

## First Capital Mutual Fund Limited

Annual Report 1999

### CONTENTS

Company information  
Notice of meeting  
Directors' report to the shareholders  
Auditors' report to the members  
Balance sheet  
Profit and loss account  
Cash flow statement  
Notes to the accounts  
Statement of income & expenditure  
Pattern of shareholding

### COMPANY INFORMATION

<b>Board of Directors</b>	Mr. Salmaan Taseer Chairman  Mr. Mumtaz H Syed Chief Executive  Mr. Aamer Nasim Chishti Mr. Mohammed Ashraf Ali Mr. Sadiq Y. Yalmaz Mr. Shaan Taseer Mr. Muhammed Shuaib
<b>Company Secretary</b>	Mr. Sardar Ali Wattoo
<b>Investment Committee</b>	Mr. Salmaan Taseer Chairman Mr. Mumtaz H Syed Mr. Sardar Ali Wattoo
<b>Auditors</b>	Messrs. Taseer Hadi Khalid & Co. Chartered Accountants
<b>Legal Advisors</b>	Chima & Ibrahim Advocates, Lahore
<b>Custodian</b>	Crescent Investment Bank Limited
<b>Registered Office</b>	103 C II, Gulberg III Lahore, Pakistan Tel: (042) 5757591-4 Fax: (042) 5757590
<b>Investment Advisors</b>	First Capital Investments (Pvt.) Limited 103 C II, Gulberg III, Lahore.
<b>Share Department</b>	First Capital Mutual Fund Limited Ground Floor Sheikh Sultan Trust Building No. 2 Beaumont Road Karachi

### NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 5th Annual General Meeting of the shareholders of the Company will be held on March 1 2000 at 10:00 a.m. at the Registered Office of the Company, 103 C II, Gulberg III, Lahore to transact the following business:-

1. To confirm the minutes of the 4~hAnnual General Meeting of the Members.
2. To receive, consider and adopt the annual audited accounts of the Company together with the Auditors' and Directors' reports for the year ended June 30, 1999.
3. To appoint Auditors' for the year ending June 30, 2000 and to fix their remuneration. The present auditors M/s Taseer Hadi Khalid & Company, Chartered Accountants, being eligible, offer themselves for re-appointment.

## Special Business

4. To consider, and if deemed fit, pass the following resolution as a Special Resolution with or without amendments that, the Chief Executive be and is hereby authorized to undertake and liquidate on behalf of the company and in accordance with the provisions of section 208 of the Companies Ordinance, 1984:

an investment in Pre-Initial Public Offering of World CALL Payphones Limited up to Rs. 15 million for purchase of 1,000,000 shares at the price of Rs. 15/- per share inclusive of the premium of Rs. 5/- per share.

5. To transact any other business of the Company with the permission of the Chair.

By the Order of the Board

Lahore:  
February 08, 2000

SARDAR ALI WATTOO  
(Company Secretary)

### NOTES:

The share transfer books of the Company will remain closed from March 1-t, to March 8th, 2000 (both days inclusive).

A member entitled to vote at the meeting may appoint another member as his/her proxy to attend the meeting and vote on his/her behalf. Proxies in order to be effective, must be received by the Company at least 48 hours before the meeting.

Members are requested to notify any change in address immediately.

### STATEMENT U/S 208 OF THE COMPANIES ORDINANCE, 1984:

#### World CALL Payphones Limited

The Company was incorporated on December 14th, 1995. The principal activity of the Company is the operation and maintenance of a public payphones network, which are installed at various shops/commercial outlets. The company has applied to the Securities and Exchange Commission of Pakistan and Karachi/Lahore Stock Exchanges for their approval to list the company's shares on Karachi/Lahore Stock Exchanges.

### STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts pertaining to the special business to be transacted at the 5th Annual General Meeting of the Company. The following resolution is proposed to be passed (with or without modification as a Special Resolution under Section 208 of the Companies Ordinance, 1984:

"RESOLVED THAT Mr. Mumtaz H Syed, the Chief Executive of the Company, be and is hereby authorized to make investment in the Pre-Initial Public Offering in the WORLD CALL Payphones Limited and to liquidate such investment on behalf of the Company from time to time as may be deemed fit.

This Authority shall remain in force until revoked by the shareholders."

"RESOLVED FURTHER THAT the Chief Executive of the Company be and is hereby authorized to take all necessary steps (as may be necessary to invest/dis-invest the above-mentioned investments) and fulfill all legal, corporate and procedural formalities in connection therewith."

