

Financial Link Modaraba

Annual Report 1999

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CORPORATE INFORMATION

MODARABA COMPANY Financial Link Limited

| | | | |
|---------------------------|-----------------------|-----------------|--|
| BOARD OF DIRECTORS | Shahid Hameed | Chairman | Nominee Director Pak. Libya Holding Co. (Pvt) Ltd. |
| | Syed Ghazanfar Ali | | Nominee Director Pak Libya Holding Co. (Pvt) Ltd. |
| | Tasnimul Haq Farooqui | | Nominee Director Pakistan Kuwait Investment Co. (Pvt) Ltd. |
| | Noman A. Qureshi | | Nominee Director Saudi Pak Industrial & Agricultural Investment Co. (Pvt) Ltd. |
| | Sajid Ali Abbasi | | Nominee Director The Bank of Khyber |
| | Shahid Abdulla | | Nominee Director International Brands (Pvt) Ltd. |
| | Sajjad Haider | | Director |

COMPANY SECRETARY Farooq Hashmi

AUDITORS Khalid Majid Husain Rahman, Chartered Accountants.

Bankers Muslim Commercial Bank Limited
United Bank Limited

REGISTRAR Khalid Majid Husain Rahman
16-K, Block-6, P.E.C.H.S.,
Off Shahra-e-Faisal, Karachi.

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

POSTAL ADDRESS 1st Floor, N.I.C. Building, Abbasi Shaheed Road,
Off Shahra-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, 1999.

FINANCIAL HIGHLIGHTS

| | | <i>Rupees in thousand</i> |
|--|---|---------------------------|
| Operating Income/(Loss) | | (2,120) |
| Less: | Expenses | 1,134 |
| | Profit on Musharika obligations | 3,858 |
| | Loss on diminution in value of investment | 336 |
| | Amortization of deferred cost | 872 |
| | Financial Charges on lease assets | 5 |
| | | ----- |
| | | 6,205 |
| | | ----- |
| Operating (loss) / Profit for the period | | (8,325) |
| Other income | | 1,803 |
| | | ----- |
| | | (6,522) |
| Unappropriated Loss brought forward | | (94,245) |
| | | ----- |
| Profit (loss) carried forward | | (100,767) |
| | | ===== |

The loss of the company for the period under review has been substantially minimized mainly due to a number of settlements already made by the management. However, despite our best efforts, investments could not be liquidated due to heavy potential losses.

PROFIT DISTRIBUTION

The Board of Directors of Modaraba Company have not recommended any dividend for the year ended June 30, 1999. In addition, no management fee has been given to the company for the period under review.

FUTURE OUTLOOK

With most of the investments, pledged with various financial institutions, already settled and the remaining under settlement, the FLM is actively Pursuing a "Re-habilitation plan" ensuring its revival and safeguarding the interests of the certificate holders.

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, 2000. Their appointment has been confirmed by the Board of Directors, subject to the approval by the Registrar of Modaraba Companies and Modaraba.

ACKNOWLEDGMENT

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 Board of Directors, Registrar of Modaraba and the State Bank of Pakistan.

on behalf of the Board

FAROOQ HASHMI
Company Secretary

Karachi: December 28, 1999.

Pattern of holding of shares held by the

Shareholders as on June 30. 1999

| <i>No. of Shareholders</i> | <i>SHARE FROM</i> | <i>HOLDING TO</i> | <i>Total Shares Held</i> |
|--------------------------------|-----------------------|-----------------------|------------------------------|
| 23 | 1 | 100 | 2,300 |
| 2,517 | 101 | 500 | 1,247,800 |
| 53 | 501 | 1000 | 50,000 |
| 60 | 1001 | 5000 | 160,200 |
| 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 |
| 5 | 60001 | 65000 | 324,000 |
| 1 | 65001 | 70000 | 66,500 |
| 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 |
| 1 | 370001 | 375000 | 375,000 |
| 1 | 375001 | 380000 | 376,000 |
| 1 | 580001 | 585000 | 580,800 |
| 1 | 695001 | 700000 | 696,900 |
| 1 | 745001 | 750000 | 750,000 |
| 1 | 1995001 | 2000000 | 2,000,000 |
| ----- | | | ----- |
| 2,737 | | | 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 | 1,267,600 | 12.68 |
| 7. INDIVIDUALS | 2705 | 2,800,800 | 28.00 |
| 8. ASSOCIATED COMPANIES | 0 | 0 | 0.00 |
| 9. FOREIGN INVESTORS | 0 | 0 | 0.00 |
| 10. OTHERS | 0 | 0 | 0.00 |
| ----- | | | ----- |
| | 2737 | 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, 1999 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, 1999 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:

(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, 1999 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.

