

**FINANCIAL LINK MODARABA****CONTENTS**

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**CORPORATE INFORMATION****BOARD OF DIRECTORS**

Shahid Hameed Chairman  
 Syed Ghazanfar Ali  
 Tasnimul Haq Farooqui  
 Muhammad Saeed Akhtar  
 Sajid Ali Abbasi  
 Shahid Abdulla  
 Farooq Hashmi

**COMPANY SECRETARY**

Farooq Hashmi

**AUDITORS**

Syed Husain & Co. Chartered Accountants.

**BANKER**

Muslim Commercial Bank Limited

**REGISTRAR**

Syed Husain & Co.  
 1st Floor, Modern Motor 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, 2002.

**FINANCIAL HIGHLIGHTS**

	<b>2002</b>	<b>2001</b>
Operating Income / (Loss)	35,081	20,369
Adjustment in value of Investment	6,955	-
Less :		
Expenses	869,694	757,285
Loss on diminution in value of Investment		1,871
Write-off of Profit receivable		1,166,719
Financial charges on Lease assets	-	1,953
	869,694	1,927,828
Operating Profit/(Loss) for the period	(827,658)	(1,907,459)
Other income	91,499	19,223
Loss for the year	(736,159)	(1,888,236)
Un-appropriated loss brought forward	(98,658,664)	(96,770,428)
Losses carried forward	<b>(99,394,823)</b>	<b>(98,658,664)</b>

**PROFIT DISTRIBUTION**

The Board of Directors of Modaraba Company have not recommended any dividend for the year ended June 30,

2002, in the light of accumulated losses suffered by the Modaraba. Accordingly, no management fee has been given to the company for the period under review.

#### **FUTURE OUTLOOK**

All the investments, pledged with various financial institutions, have been already settled. Presently, FLM is actively pursuing a "Settlement Plan" according to which the management of the Modaraba may be "taken-over" by a financial institution. After finalization of "Management take-over," the modaraba is envisaged to be reactivated by way of injection of fresh capital, ensuring its revival and safeguarding the interests of the certificate holders.

#### **AUDITORS**

The Present auditors Messrs "Syed Husain & Co", Chartered Accountants being due for retirement, have offered themselves for re-appointment for the year ending June 30, 2003. Their appointment has been confirmed by the Board of Directors, subject to the approval by the Registrar of Madaraba Companies and Modarabas.

#### **SUMMARY OF KEY OPERATING AND FINANCIAL DATA FOR THE LAST SIX YEARS**

A summary of key operating and financial results for the last six years, is included in the financial results for the year under review.

#### **OUTSTANDING STATUTORY PAYMENTS**

There are no outstanding statutory payments on account of taxes, duties, levies and charges except of a normal and routine nature.

#### **COMMENTS ON THE AUDITORS REPORT:**

The Auditors have referred to certain matters in this report to the certificate holders, which need to be classified as follows:

The Modaraba has accumulated losses of Rs. 99.39 million as at June 30, 2002 (2001: Rs. 98.66 million) as against its paid-up capital of Rs. 100 million and statutory reserve of Rs. 1.812 million. The Modaraba earned a net loss of Rs. 0.736 million during the year (2001: Net Loss of Rs. 1.88 million). The Board of Directors of the Modaraba Company are making efforts for and are confident that the Modaraba would be taken over by prospective buyer. Therefore, these financial statements have been prepared under the going concern assumption.

The Board of Directors in their 27th meeting held on December 20, 2000 have appointed Mr. Farooq Hashmi as Chief Executive of the Modaraba Company. The Management Company is still awaiting approval of appointment from the Securities and Exchange Commission of Pakistan. Due to pending approval of the Chief Executive, these financial statements have been signed by three directors of the Modaraba Company. This is in contravention of section 12(1) of the Modaraba Companies and Modaraba Rules, 1981.