The Company is fully authorized by its Memorandum of Association to make such investment. The investment would be made and dis-invested at such times, as the Chief Executive may think appropriate on behalf of the Company. The directors of the Company have no interest in the Company except that they are shareholders/common directors. The following are the material facts about the proposed Special Resolution:

<b>Name of investee company</b>	WORLD CALL Payphones Limited
<b>Nature, amount and extent</b>	Investment in the Pre-Initial Public Offering of the share capital of the company upto Rs.15,000,000 (1,000,000 ordinary shares of Rs. 10/- each offered at a premium of Rs.5/- per share).
<b>Price at which shares would be purchased</b>	At Rs. 15/- for each share inclusive of the premium of Rs.5/- per share
<b>Period for which investment would be made</b>	As a portfolio investment.
<b>Purpose of Investment</b>	To earn dividends and gains and other benefits through World CALL's special position and skills in Telecommunication Sector.

**Benefits likely to accrue to the company and the shareholders from the proposed investments.**

The company shall be a large scale Card Payphone Operator and FCMF expects to yield substantial capital gains/dividends on the above investment.

## Directors' Report to the Shareholders

The Board of Directors are pleased to present the audited financial statements for the year ended June 30, 1999.

### 1998-99 Review

During the year under review adverse economic conditions prevalent in recent years further aggravated due to a host of reasons. The impact of the economic sanctions imposed as a consequence of Pakistan detonating its nuclear devices in response to India, the lingering Government of Pakistan-IPP controversy and other political and economic factors kept investors away from the stock market. The result was the continuation of the depressed and at times falling even stock market.

However, the Investment Advisers of FCMF adopted an aggressive strategy and offloaded part of its investment portfolio that was not expected to perform well due to weakened business fundamentals and due to adverse economic conditions prevailing in Pakistan. This resulted in a much higher realized loss in 1998-99 as compared to the last fiscal year. But the brighter side is the reversal of past provisioning to account for diminution in the value of the Fund's investments that increased the profit before tax to Rs 6,263,026 from a loss of Rs. 27,447,353 in the last fiscal year.

### Financial

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
Capital gain on sale of marketable securities	(37,942,431)	1,859,201
Dividend income	2,369,013	3,916,485
Mark-up on bank deposits	883,345	2,060,950
Provision for diminution in value of securities	--	(29,999,854)
Excess provision written back	45,471,641	--
Net profit / (loss) for the period	6,130,521	(27,643,176)
Accumulated loss brought forward	(72,232,730)	(44,589,554)
Accumulated loss carried forward	(66,102,210)	(72,232,730)

### Future Outlook

The Directors are hopeful of a continued improvement in the financial performance of the Fund because of a renewed domestic as well as foreign investors interest in Pakistan's stock market. The reason for increased investor's interest, amongst others, is the commitment given by the present government to initiate a number of economic reforms. These include revival of the privatization plan with government assets within oil & gas sector to be offered to strategic investors. The market index has arisen to 1,750 - 1,800 levels and is expected to move higher in the later half of the current fiscal year. A number of companies are also planning their public offers to capitalize on building the investors appetite. The increasing stock market value has made the First Capital Mutual Fund well positioned to capitalize on such new investment opportunities.

### Dividend

The Directors do not recommend payment of a dividend due to the accumulated losses of the Company.

### Board of Directors

During the year, the Director and Chief Executive Mr. Zahid Zia resigned. Mr. Mumtaz H Syed was appointed as Director and Chief Executive in his place. Later, election of directors took place in the Company's annual general meeting held on February 15, 1999. Mr. Sadiq Y. Yalmaz, Mr. Muhammad Shuaib and Mr. Mehtab Saeed were elected to the Board in place of Mr. Jamil Raza Syed, Mr. Akbar Naqi Zaidi and Mr. Humayun Nabi Jan. Later Mr. Mehtab Saeed and Mr. Bashir A. Sheikh also resigned and they were replaced by Mr. Aamer Nasim Chishti and Mr. Mohammad Ashraf Ali.

### Pattern of Shareholding

The pattern of shareholding is annexed to this report.

### Auditors

The present auditors Messrs. Taseer Hadi Khalid & Co., Chartered Accountants, retire and being eligible offer themselves for re-appointment.

For and on behalf of the Board

Mumtaz H Syed  
Chief Executive

Lahore, February 8, 2000.

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of FIRST CAPITAL MUTUAL FUND LIMITED as at June 30, 1999 and the related profit and loss account and cash flow statement together with the notes to the accounts for the year then ended. Our examination was made in accordance with the generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984 and Rule 16 of the Investment Companies and Investment Advisers Rules, 1971;

b) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and in accordance with the provisions of the Investment Companies and Investment Advisers Rules, 1971 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii) the expenditure incurred during the year was for the purposes of the Company's business;

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the investment policy of the Company and investment companies and Investment Advisers Rules, 1971;

iv) the company has not contravened the provisions of Rule 8 of the Investment Companies and Investment Advisers Rules, 1971; and