Without qualifying our opinion, we draw attention to note 1.2 to the financial statements which interalia states that the Modaraba has accumulated losses of Rs. 100.77 million (1998: Rs. 94.24 million) and the Modaraba's current liabilities exceeded its current assets by Rs. 19.98 million (1998: Rs. 23.07 million). Management is working on a plan to reduce expenses and generate 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 Accountants

BALANCE SHEET AS AT JUNE 30, 1999

| | <i>Note</i> | <i>1999 Rupees</i> | <i>1998 Rupees</i> |
|---|-------------|------------------------|------------------------|
| CAPITAL AND RESERVES | | | |
| Authorised capital | | | |
| 25,000,000 modaraba certificates of Rs. 10 each | | 250,000,000 | 250,000,000 |
| | | ===== | ===== |
| Issued, subscribed and paid-up capital | | | |
| 10,000,000 modaraba certificates of Rs. 10 each | | | |
| fully paid in cash | 3 | 100,000,000 | 100,000,000 |
| Statutory reserve | 3 | 1,368,000 | 1,368,000 |
| Accumulated loss | 3 | (100,767,361) | (94,244,751) |
| | | ----- | ----- |
| | | 600,639 | 7,123,249 |
| OBLIGATIONS UNDER FINANCE LEASE | 4 | 2,756 | 17,300 |
| CURRENT LIABILITIES | | | |
| Current maturity of obligations under finance lease | | 14,545 | 11,658 |
| Musharika obligations | 5 | 22,802,659 | 30,702,659 |
| Creditors, accrued expenses and other liabilities | 6 | 9,450,019 | 16,358,325 |

| | | | |
|---|----|------------|------------|
| Unclaimed profit distribution | | 69,016 | 69,016 |
| | | ----- | ----- |
| | | 32,336,239 | 47,141,658 |
| | | ----- | ----- |
| | | 32,939,634 | 54,282,207 |
| | | ===== | ===== |
| TANGIBLE FIXED ASSETS | 7 | 32,774 | 35,253 |
| LONG TERM INVESTMENTS | 8 | 20,552,651 | 29,308,775 |
| DEFERRED COSTS | 9 | -- | 872,220 |
| CURRENT ASSETS | | | |
| Short term investments | 10 | 1,967,038 | 5,392,366 |
| Musharika receivable | 11 | 3,252,019 | 8,601,404 |
| Debtors | 12 | 433,009 | 1,027,579 |
| Advances, prepayments and other receivables | 13 | 5,496,997 | 7,852,052 |
| Cash and bank balances | 14 | 1,205,146 | 1,192,558 |
| | | ----- | ----- |
| | | 12,354,209 | 24,065,959 |
| | | ----- | ----- |
| | | 32,939,634 | 54,282,207 |
| | | ===== | ===== |

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

Director
Financial Link Limited

Director
Financial Link Limited

Director
Financial Link Limited

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

| | <i>Note</i> | <i>1999 Rupees</i> | <i>1998 Rupees</i> |
|--|-------------|------------------------|------------------------|
| Profit on musharika | | 1,056,045 | 1,956,983 |
| Loss on sale of investments | | (3,179,409) | (16,112,964) |
| Dividend income | | 3,128 | 1,083,750 |
| | | ----- | ----- |
| | | (2,120,236) | (13,072,231) |
| Operating expenses | 15 | 1,133,945 | 1,424,949 |
| Profit on musharika obligations | | 3,857,505 | 3,683,575 |
| Financial charges on leased asset | | 5,323 | 5,538 |
| Amortization of deferred cost | | 872,220 | 1,622,655 |
| Loss on diminution in value of investments | | 336,562 | 4,253,242 |
| | | ----- | ----- |
| | | (6,205,555) | (10,989,959) |
| Operating loss for the year | | (8,325,791) | (24,062,190) |
| Other income | 16 | 1,803,181 | 4,363,044 |
| | | ----- | ----- |
| Loss for the year | | (6,522,610) | (19,699,146) |
| Accumulated loss brought forward | | (94,244,751) | (74,545,605) |
| | | ----- | ----- |
| Accumulated loss carried forward | | (100,767,361) | (94,244,751) |
| | | ===== | ===== |
| Earning per modaraba certificate | 17 | (0.65) | (1.97) |
| | | ===== | ===== |

