997: Rs. 32.93 million). The Modaraba has obtained significant musharika financing on which it is paying profit. Although expenses of the Modaraba have been reduced significantly, immediate attention has been given by the management on generating enough cash flows by selling investments in listed securities in order to pay the liabilities. For these reasons, these financial statements have been prepared under the going concern assumption.

### **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**

##### **2.2.1 Owned**

Fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to income applying the straight line method. Full year's depreciation is charged on additions while no depreciation is charged on deletion during the year.

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.

##### **2.2.2 Leased**

Assets subject to finance leases are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligations under the leases are accounted for as liabilities. Depreciation is charged to income applying the straight line method.

#### **2.3 Deferred costs**

Expenses incurred in connection with incorporation and floatation of the Modaraba are being written off over a period of sixty months on a proportionate basis.

#### **2.4 Investments**

Long term investments are stated at cost and provisions are made for other than temporary diminution in value, if any.

Short term investments are carried at the lower of average cost and market value determined on an aggregate portfolio basis.

#### **2.5 Revenue recognition**

- Profit from musharika transactions is recognised on the basis of pro-rata accrual of the estimated profit during the year.
- Gain/loss on sale of investments is accounted for in the period in which it arises.
- Income from financial advisory services is recognised as and when services are rendered.
- Dividend income is recognised when the right to the dividend is established.
- Profit on PLS account is recognised on accrual basis.

### **3. STATUTORY RESERVE**

This reserve has been created under the State Bank of Pakistan regulations for Non Bank Financial Institutions.

**4. OBLIGATIONS UNDER FINANCE LEASE**

4.1 The rentals under the lease agreements aggregating Rs. 36,790 are payable in equal monthly installments under lease agreements latest by 2001. Taxes repairs, replacement and insurance costs, if any, are to be borne by the Modaraba. The rate of financing is equal to 22.33% per annum which rate has been used as discounting factor.

4.2 The minimum lease payments for which the Modaraba has committed to pay in future under the lease agreements are due as follows:

	1998 Rupees	1997 Rupees
Year ending June 30, 1999	16,980	-
Year ending June 30, 2000	16,980	-
Year ending June 30, 2001	2,830	-
	-----	-----
	36,790	-
Finance charges allocated to future periods	(7,832)	-
	-----	-----
	28,958	-
Current portion of obligations under finance lease	(11,658)	-
	-----	-----
	17,300	-
	=====	=====

**5. MUSHARIKA OBLIGATIONS - Secured**

	1998 Rupees	1997 Rupees
Non-Bank Financial Institutions	28,802,659	38,897,205
Banks	1,900,000	5,420,579
	-----	-----
	30,702,659	44,317,784
	=====	=====

These represent funds obtained from non-Bank Financial Institutions and banks on musharika basis for financing the Modaraba's activities. The profit and loss from these activities is to be shared between the Modaraba and the Non-Bank Financial Institutions and banks in agreed proportions. The provisional profit rate under musharika agreements ranges between 19% to 22.5% per annum. These are secured against pledge of listed securities.

**6. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES**

	1998 Rupees	1997 Rupees
Creditors		
Profit payable on musharika obligations	12,836,007	14,701,240
Accrued expenses	3,270,275	5,105,066
Other liabilities	252,043	1,184,666
	-	6,755
	-----	-----
	16,358,325	20,997,727
	=====	=====

**7. TANGIBLE FIXED ASSETS**

	COST			DEPRECIATION			Written down value as at June 30, 1998	Depreciation rate %
	as on July 1, 1997	Additions/ (disposal) during the year	as at June 30, 1998	for the year	as at June 30, 1998			
Furniture and fixtures	-	1,600	1,600	160	160	1,440	10	
Motor vehicle	1,601,062	(1,601,062)	-	-	-	-	20	
	-----	-----	-----	-----	-----	-----		
	1,601,062	1,600	1,600	160	160	1,440		
		(1,601,062)						

1997	3,382,040	17,310	1,601,062	320,212	1,120,744	480,318
		(1,798,288)				

**7.1 Disposal of tangible fixed assets**

Type of assets	cost	Accumulated depreciation	Written down value	Sale proceeds	Mode of disposal	Purchaser
	Rupees					
Motor Vehicle	1,601,062	1,120,744	480,318	850,000	Sale	Mr. Sheharyar Khan