#### **MEETINGS OF THE BOARD OF DIRECTORS**

##### **During the financial year, six meetings of the Board of Directors were held and number of meetings each of the**

Directors attended are mentioned below:

<b>Names of Directors</b>	<b>No. of meetings attended</b>
Mr. Shahid Hameed	6
Syed Ghazanfar Ali	5
Mr. Tasnimul Haq Farooqi	6
Mr. Muhammad Saeed Akhter	5
Mr. Sajid Ali Abbasi	5
Mr. Shahid Abdulla	1
Mr. Farooq Hashmi (Proposed Director)	6

#### **STATEMENT IN COMPLIANCE OF THE CODE OF CORPORATE GOVERNANCE**

##### **The Directors state that:**

- The financial statements prepared by the Management present a true and fair state of the Modaraba affairs.
- Proper books of accounts have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgement.
- International accounting standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure therefrom has been adequately disclosed.

- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There is no significant doubt upon the Modaraba's ability to continue as a going concern.
- g. There has been no material departure from the best practices of corporate governance, as detailed in the listed regulations.

#### AUDIT COMMITTEE

In compliance to the code of Corporate Governance, the Board of Directors has established an Audit Committee and the following non-executive Directors are its members:

Mr. Shahid Hameed	Chairman
Syed Ghazanfar Ali	Member
Mr. Farooq Hashmi	Member

#### PATTERN OF SHAREHOLDING

The statement of pattern of shareholding is annexed to this report.

#### 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 Companies and Modarabas.

SHAHID HAMEED

Chairman

Karachi: September 27, 2002

#### KEY OPERATING AND FINANCIAL DATA

(Rupees in Thousand)

PARTICULARS	YEAR					
	2002	2001	2000	1999	1998	1997
Paid-up Capital	100,000	100,000	100,000	100,000	100,000	100,000
Equity	2,417	3,153	5,042	601	7,123	26,822
Current Liabilities	182	614	706	32,336	47,142	65,384
Fixed Assets	19	43	42	33	35	480
Current Assets	2,575	3,700	5,701	12,354	24,066	32,453
Operating Profit/(Loss)	(835)	(1,905)	(19,061)	(8,326)	(24,062)	(25,454)
Profit / (Loss) for the year	(736)	(1,888)	4,441	(6,523)	(19,699)	(24,650)
Earning per certificate	-0.07	-0.19	0.44	-0.65	-1.97	-2.46

#### STATEMENT OF COMPLIANCE OF CODE OF CORPORATE GOVERNANCE

The Karachi Stock Exchange through Listing regulation No. 37 directed all the listed Companies to implement the Code of Corporate Governance.

The Board of Directors of Financial Link Limited has adopted the Code of Corporate Governance and all the necessary actions have been taken for all applicable and relevant Clauses and the Board agrees to take care of the remaining clauses as and when applicable.

No. of Shareholders	Share Holding			Total Shares Held
	From	To		
35	1	100	3,500	
2,520	101	500	1,249,200	
52	501	1000	49,400	
60	1001	5000	159,700	
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	172,000	
5	60001	65000	324,000	

1	65001	70000	66,500
2	95001	100000	200,000
1	115001	120000	116.3
1	145001	150000	145,400
1	290001	295000	290.5
3	295001	300000	900,000
1	340001	345000	345,000
1	345001	350000	348,600
1	370001	375000	375,000
1	375001	380000	376,000
1	580001	585000	580,800
2	600001	1100000	1,446,900
1	1600001	2100000	2,000,000
<b>2,751</b>		<b>10,000,000</b>	

CATEGORIES OF SHARE HOLDERS	Number	Shares held	Percentage
1. CENTRAL DEPOSITORY	0	0	0
2. FINANCIAL INSTITUTIONS	11	1,770,500	17.705
3. INSURANCE COMPANIES	2	87,500	0.875
4. INVESTMENT COMPANIES	8	1,335,500	13.355
5. MODARABA COMPANIES	1	2,000,000	20
6. JOINT STOCK COMPANIES	11	2,004,200	20.042
7. ASSOCIATED COMPANIES	0	0	0
8. DIRECTORS, CEO AND THEIR SPOUSES AND MINOR CHILDREN	0	0	0
9. EXECUTIVES OF THE COMPANY/MODARA	0	0	0
10. OTHERS	0	0	0
11. INDIVIDUALS	2,718	2,802,300	28.023
	<b>2,751</b>	<b>10,000,000</b>	<b>100</b>

Shareholders hold 10% or more voting in the Company.