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the cash flow statement together with the notes forming part thereof give the information required by the Companies Ordinance, 1984 and Investment Companies and Investment Advisers Rules, 1971 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1999 and of the loss and cash flow for the year ended on that date;

d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

February 8, 2000  
LAHORE

TASEER HADI KHALID & CO.  
Chartered Accountants

## BALANCE SHEET AS AT JUNE 30, 1999

	<i>Note</i>	<i>1999</i> <i>(Rupees)</i>	<i>1998</i> <i>(Rupees)</i>
<b>SHARE CAPITAL</b>			
Authorised capital: 20,000,000 ordinary shares of Rs. 10/- each		200,000,000	200,000,000
Issued, subscribed and paid-up capital: 15,000,000 ordinary shares of Rs. 10/- each issued as fully paid in cash		150,000,000	150,000,000
Accumulated loss		(66,102,210)	(72,232,731)
		83,897,790	77,767,269
<b>DEFERRED EXPENDITURE PAYABLE</b>		--	1,659,372
<b>CURRENT LIABILITIES</b>			
Current maturity of deferred expenditure payable	3	1,659,372	1,659,372
Due to investment adviser	4	2,036,214	1,932,792
Creditors and other liabilities	5	171,372	463,943
Provision for taxation		61,332	170,961
		3,928,290	4,227,068
		87,826,080	83,653,709
<b>DEFERRED EXPENDITURE</b>	6	1,629,325	3,258,650

**CURRENT ASSETS**

Marketable securities - Net	7	79,405,351	47,944,922
Trade debts - Unsecured (considered good)	8	4,500,000	12,336,698
Dividends receivable		227,896	661,667
Cash and bank balances	9	2,063,508	19,451,773
		-----	-----
		86,196,755	80,395,060
<b>CONTINGENCIES AND COMMITMENTS</b>	10	--	--
		-----	-----
		87,826,080	83,653,710
		=====	=====

These accounts should be read in conjunction with the annexed notes.

LAHORE CHIEF EXECUTIVE DIRECTOR

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

	<i>Note</i>	<i>1999</i> <i>(Rupees)</i>	<i>1998</i> <i>(Rupees)</i>
<b>INCOME</b>			
(Loss) / Profit on sale of marketable securities	11	(37,942,431)	1,859,201
Dividend		2,369,013	3,916,485
Mark-up on bank deposits		883,345	2,060,950
		-----	-----
		(34,690,073)	7,836,636
<b>OPERATING EXPENSES</b>			
Administrative	12	2,224,239	2,277,247
Financial	13	575,623	1,419,801
Remuneration of the Investment Adviser	14	1,718,680	1,587,087
		-----	-----
		4,518,542	5,284,135
		-----	-----
		(39,208,615)	2,552,501
		-----	-----
Provision for diminution in value of marketable securities		--	(29,999,854)
Excess provision for diminution in value of marketable securities written back	7.1.1	45,471,641	--
		-----	-----
<b>PROFIT / (LOSS) BEFORE TAXATION</b>		6,263,026	(27,447,353)
Provision for taxation		(132,505)	(195,824)
		-----	-----
<b>PROFIT / (LOSS) AFTER TAXATION</b>		6,130,521	(27,643,177)
Accumulated loss brought forward		(72,232,731)	(44,589,554)
		-----	-----
<b>ACCUMULATED LOSS CARRIED FORWARD</b>		(66,102,210)	(72,232,731)
		=====	=====
<b>EARNING PER SHARE</b>	16	0.41	(1.84)

These accounts should be read in conjunction with the attached notes.

LAHORE CHIEF EXECUTIVE DIRECTOR

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 1999**

	<i>1999</i> <i>(Rupees)</i>	<i>1998</i> <i>(Rupees)</i>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit / (Loss) after taxation	6,130,521	(27,643,176)
<b>ADJUSTMENT OF ITEMS NOT INVOLVING MOVEMENT OF CASH</b>		
Amortization of deferred cost	1,629,325	1,629,323
Excess provision for diminution in value of marketable securities written back	(45,471,641)	0

Provision for diminution in value of marketable securities	0	29,999,854
Provision for taxation	132,505	195,824
	-----	-----
	(43,709,811)	31,825,001
	-----	-----
<b>CASH FLOW FROM OPERATING ACTIVITIES BEFORE ADJUSTMENT OF WORKING CAPITAL CHANGES</b>	(37,579,290)	4,181,825
<b>WORKING CAPITAL CHANGES</b>		
<b>(INCREASE)/DECREASE IN CURRENT ASSETS</b>		
Marketable securities	14,011,212	18,782,636
Advances, deposits, prepayments and other receivables	433,771	1,496,040
Accounts receivable	7,836,698	(9,821,156)
	-----	-----
	22,281,681	10,457,520
	-----	-----
	(15,297,609)	14,639,345
	-----	-----
<b>INCREASE/(DECREASE) IN CURRENT LIABILITIES</b>		
Due to investment adviser	(796,304)	10,342,211
Creditors and other liabilities	(292,571)	(2,497,290)
	-----	-----
	(189,149)	(3,293,594)
	-----	-----
<b>NET CASH IN/(OUT) FLOW FROM OPERATING ACTIVITIES</b>	(15,486,758)	11,345,751
Taxes paid	(242,135)	(246,994)
	-----	-----
	(15,728,893)	11,098,757
	-----	-----
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Deferred cost paid to investment adviser	(1,659,372)	(1,659,377)
<b>NET CASH OUT FLOW FROM FINANCING ACTIVITIES</b>	(1,659,372)	(1,659,377)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	(17,388,265)	9,439,380
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	19,451,773	10,012,393
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	2,063,508	19,451,773
	=====	=====