**8. ASSETS SUBJECT TO FINANCE LEASE**

	COST			DEPRECIATION			Written Depreciation rate %
	as on July 1, 1997	additions/ (disposal) during the year	as at June 30, 1998	for the year	as at June 30, 1998	down value as at June 30, 1998	
	Rupees						
Office equipment	-	37,570	37,570	3,757	3,757	33,813	10
1997	-	-	-	-	-	-	-

**9. LONG TERM INVESTMENTS - Listed securities**

No. of Share/ Certificates	Name of companies	1998 Rupees	1997 Rupees
1998	1997		
100,000	100,000 Dhan Fibres Ltd.	1,875,500	1,875,500
401,500	301,500 Faysal Bank Ltd.	11,548,845	15,379,308
50,000	50,000 Ibrahim Fibres Ltd.	786,000	786,000
100,000	100,000 Kohinoor Raiwind Ltd.	1,150,000	1,150,000
666,000	358,800 Lucky Cement Ltd.	9,884,252	18,361,403
	Pakistan Telecommunication Corporation Ltd.		
380,000	230,000 Corporation Ltd.	10,849,612	17,925,446
230,000	230,000 Maple Leaf Electric Ltd.	5,857,968	5,857,968
185,000	185,000 Elahi Electric Co. Ltd.	3,888,849	3,888,849
		-----	-----
		45,841,026	65,224,474
	Less: Provision for diminution in value of investments	(16,532,251)	(8,446,224)
		-----	-----
		29,308,775	56,778,250
		=====	=====

Included in the above are securities costing Rupees 24,545,364 (1997: Rupees 45,956,317) not transferred in the name of the Modaraba.

The aggregate amount of market value of these securities as at June 30, 1998 Rupees 10,555,000 (1997: Rupees 32,244,925)

**10. DEFERRED COSTS**

	1998 Rupees	1997 Rupees
Preliminary and floatation expenses		
Expenses of public issue	3,684,750	3,684,750
Underwriting commission	670,000	670,000
Commission and brokerage	598,788	598,788

	4,953,538	4,953,538
Pre-operating expenses (Note 10.1)	1,588,032	1,588,032
Office renovation	943,039	943,039
	7,484,609	7,484,609
Amortized to date	(6,612,389)	(4,989,734)
	872,220	2,494,875
	=====	=====

**10.1 Pre-operating expenses**

Salaries, allowances and benefits	1,054,877	1,054,877
Travelling, conveyance and entertainment	187,803	187,803
Telephone and postage	233,670	233,670
Printing, stationery and advertising	159,650	159,650
Vehicle running and maintenance	88,000	88,000
Facilities and services	115,500	115,500
Repairs and maintenance	302,409	302,409
Rent, rates and taxes	8,928	8,928
Fees and subscriptions	8,787	8,787
Legal and professional charges	207,604	207,604
Gas charges	365	365
Miscellaneous expenses	7,735	7,735
Profit on PLS accounts	(787,296)	(787,296)
	1,588,032	1,588,032
	=====	=====

**11. SHORT TERM INVESTMENTS - Listed securities**

No. of share/ Certificates		Name of companies	1998 Rupees	1997 Rupees
1998	1997			
<b>Modarabas</b>				
		LTV Capital Modaraba (Managed by National Technology Development Corporation Ltd.) (ordinary certificates of Rupees 5 each)	5,037,578	5,037,578
445,000	445,000			
<b>Leasing</b>				
		Pakistan Industrial Leasing Corporation Ltd.	1,666,470	2,606,530
61,000	39,000			
14,000	14,000	Trust Leasing Corporation Ltd.	432,500	432,500
<b>Investment Companies and Banks</b>				
50,000	25,000	Fidelity Investment Bank Ltd.	1,221,087	2,442,174
10,500	10,500	AI-Towfeek Investment Bank Ltd.	488,925	448,925
57,500	7,500	Bankers Equity Ltd.	265,125	2,032,625
93,245	21,745	Crescent Investment Bank Ltd.	1,281,410	5,494,831
3,500	3,500	Faysal Bank Ltd.	123,550	123,550
		Pakistan Industrial Credit and Investment Corporation Ltd.	597,743	597,743
5,750	5,750			
49,000		- Schon Bank Ltd.	-	864,850
15,187	1,687	Union Bank Ltd.	34,534	310,891
<b>Textile Spinning</b>				
13,500	13,500	Din Textile Mills Ltd.	394,870	394,870
140	140	Saif Textile Mills Ltd.	9,614	9,614
<b>Synthetic and Rayon</b>				
40,000	15,000	Dhan Fibres Ltd.	190,950	509,200
20,000		- Indus Polyester Ltd.	-	707,000
33,625	19,625	Pakistan Synthetics Ltd.	901,395	1,544,429
<b>Cement</b>				
29,975	25,225	D.G. Khan Cement Co. Ltd.	1,579,920	1,877,428
0	100,000	Lucky Cement Ltd.	2,541,200	2,541,200
56,250	50,250	Maple Leaf Cement Factory Ltd.	2,029,703	2,272,055