00001 Financial Link Limited	2,000,000	20
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#### REVIEW REPORT TO THE CERTIFICATE HOLDERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Financial Link Limited (the Modaraba Company) representing Financial Link Modaraba (the Modaraba) to comply with the relevant Listing Regulations of the Karachi Stock Exchange where the Modaraba is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Modaraba Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Modaraba personnel and review of various documents prepared by the Modaraba to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, except for appointment of Chief Executive of the Modaraba Company due to pending approval from Securities and Exchange Commission of Pakistan, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

#### SYED HUSAIN & CO.

Chartered Accountants

Karachi: September 27, 2002

#### AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet as at June 30, 2002 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, 2002 of Financial Link Modaraba which are Modaraba Company's (Financial Link

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 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, 2002 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) the business conducted, investments made and expenditure incurred by the Modaraba are in accordance with the objects, terms and conditions of the Modaraba; and

Without qualifying our opinion, we draw attention to the following:

(a) Note 1.2 to the financial statements; the Modaraba has accumulated losses of Rs. 99.39 million (2001: Rs. 98.66 million). The Board of Directors of the Modaraba Company are making efforts for and are confident that the Modaraba would be taken over by a prospective buyer. Therefore, these financial statements have been prepared on a going concern assumption; and

(b) Note 1.3 to the financial statements, due to pending approval for appointment of Chief Executive of the Modaraba Company from Securities and Exchange Commission of Pakistan, the financial statements of the Modaraba have been signed by three directors of the Modaraba Company. This is in contravention of section 12(1) of the Modaraba Companies and Modaraba Rules, 1981.

#### SYED HUSSAIN & CO.

Chartered Accountants

Karachi: 27th September, 2002

#### BALANCE SHEET

Note	2002 Rupees	2001 Rupees
<b>CAPITAL AND RESERVES</b>		
Authorised capital		
25,000,000 modaraba certificates of Rs. 10 each Issued, subscribed and paid-up capital	250,000,000	250,000,000
10,000,000 modaraba certificates of Rs. 10/- each		
fully paid in cash	100,000,000	100,000,000
Statutory reserve	1,812,104	1,812,104
Accumulated Loss	(99,394,823)	(98,658,664)
	2,417,281	3,153,440
<b>CURRENT LIABILITIES</b>		
Accrued expenses	113,004	544,773
Unclaimed profit distribution	69,016	69,016
	182,020	613,789
	<b>2,599,301</b>	<b>3,767,229</b>

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

#### AS AT JUNE 30, 2002

Note	2002 Rupees	2001 Rupees
TANGIBLE FIXED ASSETS	3	43,340

LONG TERM INVESTMENTS	4	4,490	4,175
CURRENT ASSETS			
Short term investments	5	32,113	25,473
Musharika investment	6	116,000	3,352,019
Advances, prepayments and other receivables	7	260,772	236,218
Cash and bank balances	8	2,166,476	106,004
		<b>2,575,361</b>	<b>3,719,714</b>

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2002**

	Note	2002 Rupees	2001 Rupees
Profit on musharika		16,561	3,507
Loss on sale of investment		-	(13)
Dividend Income		18,520	16,875
		35,081	20,369
Operating expenses	9	869,694	757,285
Write off of profit receivable		-	1,166,719
Finance charges on leased assets		-	1,953
		869,694	1,925,957
Operating loss for the year		(834,613)	(1,905,588)
Provision for diminution in the value of investment			(1,871)
Adjustment for value of investments		6,955	-
		(827,658)	(1,907,459)
Other income	10	91,499	19,223
Loss for the year		(736,159)	(1,888,236)
Accumulated loss brought forward		(98,658,664)	(96,770,428)
Accumulated loss carried forward		(99,394,823)	(98,658,664)
Loss per modaraba certificate	11	<b>-0.07</b>	<b>-0.19</b>

**STATEMENT OF CHANGES IN FINANCIAL POSITION  
(CASH FLOW STATEMENT)  
FOR THE YEAR ENDED JUNE 30, 2002**

	Note	2002 Rupees	2001 Rupees
-			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations (Note 12)		1,991,598	(919,649)
Dividend received		18,520	16,875
Interest received		56,654	35,160
Net cash generated from / (used in) operations		2,066,772	(867,614)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(6,300)	(8,000)
proceeds from sale of long term investments		-	150
Net cash used in investing activities		(6,300)	(7,850)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment against finance lease		-	(2,756)
NET INCREASE/(DECREASE) IN CASH AND BANK BALANCES		2,060,472	(878,220)
CASH AND BANK BALANCES AT THE BEGINNING OF THE YEAR		106,004	984,224
CASH AND BANK BALANCES AT THE END OF THE YEAR		<b>2,166,476</b>	<b>106,004</b>