LAHORE CHIEF EXECUTIVE DIRECTOR

### STATEMENT OF CHANGES IN EQUITY AND RESERVES FOR THE YEAR ENDED 30 JUNE 1999

	<i>Share Capital</i>	<i>Accumulated Profit</i>	<i>Total</i>
Balance as at 30 June 1997	150,000,000	(44,589,554)	105,410,446
Net profit for the year	--	(27,643,177)	(27,643,177)
Issue of bonus shares	--	--	--
Dividends	--	--	--
	-----	-----	-----
	--	(27,643,177)	(27,643,177)
	-----	-----	-----
Balance as at 30 June 1998.	150,000,000	(72,232,731)	77,767,269
Net profit for the year	--	6,130,521	6,130,521
Issue of bonus shares	--	--	--
Dividends	--	--	--
	-----	-----	-----
	--	6,130,521	6,130,521
	-----	-----	-----
Balance as at 30 June 1999	150,000,000	(66,102,210)	83,897,790
	=====	=====	=====

These accounts should be read in conjunction with the annexed notes.

LAHORE CHIEF EXECUTIVE DIRECTOR

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1999

### 1. STATUS AND NATURE OF BUSINESS

1.1 The Company was incorporated on January 8, 1995 as a public limited company under the Companies Ordinance, 1984 and commenced its operations on March 14, 1995. It has been registered as an Investment Company under the Investment Companies and Investment Adviser's Rules, 1971. The Company is listed on Karachi and Lahore Stock Exchanges. The object of the company is to carry on the business of a close-end mutual fund and to invest its assets in securities, which are listed or proposed to be listed on the Stock Exchanges.

1.2 The Company has entered into an agreement with an associated company, First Capital Investment (Pvt) Limited to act as its "Investment Adviser". Crescent Investment Bank Limited is the approved custodian of the Company.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Accounting Convention

These accounts have been prepared under the historical cost convention.

#### 2.2 Marketable securities

##### Listed

These are valued at the lower of average cost and market value determined on aggregate portfolio basis. The provision for diminution in value of shares required against marketable securities is charged to Income currently.

Market values are taken from Karachi Stock Exchange quotations as on the last working day of the income year.

##### Pre-IPO's

These are companies for which application has been made but which have not been listed at the balance sheet date. These pre-initial public offerings are stated at the lower of average cost and break-up value determined on the basis of latest available financial statements.

#### 2.3 Revenue recognition

i. Dividend income is recognized at the time of closure of share transfer books of the company declaring dividend.

ii. Sale and purchase of securities are recorded on the date of execution of contract. Capital gain or loss on sale of investments is taken as income of the period in which it arises.

iii. Return on bank deposits and securities are recognized on accrual basis.

#### 2.4 Deferred expenditure

These will be amortized over a period of five years starting from the financial year 1995-96.

#### 2.5 Taxation

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax credits and rebates available, if any. The company provides for deferred taxation, if any, on liability method for all major timing differences.

	<i>1999</i>	<i>1998</i>
	<i>(Rupees)</i>	<i>(Rupees)</i>

### 3. DEFERRED EXPENDITURE PAYABLE

Deferred costs (opening balance)	1,659,372	3,318,744
Add: Additions during the year	0	0
	-----	-----
	1,659,372	3,318,744
Less: Current maturity of deferred costs payable	(1,659,372)	(1,659,372)
	-----	-----
Deferred costs (closing balance)	0	1,659,372
	=====	=====

The expenditure incurred on the incorporation and floatation of First Capital Mutual Fund Limited was paid by First Capital Investments (Private) Limited, the company's investment adviser.

These expenses are to be repaid to First Capital Investments (Private) Limited over a period of five years in equal annual installments. Interest is being charged at the rate of 9% accruing from the month in which the expenditure is incurred.