<b>Fuel and Energy</b>			
50,000	150,000 Kohinoor Genertech Ltd.	3,305,000	3,305,000
22,000	- Nishat Tek Ltd.	-	874,450
		-----	-----
	Balance carried forward	22,061,574	34,427,443
	Balance brought forward	22,061,574	34,427,443
<b>Transport and Communication</b>			
111,000	111,000 Tristar Shipping Lines ltd.	1,474,420	1,474,420
	Pakistan Telecommunication Corporation Ltd.		
40,000	40,000 Corporation Ltd.	1,280,041	1,280,041
<b>Mutual Funds</b>			
4,900	4,900 First Capital Mutual Fund Ltd.	49,000	49,000
205,000	205,000 KASB Premier Fund Ltd.	1,339,222	1,339,222
<b>Ceramics</b>			
1,500	1,500 Karam Ceramics Ltd.	36,700	36,700
<b>Miscellaneous</b>			
30,000	25,000 Tripack Films Ltd.	478,750	574,500
60,000	60,000 United Distributors Pakistan Ltd.	1,960,000	1,960,000
		-----	-----
		28,679,707	41,141,326

Less: Provision for diminution in value of investment

(23,287,341)	(27,120,126)
-----	-----
5,392,366	14,021,200
=====	=====

Included in the above are securities costing Rupees 12,810,633 (1997: Rupees 13,518,468) not transferred in the name of the Modaraba.

The aggregate amount of market value of shares/certificates held by the Modaraba as at June 30, 1998 is Rupees 5,392,366 (1997: Rupees 14,021,200).

All the shares/certificates are of the face value of Rs. 10 each unless specified.

#### 12. MUSHARIKA RECEIVABLE - Unsecured, considered good

The Modaraba had entered into musharika agreements with a Non-Bank Financial Institution and the provisional profit rate under musharika agreement is 22.5% per annum.

	1998	1997
	Rupees	Rupees

#### 13. DEBTORS - Unsecured, considered good

These represent profit on musharika receivable.

#### 14. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advance against purchase of shares (Note 14.1)	5,000,000	5,000,000
Advance to staff (note 14.2)	6,056	8,320
Advance income tax	135,631	133,670
Prepayments	-	1,383
Profit on PLS accounts	-	15,943
Due from management company (Notes 14.3 and 14.4)	1,594,364	1,522,340
Other receivables	1,116,001	2,000,000
	-----	-----
	7,852,052	8,681,656
	=====	=====

14.1 This represents amount paid in 1994 for subscription of shares of Capital Bank' Ltd. The Corporate Law Authority (CLA) had subsequently frozen the subscription money. The matter is still in process with the CLA.

14.2 The maximum amount at the end of the month during the period due from the staff was Rupees 6,056 (1997 - Rupees 8,320).

14.3 The Modaraba paid Rupees 1,594,364 (1997 - Rupees 1,522,340) to Financial Link Limited, the Modaraba's management company, to enable it to pay office rent and salary of the Chief Executive, as the management company has no source of income to pay its expenses.