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

Director
Financial Link Limited

Director
Financial Link Limited

Director
Financial Link Limited

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1999**

| | <i>Note</i> | <i>1999 Rupees</i> | <i>1998 Rupees</i> |
|--|-------------|------------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations (Note 18) | | 7,028,128 | 5,796,958 |
| Dividend received | | 2,655 | 1,083,750 |
| Net cash generated froth operating activities | | 7,030,783 | 6,880,708 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds on disposal of fixed assets | | -- | 850,000 |
| Purchase of fixed assets | | (1,600) | (1,600) |
| proceeds from sale of long term investments | | 900,386 | 12,035,308 |
| Purchase of long term investments | | -- | (2,840) |
| Net cash generated from investing activities | | 898,786 | 12,880,868 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Payment of musharika obligation | | (7,900,000) | (13,615,125) |
| Payment of profit on musharika obligations | | -- | (5,518,366) |
| Payment against finance lease | | (11,658) | (8,612) |
| Payment of financial charges | | (5,323) | (5,538) |
| Net cash used in financing activities | | (7,916,981) | (19,147,641) |
| NET INCREASE IN CASH AND BANK BALANCES | | 12,588 | 613,935 |
| OPENING CASH AND BANK BALANCES | | 1,192,558 | 578,623 |
| CLOSING CASH AND BANK BALANCES | | 1,205,146 | 1,192,558 |

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

Director
Financial Link Limited

Director
Financial Link Limited

Director
Financial Link Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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. 100.77 million as at June 30, 1999 (1998: Rs. 94.24 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. 6.52 million during the year (1998: Rs. 19.69 million). The Modaraba's current liabilities exceed its current assets by Rs. 19.98 million (1998: Rs. 23.07 million). The Modaraba has obtained significant musharika financing on which it is paying profit. Expenses of the Modaraba have been reduced significantly, and management has given special attention to 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 inception of the lease, at the lower of the fair value of the assets and present value of minimum lease payments under the lease agreements. The related obligations under the leases are accounted for as liabilities. Depreciation is charged to income applying the straight line method in the same manner as for owned assets.

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

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

3. CHANGES IN EQUITY

| | <i>Share Capital</i> | <i>Statutory reserve</i> | <i>Accumulated loss</i> | <i>Total</i> |
|-----------------------------|--------------------------|------------------------------|-----------------------------|--------------|
| | <i>Rupees</i> | | | |
| Balance as at July 1, 1997 | 100,000,000 | 1,368,000 | (74,545,605) | 26,822,395 |
| Loss for the year 1997-98 | -- | -- | (19,699,146) | (19,699,146) |
| Balance as at June 30, 1998 | 100,000,000 | 1,368,000 | (94,244,751) | 7,123,249 |
| Loss for the year 1998-99 | -- | -- | (6,522,610) | (6,522,610) |
| Balance as at June 30, 1999 | 100,000,000 | 1,368,000 | (100,767,361) | 600,639 |

4. OBLIGATIONS UNDER FINANCE LEASE

4.1 The rentals under the lease agreements aggregating Rs. 19,810 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:

| | <i>1999 Rupees</i> | <i>1998 Rupees</i> |
|---|------------------------|------------------------|
| Year ending June 30, 1999 | -- | 16,980 |
| Year ending June 30, 2000 | 16,980 | 16,980 |
| Year ending June 30, 2001 | 2,830 | 2,830 |
| Finance charges allocated to future periods | 19,810 (2,509) | 36,790 (7,832) |
| Current maturity of obligations under finance lease | 17,301 (14,545) | 28,958 (11,658) |
| | 2,756 | 17,300 |

5. MUSHARIKA OBLIGATIONS - Secured

| | <i>1999 Rupees</i> | <i>1998 Rupees</i> |
|---------------------------------|------------------------|------------------------|
| Non-Bank Financial Institutions | 22,802,659 | 28,802,659 |
| Banks | -- | 1,900,000 |
| | 22,802,659 | 30,702,659 |

These represent funds obtained from non-Bank Financial Institutions 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 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

| | 1999 Rupees | 1998 Rupees |
|---|------------------------------|------------------------------|
| Creditors | 2,250,000 | 12,836,007 |
| Profit payable on musharika obligations | 7,127,780 | 3,270,275 |
| Accrued expenses | 72,239 | 252,043 |
| | ----- | ----- |
| | 9,450,019 | 16,358.33 |
| | ===== | ===== |