#### 4. DUE TO INVESTMENT ADVISER

Opening balance	1,932,792	2,729,096
Add:		
Investment advisory fee	1,718,680	1,587,087
Markup on deferred costs	149,343	305,235
Others	106,026	--
	-----	-----
	1,974,049	1,892,322
	-----	-----
	3,906,841	4,621,418
Less: Payments made during the year	1,870,627	2,688,626
	-----	-----
Closing balance	2,036,214	1,932,792
	=====	=====

#### 5. CREDITORS AND OTHER LIABILITIES

Accrued custodian charges	96,372	0
Payable against trading of shares	0	388,943
Audit fee payable	75,000	75,000
	-----	-----
	171,372	463,943
	=====	=====

#### 6. DEFERRED EXPENDITURE

Public issue expenses	3,654,442	3,654,442
Salaries, wages and benefits	528,758	528,758
Telephone, fax, etc.	11,460	11,460
Printing and stationery	142,310	142,310
Travelling and conveyance	27,241	27,241
Listing fee	721,686	721,686
Revenue stamps	118,800	118,800
Advertisement	2,579,888	2,579,888
Entertainment	6,434	6,434
Legal and professional charges	336,810	336,810
Office expenses	18,790	18,790
	-----	-----
	8,146,619	8,146,619
Less: Amortization	(6,517,294)	(4,887,969)
	-----	-----
	1,629,325	3,258,650
	=====	=====

#### 7. INVESTMENTS IN MARKETABLE SECURITIES

Name of Company	NUMBER OF SHARE /CERTIFICATES				BALANCE AS AT JUNE 30, 1999			PERCENTAGE IN RELATION TO	
	Opening	Purchases	Bonus	Sales	No. of Shares / Certificates	At cost (Rupees)	At market (Rupees)	Own net assets with cost of investment	Paid-up capital of investee company
Investment companies/banks									
Askari Commercial Bank Ltd.	71,811	112,189	--	64,000	120,000	2,112,504	1,428,000	2.52	0.12
Gulf Comm. Bank	--	175,000	--	109,000	66,000	891,660	759,000	1.06	0.13
Metro Bank	--	--	1,666	--	--	--	29,572	--	0.00
B O P	--	7,700	--	7,500	200	3,102	2,650	0.00	0.00
Faysal Bank Ltd.	354,600	370,900	--	490,100	235,400	3,471,161	2,153,910	4.13	0.19
First Capital Securities Corp. Ltd.	106,730	500	10,300	35,330	82,200	573,000	739,800	0.68	0.39
	-----	-----	-----	-----	-----	7,051,427	5,112,932	-----	-----
Insurance companies									
Adamjee Insurance Co. Ltd.	10,032	25,700	--	35,706	26	1,575	975	0.00	0.00
E F U LIFE INS	--	84,700	--	29,000	55,700	1,003,112	557,000	1.19	0.56