#### 15. CASH AND BANK BALANCES

	1998 Rupees	1997 Rupees
Cash in hand	20,000	20,000
Cash with banks on - Current account	1,759	1,909
- PLS account	801,783	187,698
- State Bank of Pakistan account	300,000	300,000
- Dividend account	69,016	69,016
	-----	-----
	1,192,558	578,623
	=====	=====

#### 16. OPERATING EXPENSES

	1998 Rupees	1997 Rupees
Salaries, allowances and benefits (Note 16.1)	665,466	738,408
Travelling, conveyance and entertainment	33,427	69,093
Electricity and gas charges	39,539	244,619
Motor vehicle running and maintenance	105,217	132,762
Rent, rates and taxes	19,000	13,411
Shares transfer and handling charges	64,925	8,150
Telephone and communication	30,894	70,818
Printing, stationery and advertising	103,118	99,689
Repairs and maintenance	25,090	107,909
Fees and subscriptions	52,800	100,900
Legal and Professional	183,443	495,035
Insurance	29,810	117,086
Security services	8,000	96,000
Auditors' remuneration (Note 16.2)	50,000	59,160
Depreciation	3,917	320,212
Books, news papers and periodicals	2,107	6,414
Document fees and charges	-	1,560
Zakat deducted at source	-	123,383
Bank charges and commission	704	822
Excise duty	-	47,843
Fine and penalty	-	44,052
Contribution to E.O.B.I.	-	14,843
Others	13,030	2,957
	-----	-----
	1,430,487	2,915,126
	=====	=====

#### 16.1 Remuneration to officers and employees

The aggregate amount charged for remuneration, including all benefits to officers and employees of the Modaraba are as under:

	1998			1997		
	Officers	Employees	Total	Officers	Employees	Total
Remuneration	310,942	165,443	476,385	214,574	193,367	407,941
Allowances	97,200	40,935	138,135	151,965	133,599	285,564
Medical	12,793	38,153	50,946	17,826	27,077	44,903
	-----	-----	-----	-----	-----	-----
	420,935	244,531	665,466	384,365	354,043	738,408
	=====	=====	=====	=====	=====	=====

#### 16.2 Auditors' remuneration

	1998 Rupees	1997 Rupees
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Fee for statutory audit	50,000	50,000
Out-of-pocket expenses	-	9,160
	-----	-----
	50,000	59,160
	=====	=====

**17. OTHER INCOME**

Profit on disposal of fixed assets	369,682	644,545
Profit on PLS accounts	3,710	104,784
Reversal of liabilities no longer payable	3,989,652	-
Others	-	54,712
	-----	-----
	4,363,044	804,041
	=====	=====

**18. CASH GENERATED FROM OPERATIONS**

Loss for the year	(19,699,146)	(24,649,881)
Adjustments for:		
Depreciation	3,917	320,212
Amortization of deferred costs	1,622,655	2,731,871
Loss on sale of long term investments	7,350,980	1,576,895
Profit on musharika obligations	3,683,575	10,354,814
Dividend income	(1,083,750)	(1,881,000)
Gain on disposal of fixed assets	(369,682)	(644,545)
Reversal of liabilities	(3,989,652)	-
Provision for diminution in value of investments	4,253,242	8,284,403
Financial charges on lease	5,538	-
	-----	-----
Operating loss before working capital changes	(8,222,323)	(3,907,231)
Decrease/(increase) in working capital		
Advances, prepayments and other receivables	829,604	(1,581,783)
Debtors	(655,579)	1,498,192
Short term investments	12,461,619	3,429,563
Musharika receivable	198,596	11,200,000
Unclaimed profit distribution	-	(156)
Creditors, accrued and other liabilities (excluding profit on musharika obligations)	1,185,041	987,943
	-----	-----
	14,019,281	15,533,759
	-----	-----
	5,796,958	11,626,528
	=====	=====

**19. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS**

	1998	1997
	Rupees	Rupees
Musharika obligation with associated undertaking	-	5,000,000
Sale of fixed assets to associated undertaking	-	2,000,000
Advance provided to management company	1,594,364	1,522,340
Financial advisory fee from an associated undertaking	-	290,430

**20. GENERAL**

Prior year's figures have been rearranged and reclassified wherever necessary to facilitate comparison.

<b>Director</b>	<b>Director</b>	<b>Director</b>
Financial Link Limited	Financial Link Limited	Financial Link Limited