7. TANGIBLE FIXED ASSETS

| | <i>as on</i> <i>July 1,</i> <i>1998</i> | <i>Cost</i> <i>additions/</i> <i>(disposal)</i> <i>during</i> <i>the year</i> | <i>as at</i> <i>June 30,</i> <i>1999</i> | <i>Depreciation</i> <i>For the</i> <i>year</i> | <i>as at</i> <i>June 30,</i> <i>1999</i> | <i>Written down</i> <i>value as at</i> <i>June 30,</i> <i>1999</i> | <i>Depreciation</i> <i>rate</i> <i>%</i> |
|----------------------------------|---|---|--|--|--|---|--|
| | | | | Rupees | | | |
| Owned: | | | | | | | |
| Furniture and fixtures | 1,600 | 1,600 | 3,200 | 320 | 480 | 2,720 | 10 |
| Assets subject to finance lease: | | | | | | | |
| Office equipment. | 37,570 | -- | 37,570 | 3,759 | 7,516 | 30,054 | 10 |
| | ----- | ----- | ----- | ----- | ----- | ----- | |
| | 39,170 | 1,600 | 40,770 | 4,079 | 7,996 | 32,774 | |
| | ===== | ===== | ===== | ===== | ===== | ===== | |
| 1998 | 1,601,062 | 39,170 (1,601,062) | 39,170 | 3,917 | 3,917 | 35,253 | |
| | ===== | ===== | ===== | ===== | ===== | ===== | |

8. LONG TERM INVESTMENTS - Listed securities

| <i>No. of shares of</i> <i>Rs. 10 each</i> | <i>Name of companies</i> | 1999 Rupees | 1998 Rupees |
|--|---------------------------------|------------------------------|------------------------------|
| 1998 | 1999 | | |
| 100,000 | --Dhan Fibres Ltd. | -- | 1,875,500 |
| 301,500 | 300,000 Faysal Bank Ltd. | 11,490,000 | 11,548,845 |
| 50,000 | --Ibrahim Fibres Ltd. | -- | 786,000 |
| 100,000 | 100,000 Kohinoor Raiwind Ltd. | 1,150,000 | 1,150,000 |
| 358,800 | 358,800 Lucky Cement Ltd. | 9,884,252 | 9,884,252 |
| | Pakistan Telecommunication | | |
| 230,000 | 120,000 Corporation Ltd. | 5,660,400 | 10,849,612 |
| 230,000 | 30,000 Maple Leaf Electric Ltd. | 764,100 | 5,857,968 |
| 185,000 | 160,000 Elahi Electric Co. Ltd. | 3,363,200 | 3,888,849 |
| | | ----- | ----- |
| | | 32,311,952 | 45,841,026 |
| Less: Provision for diminution in value of investments | | (11,759,301) | (16,532,251) |
| | | ----- | ----- |
| | | 20,552,651 | 29,308,775 |
| | | ===== | ===== |

Included in the above are securities costing Rupees 11,034,252 (1998: Rupees 24,545,364) not transferred in the name of the Modaraba.

The aggregate amount of market value of these securities as at June 30, 1999 Rupees 8,232,300 (1998: Rupees 10,555,000).

9. DEFERRED COSTS

| | <i>1999</i> <i>Rupees</i> | <i>1998</i> <i>Rupees</i> |
|--|------------------------------|------------------------------|
| 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 | (7,484,609) | (6,612,389) |
| | ----- | ----- |
| | -- | 872,220 |
| | ===== | ===== |

9.1 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 |
| Fee 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 |
| | ===== | ===== |

10. SHORT TERM INVESTMENTS - Listed securities

| <i>No. of shares/ Certificates</i> | | <i>Name of companies/modarabas</i> | <i>1999</i> <i>Rupees</i> | <i>1998</i> <i>Rupees</i> |
|--|-------------|--|------------------------------|------------------------------|
| <i>1998</i> | <i>1999</i> | | | |
| | | Modarabas | | |
| | | 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 | | | |
| | | Leasing | | |
| | | Pakistan Industrial Leasing Corporation Ltd. | 1,666,470 | 1,666,470 |
| 39,000 | 39,000 | | | |