I G I N S	--	124,300	9,562	81,800	52,062	2,725,805	3,227,844	3.25	0.76
						3,730,492	3,785,819		
<b>Textile spinning</b>									
Samin Tex	--	225,500	--	--	225,500	1,353,000	902,000	1.61	1.69
Ibrahim Textile Mills Ltd.	55,500	--	--	35,500	20,000	284,600	160,000	0.34	0.15
Taj Textile Mills Ltd.		400,000			400,000	740,440	700,000	0.88	1.49
Saif Tex	78,608	--	--	23,608	55,000	1,042,707	385,000	1.24	0.41
Elahi Spinning	--	600,000	--	--	600,000	768,000	720,000	0.91	3.87
						4,188,747	2,867,000		
<b>Synthetic and rayon</b>									
Dewan Salman Fibre	--	80,000	--	--	80,000	2,027,904	1,988,000	2.41	0.06
Dhan Fibres	--	25,000	--	--	25,000	131,500	115,000	0.16	0.01
						2,159,404	2,103,000		
<b>Cement</b>									
D. G. Khan Cement Co. Ltd.	--	351,500	--	344,000	7,500	39,768	31,125	0.05	0.01
Maple Leaf Cement	--	8,000	--	--	8,000	23,600	22,000	0.03	0.01
Pak Land Cement Ltd.	36,700	5,000	--	200	41,500	437,066	207,500	0.52	0.05
						500,434	260,625		
<b>Fuel and energy</b>									
Maple Leaf Electric Co. Ltd.	403,650	85,900	--	405,550	84,000	236,771	306,600	0.28	0.16
D.G. Electric Company Ltd.	2,500	27,000	--	1,000	28,500	191,067	128,250	0.23	0.14
Karachi Elect. Supply Corp. Ltd.	--	160,000	--	85,000	75,000	964,770	641,250	1.15	0.04
Genertech Pak	--	1,731,300	--	--	1,731,300	9,522,150	14,716,050	11.34	9.62
Shell Pakistan Ltd.	6,650	7,400	--	10,050	4,000	643,738	656,000	0.77	0.01
Pakistan State Oil Co. Ltd.	33,942	199,255	8,513	241,560	150	15,439	13,875	0.02	0.00
Sui Northern Gas Pipelines Ltd.	348,340	247,000	24,450	432,340	187,450	2,501,708	1,361,050	2.98	0.06
Hub Power Ltd.	170,000	1,615,000	--	1,583,000	202,000	3,844,605	2,848,200	4.58	0.02
						17,920,248	20,671,275		
<b>Engineering</b>									
Sazgar Engineering Works Ltd.	500,000	3,000	--	3,000	500,000	4,521,800	6,250,000	5.38	6.98
						4,521,800	6,250,000		
<b>Transport and communication</b>									
P T C L (A)	400,000	1,697,000	--	1,709,300	387,700	9,064,775	7,695,845	10.79	0.01
P I A C (A)	--	80,000	--	50,000	30,000	278,607	385,500	0.33	0.01
Tele Card	--	455,000	--	439,500	15,500	368,805	282,100	0.44	0.06
						9,712,187	8,363,445		
<b>Chemical and pharmaceutical</b>									
Searle Pak Ltd.	36,272	--	2,922	21,694	17,500	922,138	211,750	1.10	0.13
Engro Chemical	80,531	216,469	260	257,000	40,260	2,999,999	2,918,850	3.57	0.04
Shaft Chemicals Ltd.	409,500	2,000	--	--	411,500	4,140,060	2,469,000	4.93	3.43
Fauji Fertilizer Company Ltd.	55,800	407,500	--	390,800	72,500	3,941,252	2,954,350	4.69	0.03
F.F.C Jordan Company Ltd.	60,000	1,036,000	--	1,091,000	5,000	70,300	55,750	0.08	0.00
						12,073,749	8,609,700		
<b>Chemicals Res. &amp; Alkalis</b>									
Nimir Risins	--	84,500	--	--	84,500	126,750	84,500	0.15	0.72
I.C.I. Pakistan Ltd.	90,000	120,000	--	170,000	40,000	376,472	354,000	0.45	0.01
						503,222	438,500		
<b>Leasing companies</b>									
Paramount Leasing	--	10,500	--	--	10,500	52,605	42,000	0.06	0.04
						52,605	42,000		
<b>Textile composite</b>									
Crescent Textile Mills	41,475	--	20	41,475	20	--	150	--	0.00
						--	150		
<b>Paper and board</b>									
Packages Ltd.	44,612	99,900	1,255	36,612	109,155	3,794,162	4,475,355	4.52	0.27
						3,794,162	4,475,355		
<b>Vanaspati &amp; Allied</b>									
Wazir Ali Ind.	--	469,860	--	--	469,860	6,347,809	8,222,550	7.56	9.04
						6,347,809	8,222,550		
<b>Food and allied</b>									
Lever Bros	--	7,600	--	--	7,600	5,320,228	5,776,000	6.33	0.01

						.5,320,228	5,776,000		
<b>Miscellaneous</b>									
A1-Khair Gadoon Ltd.	538,000	4,500	--	1,000	541,500	5,153,131	2,166,000	6.14	5.42
Diamond Industries Ltd.	40,500	5,000	--	2,000	43,500	1,290,620	261,000	1.54	0.48
						-----	-----		
						6,443,751	2,427,000		
						-----	-----		
						84,320,265	79,405,351		
Less:						=====	=====		
Provision for diminution in value of shares						4,914,914			
						-----			
						79,405,351			
						=====			

These securities are ordinary fully paid shares of Rs. 10/- each unless stated otherwise.

#### 7.1 Provision / (Reversal of provision) for diminution in value of shares

		(Rupees)
For the year ended June 30, 1995		16,824,309
For the year ended June 30, 1996		16,332,073
For the year ended June 30, 1997		(12,769,680)
For the year ended June 30, 1998		29,999,853
For the year ended June 30, 1999	7.1.1	(45,471,641)
		-----
		4,914,914
		=====

7.1.1 This represents accumulated provision for diminution in marketable securities written back in view of the improvement in market value of the securities held at the year end.

#### 8. TRADE DEBTS, UNSECURED (CONSIDERED GOOD)

This represents balance receivable from associated undertakings Rs. 4,500,000 (1998: Rs. 12,046,613)  
The maximum aggregate balance recoverable from associated undertakings against trading activities at the end of any month during the year was Rs: ! 0,587,386 (1998: Rs. 20,096,043).

	<b>1999</b>	<b>1998</b>
	<b>(Rupees)</b>	<b>(Rupees)</b>
<b>9. CASH AND BANK BALANCES</b>		
Cash at bank:		
- In current accounts	675	1,450
- In saving accounts	2,062,833	19,450,323
	-----	-----
	2,063,508	19,451,773
	=====	=====

#### 10. CONTINGENCIES & COMMITMENTS

There were no significant contingencies or commitments at the balance sheet date.