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

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2002**

	Issued, subscribed and paid-up capital	Statutory Reserve	Accumulated loss	Total
Rupees				
Balance as at July 1, 2000	100,000,000	1,812,104	(96,770,428)	5,041,676
Net loss for the year	-	-	(1,888,236)	(1,888,236)
Balance as at June 30, 2001	100,000,000	1,812,104	(98,658,664)	3,153,440
Net loss for the year	-	-	(736,159)	(736,159)
Balance as at June 30, 2002	<b>100,000,000</b>	<b>1,812,104</b>	<b>(99,394,823)</b>	<b>2,417,281</b>

In accordance with the Prudential regulations for Modarabas, the Modaraba is required to transfer 10 per cent of its after tax profits to reserve until the reserve equals the paid-up capital. Thereafter, 5 percent of its after tax profits are required to be transferred to the reserve. Due to loss in the current year, no amount has been transferred to the reserve.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2002**

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

1.1 The Financial Link Modaraba (the 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 is a perpetual and multipurpose modaraba and is engaged in venture capital, equity investment, musharika financing arrangement and financial advisory services. The Modaraba is listed on the Karachi Stock Exchange.

1.2 The Modaraba has accumulated losses of Rs. 99.39 million as at June 30, 2002 (2001: Rs. 98.66 million) as against its paid-up capital of Rs. 100 million and statutory reserve of Rs. 1.812 million. The Modaraba earned a net loss of Rs. 0.736 million during the year (2001: Net Loss of Rs. 1.88 million). The Board of Directors of the Modaraba Company are making efforts for and are confident that the Modaraba would be taken over by prospective buyer. Therefore, these financial statements have been prepared under the going concern assumption.

1.3 The Board of Directors in their 27th meeting held on December 20, 2000 have appointed Mr. Farooq Hashmi as Chief Executive of the Modaraba Company. The Management Company is still awaiting approval of appointment from the Securities and Exchange Commission of Pakistan. Due to pending approval of the Chief Executive, these financial statements have been signed by three directors of the Modaraba Company. This is in contravention of section 12(1) of the Modaraba Companies and Modaraba Rules, 1981.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **2.1 Basis of preparation**

These financial statements have been prepared in accordance with the requirements of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and International Accounting Standards (IASs) as applicable in Pakistan.

#### **2.2 Accounting convention**

These financial statements have been prepared under the historical cost convention except for the revaluation of certain financial instruments.

#### **2.3 Fixed assets and depreciation**

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 assets disposed off during the year.

Normal repairs and maintenance are charged to income as and when incurred. Gains and losses if any, on disposal of fixed assets are taken to the profit and loss account.

#### **2.4 Investments in listed securities**

##### **Initial measurement**

Investment in listed securities are recognised on a trade-date basis and are initially measured at cost.

##### **Subsequent measurement**

###### **Held-for-trading**

These are securities which are either acquired for generating a profit from short-term fluctuation in prices or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists.

Held-for-trading investments are measured at subsequent reporting dates at fair value. Unrealised gains and losses are included in the net profit or loss for the period.

###### **Available-for-sale**

These are investments that do not fall under held-for-trading.

Available-for-sale investments are measured at subsequent dates at fair value.

Unrealised gains and losses are recognised directly in the net profit or loss for the period.

## 2.5 Revenue recognition

- Income from musharika investment is recognized on accrual basis, taking account of the duration of placement of funds and the estimated profit rate.
- Gain/loss on sale of investments is accounted for in the period in which it arises.
- Dividend income is recognised when the right to the dividend is established.
- Profit on PLS account is recognised on accrual basis.