| | | | |
|--|---|--------------|--------------|
| 14,000 | --Trust Leasing Corporation Ltd. | -- | 432,500 |
| Investment Companies and Banks | | | |
| 25,000 | 20,000 Fidelity Investment Bank Ltd. | 976,800 | 1,221,087 |
| 10,500 | 10,500 AI-Towfeek Investment Bank Ltd. | 448,925 | 448,925 |
| 7,500 | 7,500 Bankers Equity Ltd. | 265,125 | 265,125 |
| 21,745 | 295 Crescent Investment Bank Ltd. | 17,384 | 1,281,410 |
| 3,500 | --Faysal Bank Ltd. | -- | 123,550 |
| 5,750 | Pakistan Industrial Credit and 5,750 Investment Corporation Ltd. | 597,743 | 597,743 |
| 1,687 | 1,687 Union Bank Ltd. | 34,534 | 34,534 |
| Textile Spinning | | | |
| 13,500 | --Din Textile Mills Ltd. | -- | 394,870 |
| 140 | 140 Saif Textile Mills Ltd. | 9,614 | 9,614 |
| Synthetic and Rayon | | | |
| 15,000 | --Dhan Fibres Ltd. | -- | 190,950 |
| 19,625 | 1,900 Pakistan Synthetics Ltd. | 87,266 | 901,395 |
| Cement | | | |
| 25,525 | 25,225 D.G. Khan Cement Co. Ltd. | 1,579,920 | 1,579,920 |
| 100,000 | --Lucky Cement Ltd. | -- | 2,541,200 |
| 50,250 | 250 Maple Leaf Cement Factory Ltd. | 10,098 | 2,029,703 |
| Fuel and Energy | | | |
| 150,000 | --Kohinoor Genertech Ltd. | -- | 3,305,000 |
| | Balance carried forward | 10,731,457 | 22,061,574 |
| | Balance brought forward | 10,731,457 | 22,061,574 |
| Transport and Communication | | | |
| 111,000 | 111,000 Tristar Shipping Lines Ltd. Pakistan Telecommunication | 1,474,420 | 1,474,420 |
| 40,000 | 40,000 Corporation Ltd. | 1,280,041 | 1,280,041 |
| Mutual Funds | | | |
| 4,900 | --First Capital Mutual Fund Ltd. | -- | 49,000 |
| 205,000 | --KASB Premier Fund Ltd. | -- | 1,339,222 |
| Ceramics | | | |
| 1,500 | --Karam Ceramics Ltd. | -- | 36,700 |
| Miscellaneous | | | |
| 25,000 | --Tripack Films Ltd. | -- | 478,750 |
| 60,000 | --United Distributors Pakistan Ltd. | -- | 1,960,000 |
| | | 13,485,918 | 28,679,707 |
| Less: Provision for diminution in value of investment | | (11,518,880) | (23,287,341) |
| | | 1,967,038 | 5,392,366 |
| | | ===== | ===== |

Included in the above are securities costing Rupees 3,399,311 (1998: Rupees 12,810,633) 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, 1999 is Rupees 1,967,038 (1998: Rupees 5,392,366).

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

11. 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.

12. DEBTORS - Unsecured, considered good

These represent profit on musharika receivable.

13. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

| | <i>1999</i> <i>Rupees</i> | <i>1998</i> <i>Rupees</i> |
|--|------------------------------|------------------------------|
| Advance against purchase of shares (Note 13.1) | 5,000,000 | 5,000,000 |
| Advance to staff (note 13.2) | 47,736 | 6,056 |
| Advance income tax | 138,753 | 135,631 |
| Dividend income receivable | 473 | -- |
| Provident fund account | 7,922 | -- |
| Due from management company (Notes 13.3) | -- | 1,594,364 |
| Other receivables | 302,113 | 1,116,001 |
| | ----- | ----- |
| | 5,496,997 | 7,852,052 |
| | ===== | ===== |

13.1 This represents amount paid in 1994 for subscription of shares of Capital Bank Ltd. The Securities and Exchange Commission of Pakistan (SECP) has subsequently frozen the subscription money. The matter is still in process with the SECP.

13.2 The maximum amount at the end of the month during the period due from the staff was Rupees 47,736 (1998: Rupees 6,056).

13.3 The Modaraba paid Rupees 1,594,364 in 1997 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. The management has refunded the amount in the current period.