#### 11. PROFIT/(LOSS) ON SALE OF MARKETABLE SECURITIES

Sales	150,619,272	539,236,942
Less:		
Cost of Sales		
Opening stock of marketable securities	98,331,477	117,114,113
Purchases of marketable securities	169,635,577	518,595,105
Closing stock of marketable securities	(79,405,351)	(98,331,477)
	-----	-----
	188,561,703	537,377,741
	-----	-----
	(37,942,431)	1,859,201
	=====	=====

#### 12. ADMINISTRATIVE EXPENSES

Custodian charges		407,829	313,023
Auditors' remuneration	12.1	80,750	75,000
Amortization of deferred expenditure		1,629,325	1,629,323
Zakat		18,049	21,024
Legal and professional charges		76,476	227,277
Courier charges		6,500	6,200
Lahore Stock Exchange fee		5,000	5,000
Printing		310	400
		-----	-----

2,224,239 2,277,247

**12.1 Auditors' remuneration**

Audit fee	65,000	65,000
Out of pocket expenses	15,750	10,000
	-----	-----
	80,750	75,000

**13. FINANCIAL CHARGES**

Interest on deferred expenditure	149,343	305,235
Bank charges	426,280	1,114,566
	-----	-----
	575,623	1,419,801

**14. INVESTMENT ADVISORY FEE PAYABLE**

2% of net assets of FCMF	1,718,680	1,587,087
--------------------------	-----------	-----------

**Assets**

Deferred expenditure	1,629,325	3,258,650
Marketable securities	79,405,351	47,944,922
Trade debts - unsecured - considered good	4,500,000	12,336,698
Advances, deposits, prepayments and other receivables	227,896	661,667
Cash and bank balances	2,063,508	19,451,773
	-----	-----
	87,826,080	83,653,710

**Liabilities**

Deferred expenditure payable	1,659,372	1,659,372
Due to Investment Advisers	0	2,005,077
Creditors and other liabilities	171,372	463,943
Provision for taxation	61,332	170,961
	-----	-----
	1,892,076	4,299,353

Net assets before calculating investment advisory fee	85,934,004	79,354,357
-------------------------------------------------------	------------	------------

Investment advisory fee	1,718,680	1,587,087
-------------------------	-----------	-----------

Net assets	84,215,324	77,767,270
------------	------------	------------

The remuneration of Investment Adviser is computed at 2% for the first five years of the investment company's existence and thereafter at 1% of the net assets of the company as at the end of its financial year in terms of clause 11 (a) of the Investment Companies and the Investment Advisers Rules, 1971 has been determined as above.

**15. FINANCIAL INSTRUMENT AND RELATED DISCLOSURE**

The company's exposure to interest rate risk and the effective rates on its financial assets and liabilities are summarized as follows:

(Amount in Rupees)

1999	Interest Bearing			Non Interest Bearing	Total
	Less than one month	one month to three months	three months to one year		
<b>Financial Assets</b>					
Cash and bank balances	--	3,670	2,059,163	675	2,063,508
Trade debts	--	--	--	4,500,000	4,500,000
Marketable securities - net	--	--	--	79,405,351	79,405,351
Dividends receivable	--	--	--	227,896	227,896
Deferred expenditure	--	--	--	1,629,325	1,629,325
	-----	-----	-----	-----	-----
	--	3,670	2,059,163	85,763,247	87,826,080
	-----	-----	-----	-----	-----
Average interest rates		8.25	11.00		

**Financial Liabilities**

Current maturity of deferred expenditure	--	--	1,659,372	--	1,659,372
Due to investment Adviser	--	--	-	2,036,214	2,036,214
Creditors, accrued expenses and other liabilities	--	--	--	171,372	171,372
Provision for taxation	--	--	--	61,332	61,332
	-----	-----	-----	-----	-----
	--	--	1,659,372	2,268,918	3,928,290

Average interest rates 9.00

**15.1 Concentration of credit risk and credit exposure of the financial instruments.**

The company believes it is not exposed to major concentration of credit risk as its debts securities are traded on the stock exchange and other receivables are not material.

**15.2 Fair value**

The fair value of all the financial assets and liabilities is estimated to approximate their carrying value.

**1999**      **1998**  
**(Rupees)**      **(Rupees)**

**16. EARNINGS PER SHARE**

Net profit for the year	6,130,521	(27,643,177)
Average number of ordinary shares	15,000,000	15,000,000
Earnings per share	0.41	(1.84)

**17. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS**

Interest on deferred expenditure payable	149,343	305,235
Others	0	0
Transaction of shares through associated undertakings:		
Purchases	115,997,225	503,953,039
Sales	97,236,827	531,500,762

**18. PERFORMANCE TABLE**

	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>	<b>* 1995</b>
Net assets	83,897,790	77,767,270	105,410,446	104,183,868	133,682,980
Net asset value per share	5.59	5.18	7.03	6.95	8.91
Earnings per share	0.41	(1.84)	0.08	(1.97)	(1.09)
Dividend distribution	Nil	Nil	Nil	Nil	Nil

\*First year of operations from 14 March 1995 to 30 June 1995

**19. FIGURES**

have been rounded off to the nearest rupee, and of previous year have been re-arranged and regrouped wherever necessary to facilitate comparison.