## 3. TANGIBLE FIXED ASSETS

	Cost		Depreciation			Written down value as at June 30, 2002	Rate of Depreciation per annum %	
	As at July 01, 2001	Additions/ (deletions) during the year	As at June 30, 2002	Accumulated as at July 01, 2001	For the year/(on deletions)			Accumulated as at June 30, 2002
Furniture and fixtures	17,600	—	17,600	4,000	1,760	5,760	11,840	10
Office Equipments	45,570	6,300	43,870	15,830	28,430	36,260	7,610	30
		(8,000)			(8,000)			
	2002	63,170	61,470	19,830	30,190	42,020	19,450	
					(8,000)			
	2001	55,170	63,170	13,513	6,317	19,830	43,340	

## 4. LONG TERM INVESTMENTS - Listed securities

Available for sale investments

No. of ordinary Shares Rs.10 each	Name of company	2002	2002	2001
		Rupees	Rupees	Rupees
2001	2002	Cost	Fair Value	Cost
100	100 Kohinoor Raiwind Ltd.	1,150	2,030	1,150
300	300 Lucky Cement Ltd.	8,265	2,460	8,265
		<b>9,415</b>	<b>4,490</b>	<b>9,415</b>
Less: Provision for diminution in value of investments			-	(5,240)
			<b>4,490</b>	<b>4,175</b>

4.1 The above securities are not transferred in the name of the Modaraba.

4.2 The aggregated market value of these shares as at June 30, 2002 is Rs. 4,490 (2001: Rs. 4,175)

## 5. SHORT TERM INVESTMENTS • Listed securities

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No. of ordinary Shares Rs.10 each	Name of company	2002	2002	2001
		Rupees	Rupees	Rupees
2001	2002	Cost	Fair Value	Cost
			Value	
850	Investment companies and banks 977 Pakistan Industrial Credit and Investment Corporation	76,884	17,098	76,884
1,940	1,940 Union Bank Limited	34,534	13,580	34,534
140	Textile Spinning: 140 Sail Textile Mills Ltd.	9,614	1,435	9,614
		121,032	32,113	121,032

Less: Provision for diminution in value of investments	-	-95,559
	<b>32,113</b>	<b>25,473</b>

5.1 The aggregate market value of shares held by the Modaraba as at June 30, 2002 is 32,113 (2001:

Rs. 25,473).

## 6. MUSHARIKA INVESTMENT

The Modaraba had entered into a musharika agreement with a non-bank financial institution carrying a provisional profit rate of 16% per annum. Subsequently, the Modaraba has rescheduled this arrangement with the same terms and conditions.

Note	2002 Rupees	2001 Rupees
7. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES		
Advance to staff (note 7.1)	51,501	71,501
Advance income tax	158,045	148,895
Prepaid rent	9,600	9,600
Profit receivable on musharika investment	4,068	3,507
Other receivables	37,558	2,715
	<b>260,772</b>	<b>236,218</b>

The maximum amount due at the end of the any month during the year aggregating to Rupees 51,501(2001: Rs.71,501).

## 8. CASH AND BANK BALANCES

Note	2002 Rupees	2001 Rupees
Cash in hand	20,000	20,000
Cash with bank on - PLS account	2,077,460	16,988
Dividend account	69,016	69,016
	<b>2,166,476</b>	<b>106,004</b>

Note	2002 Rupees	2001 Rupees
9. OPERATING EXPENSES		
Salaries, allowances and benefits (Note 9.1)	452,659	385,743
Travelling and conveyance	7,106	9,270
Entertainment	2,913	406
Rent, rates and taxes	34,800	38,300
Telephone and communication	35,087	24,049
Printing and stationery	71,292	71,838
Repairs and maintenance	10,450	4,500
Fees and subscriptions	65,830	75,500
Legal and professional	43,114	47,713
Auditors' remuneration (Note 9.2)	75,000	61,920
Depreciation	30,190	6,317
Books, news papers and periodicals	3,276	3,600
Bank charges and commission	100	200
Others	37,877	27,929
	<b>869,694</b>	<b>757,285</b>

### 9.1 Remuneration to officers and employees

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

	2002			2001		
	Officers	Employees	Total	Officers	Employees	Total
			..... Rupees.....			
Remuneration	-	262,452	262,452	-	223,740	223,740
Allowances	-	173,412	173,412	-	148,896	148,896
Medical	-	16,795	16,795	-	13,107	13,107
	-	452,659	452,659	-	385,743	385,743
Number of persons	-	2	2	-	2	2