14. CASH AND BANK BALANCES

| | <i>1999</i> <i>Rupees</i> | <i>1998</i> <i>Rupees</i> |
|--------------------------------------|------------------------------|------------------------------|
| Cash in hand | 20,000 | 20,000 |
| Cash with banks on - Current account | -- | 1,759 |
| - PLS account | 816,130 | 801,783 |
| - State Bank of Pakistan account | 300,000 | 300,000 |
| - Dividend account | 69,016 | 69,016 |
| | ----- | ----- |
| | 1,205,146 | 1,192,558 |
| | ===== | ===== |

15. OPERATING EXPENSES

| | | |
|---|---------|---------|
| Salaries, allowances and benefits (Note 15.1) | 896,414 | 665,466 |
| Travelling, conveyance and entertainment | 10,578 | 33,427 |
| Electricity and gas charges | -- | 39,539 |
| Motor vehicle running and maintenance | -- | 105,217 |
| Rent, rates and taxes | -- | 19,000 |

| | | |
|--|--------------|-------------|
| Profit on musharika obligations | 3,857,505 | 3,683,575 |
| Dividend income | (3,128) | (1,083,750) |
| Gain on disposal of fixed assets | -- | (369,682) |
| Reversal of liabilities | (1,727,400.) | (3,989,652) |
| Provision for diminution in value of investments | 336,562 | 4,253,242 |
| Financial charges on lease | 5,323 | 5,538 |
| | ----- | ----- |
| Operating loss before working capital changes | 2,405,690 | (8,222,323) |
| Decrease/(increase) in working capital | | |
| Advances, prepayments and other receivables | 2,355,528 | 829,604 |
| Debtors | 594,570 | (655,579) |
| Short term investments | 7,088,766 | 12,461,619 |
| Musharika receivable | 5,349,385 | 198,596 |
| Creditors, accrued and other liabilities (excluding profit on musharika obligations) | (10,765,811) | 1,185,041 |
| | ----- | ----- |
| | 7,028,128 | 5,796,958 |
| | ===== | ===== |

19. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of the financial assets and liabilities approximate their fair values except long term investments. The market value of long term investments is stated in note 8. There is no exposure to interest rate risk.

20. CREDIT RISK

Credit risk is the risk faced when one party to a financial instrument fails to discharge its obligation and cause the other party to incur a financial loss.

The financial assets amounting to Rs. 4,811,667 are subject to credit risk, the Modaraba has no concentration of credit risk.

21. FINANCIAL ASSETS AND LIABILITIES

The Modaraba's exposure to mark-up risk on financial instruments are summarised as follows:

| <i>Financial assets</i> | <i>Maturity</i> | | <i>Maturity</i> | | <i>Total</i> |
|--|----------------------|-----------------------|----------------------|-----------------------|--------------|
| | <i>upto one year</i> | <i>after one year</i> | <i>upto one year</i> | <i>after one year</i> | |
| Long term investments | -- | -- | -- | 32,311,952 | 32,311,952 |
| Short term investments | -- | -- | 13,485,918 | -- | 13,485,918 |
| Musharika receivables | 3,252,019 | -- | -- | -- | 3,252,019 |
| Debtors | -- | -- | 433,009 | -- | 433,009 |
| Advances and other receivables | -- | -- | 358,244 | -- | 358,244 |
| Cash and bank balances | 816,130 | -- | 389,016 | -- | 1,205,146 |
| | ----- | ----- | ----- | ----- | ----- |
| 1999 | 4,068,149 | -- | 14,666,187 | 32,311,952 | 51,046,288 |
| | ===== | ===== | ===== | ===== | ===== |
| 1998 | 9,403,187 | -- | 9,527,141 | 45,841,026 | 64,771,354 |
| | ===== | ===== | ===== | ===== | ===== |
| Financial liabilities | | | | | |
| Obligation under finance lease | -- | -- | 14,545 | 2,756 | 17,301 |
| Musharika obligation | 22,802,659 | -- | -- | -- | 22,802,659 |
| Creditors accrued expenses and other liabilities | -- | -- | 9,450,019 | -- | 9,450,019 |
| Unclaimed profit distribution | -- | -- | 69,016 | -- | 69,016 |
| | ----- | ----- | ----- | ----- | ----- |
| 1999 | 22,802,659 | -- | 9,533,580 | 2,756 | 32,338,995 |

| | | | | | |
|------|------------|----|------------|--------|------------|
| 1998 | 30,702,659 | -- | 16,438,999 | 17,300 | 47,158,958 |
|------|------------|----|------------|--------|------------|

The effective mark-up rates of each financial instrument are disclosed in their respective notes.

| | |
|---------------|---------------|
| 1999 | 1998 |
| Rupees | Rupees |

22. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

| | | |
|--|----|-----------|
| Advance provided to management company | -- | 1,594,364 |
|--|----|-----------|

23. NUMBER OF EMPLOYEES

The number of employees during the year were 3 (1998: 3).

24. GENERAL

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

Director
Financial Link Limited

Director
Financial Link Limited

Director
Financial Link