**LAHORE**                                      **CHIEF EXECUTIVE**                                      **DIRECTOR**

**STATEMENT OF INCOME AND EXPENDITURE IN RELATION TO THE INVESTMENT COMPANY FOR THE YEAR ENDED 30 JUNE 1999**

**1999**      **1998**  
**(Rupees)**      **(Rupees)**

**INCOME**

Investment advisory fee from FCMF	1,720,118	1,587,087
Consultancy fee	775,000	--
Mark up income on deferred expenses	149,343	305,235
Markup income	17,031	120,961
	-----	-----
	2,661,492	2,013,283

**EXPENSES**

Salaries, wages and benefits	971,101	1,463,424
Telephone, fax, etc.	116,001	61,957
Utilities	27,729	44,215
Insurance	77,912	28,870
Printing and stationery	102,089	228,800
Traveling and conveyance	53,520	7,995
Postage, courier, etc.	27,084	27,402
Newspapers and periodicals	682	7,951
Entertainment	17,157	4,995
Legal and professional charges	198,420	398,359
Office expenses	32,393	27,203
Zakat	1,993	3,298
Advertisement	57,320	23,100
Auditors' remunerations	30,000	20,000
Depreciation	725,424	723,664
	-----	-----
	2,438,825	3,071,233
	-----	-----
<b>OPERATING PROFIT / (LOSS)</b>	222,667	(1,057,950)
Financial charges	655,919	231,052
	-----	-----
<b>NET OPERATING LOSS</b>	(433,252)	(1,289,002)
<b>TAXATION</b>		
Current	13,500	7,936
	-----	-----
<b>LOSS AFTER TAXATION</b>	(446,752)	(1,296,938)
Unappropriated profit/(loss) B/F	(1,565,296)	(268,358)
	-----	-----
Unappropriated profit/(loss) C/F	(2,012,048)	(1,565,296)
	=====	=====

**Note:**

Income not relating to investment company has not been included in the above statement. However, expenses have not been allocated as the cost relating to other income is considered to be immaterial.

### **PATTERN OF SHAREHOLDING** as at **JUNE 30 1999.**

No. of Share Holders	Shareholdings		Total Shares	
	From	To		
2,785	1	--	100	269,020
546	101	--	500	240,140
50	501	--	1,000	397,280
69	1,001	--	5,000	189,840
25	5,001	--	10,000	211,080
4	10,001	--	15,000	50,500
5	15,001	--	20,000	96,460
2	35,001	--	40,000	76,140
5	45,001	--	50,000	244,780
1	55,001	--	60,000	60,000
1	60,001	--	65,000	60,800
1	70,001	--	75,000	71,000
1	75,001	--	80,000	76,000
1	80,001	--	85,000	83,000
5	95,001	--	100,000	496,000
2	100,001	--	105,000	206,860
3	145,001	--	150,000	450,000
1	190,001	--	195,000	190,500
7	195,001	--	200,000	1,384,000
1	240,001	--	245,000	245,000
1	245,001	--	250,000	246,500
1	300,001	--	305,000	304,300
1	345,001	--	350,000	350,000
1	390,001	--	395,000	392,100
2	395,001	--	400,000	800,000
1	470,001	--	475,000	475,000
1	695,001	--	-700,000	700,000
1	715,001	--	720,000	715,500
2	770,001	--	775,000	1,548,600
1	775,001	--	780,000	780,000

1	930,001	--	935,000	931,100
1	1,495,001	--	1,500,000	1,500,000
1	1,515,001	--	1,520,000	1,516,500
-----			-----	
3,530				15,000,000
=====				

<b>Categories of Shareholders</b>	<b><i>No. of Shareholders</i></b>	<b><i>Shares Held</i></b>	<b><i>Percentage Held</i></b>
INDIVIDUALS	3,472	1,412,040	9.41360
INVESTMENT COMPANIES	1	8,300	0.05533
INSURANCE COMPANIES			
JOINT STOCK COMPANIES	12	2,150,640	14.33760
FINANCIAL INSTITUTIONS	31	8,682,420	57.88280
MODARABA COMPANIES	7	563,800	3.75867
FOREIGN COMPANIES	4	1,951,000	13.00667
LEASING COMPANIES	3	231,800	1.54533
-----			-----
TOTAL	3,530	15,000,000	100.00000
=====			