### 9.2 Auditors' Remuneration

<b>2002</b>	<b>2001</b>
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Note	Rupees	Rupees
Audit fee	75,000	50,000
Out-of-pocket expenses	-	11,920
	75,000	61,920
<b>10. OTHER INCOME</b>		
Profit on PLS accounts	91,499	7,418
Reversal of liabilities no longer payable	-	11,805
	91,499	19,223
<b>11. LOSS PER CERTIFICATE</b>		
Loss for the year(Rupees)	(736,159)	(1,888,236)
Number of certificates	10,000,000	10,000,000
Loss per certificate (Rupees)	(0)	(0)
<b>12. CASH GENERATED FROM OPERATIONS</b>		
Loss for the year	(756,159)	(1,888,236)
Adjustments for:		
Depreciation	30,190	6,317
Loss on sale of investments	-	13
Bad debt expense	-	1,503,504
Dividend income	(18,520)	(16,875)
Profit on PLS account	(91,499)	(7,418)
Reversal of liabilities no longer payable	-	(11,805)
(Reversal of / Provision for diminution in value of investments)	(6,954)	1,871
Operating(loss) before working capital changes	(822,942)	(412,629)
Decrease/(increase) in advances, prepayments and other receivables	(10,290)	(329,625)
Decrease/increase) in musharika investment	3,236,019	(100,000)
Decrease in accrued expenses	(431,769)	(77,395)
Cash generated from/(used in) operations	<b>1,991,598</b>	<b>(919,649)</b>

### 13. MARK-UP RATE RISK EXPOSURE

The information about modaraba's exposure to mark-up rate risk based on contractual refinancing or maturity dates, whichever is earlier, is as follows:

	2002				Total Rupees	2001				Total	
	Mark-up bearing		Non Mark-up bearing			Mark-up bearing		Non Mark-up bearing			
	Maturity upto one year	Maturity after one year	Maturity upto one year	Maturity after one year		Maturity upto one year	Maturity after one year	Maturity upto one year	Maturity after one year		
Financial Assets											
Long term investments	-	-	-	4,490	4,490	-	-	-	-	4,175	4,175
Short term investments	-	-	32,113	-	32,113	-	-	25,473	-	-	25,473
Musharika investments	116,000	-	-	-	116,000	3,352,019	-	-	-	-	3,352,019
Advances and other receivables	-	-	93,127	-	93,127	-	-	77,722	-	-	77,722
Cash and bank balances	2,077,460	-	89,016	- 2,	166,476	16,988	-	89,016	-	-	106,004
	2,193,460	-	214,256	4,490 2.	412,206	3,369,007	-	192,211	-	4,175	3,565,393
Financial Liabilities											
Accrued expenses	-	-	113,004	(113,004)	-	-	544,773	-	-	545	-
Unclaimed profit distribution	-	-	69,016	-	69,016	-	-	69	-	-	69,016
	-	-	182,020	-	182,020	-	-	613,789	-	-	613,789
On-balance sheet gap (a)	2,193,460	-	32,236	4,490	-	3,369,007	-	(421,578)	-	4,175	-
Cumulative mark-up rate sensitivity gap (b)	<b>2,193,460</b>	-	<b>2,225,696</b>	<b>2,230</b>	-	<b>3,369,007</b>	-	<b>2,947,429</b>	-	<b>2,951,604</b>	-

(a) The on balance sheet gap represents the net amount of on-balance sheet items.

(b) The effective mark-up rates for financial assets are as follows:

	2002 %	2001 %
Musharika investments ^	16	16
Cash and bank balances	8	8

### 14. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Modaraba attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties and continually assessing the credit worthiness of counter-parties.

**15. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the amount for which an asset could be exchanged or liability settled between knowledgeable willing parties in an arms length transaction. The carrying value of financial assets and liabilities approximate their fair values are reflected in respective notes to financial statements.

**16. MANPOWER**

The total number of employees as at June 30, 2002 was 2 (2001: 2)

**17. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the board of directors and authorized for issue on September 27, 2002.

**18. CORRESPONDING FIGURES**

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison.