

Golden Arrow Selected Stocks Fund Limited

Annual Report 1998

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BOARD OF DIRECTORS

Mr. Said Ahmed	Chairman
Mr. Mohammad Basheer Janmohammed	Director
Mr. Ahmed Abdul Sattar	Director
Mr. Muhammad Atiq	Director
Mr. Muhammad Hashim Khan	Nominee Director of ICP
Malik M. Parvez Akhtar	Director
Mr. Mohammed Ashraf Kothari	Director and Chief Executive

INVESTMENT ADVISER

Golden Arrow Investment & Research (Private) Limited
607, Uni Tower,
I.I. Chundrigar Road,
Karachi.

CUSTODIAN

National Bank of Pakistan,
I.I. Chundrigar Road, Karachi.

AUDITORS

Taseer Hadi Khalid & Co.,
Chartered Accountants,
First Floor, Sheikh Sultan Trust Bldg. No. 2,
Beaumont Road,
Karachi.

LEGAL ADVISER

Ali Daraz Siddiqui,
C/o. Noorallah A. Manji,
5th Floor, Jubilee Insurance House,
I.I. Chundrigar Road, Karachi.

REGISTERED OFFICE

607, Uni Tower,
I.I. Chundrigar Road, Karachi.

NOTICE OF MEETING

Notice is hereby given that the Fifteenth Annual General Meeting of Golden Arrow Selected Stocks Fund Limited will be held on Tuesday, 29th December, 1998 at 10:30 a.m. at 703, Uni Tower, I.I. Chundrigar Road, Karachi to transact the following business:-

To confirm the Minutes of the Extraordinary General Meeting held on 15th May, 1998.

To receive, consider and adopt the Audited Accounts together with the Directors' and Auditors' Report for the year ended 30th June, 1998.

To appoint Auditors of the Company and to fix their remuneration. The present Auditors, Messrs. Taseer Hadi Khalid & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

To transact such other business as may be placed before the meeting with the permission of the Chair.

By Order of the Board

Karachi: 7th December, 1998

Company Secretary

NOTES:

1. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of him/her at the meeting. Proxies must be deposited at the Company's Registered Office not less than 48 hours before the time for holding the meeting. A proxy must be a member.

2. The Share Transfer books of the Company will remain closed from 23rd December, 1998 to 29th December, 1998 (both days inclusive).

3. The Shareholders are advised to notify the Company of any change in their addresses to ensure prompt delivery of mails. Any shares for transfers etc. should also be lodged with the Company.

DIRECTORS' REPORT

The Directors of Golden Arrow Selected Stocks Fund Ltd. present this report, together with Accounts of the Fund for the financial year ended 30th June, 1998.

MARKET BEHAVIOUR

There has been continuous downward trend prevailing in the Capital Market since June, 1997. The Karachi Stock Exchange Index of share prices declined from 1566 points on 30th June, 1997 to 880 points on 30th June, 1998 resulting in net change of minus 686 points.

The first half of the year under review has really been depressing. The general investing public was in complete disarray and unable to decide about the future course of the market. The continued downslide and under performance of the market were mainly attributed to law and order situation, acute liquidity crunch, sharp devaluation of Pak rupee and finally the Government-Judiciary crisis. In the second half the performance of market remained sluggish most of the time though the government started to revamp the economy. In May 1998 in response to India's nuclear blast our country had to respond in a befitting manner. This action of both the Governments resulted in imposition of international economic sanctions. Due to these

sanctions, the already sluggish economy declined to such a level that country's foreign exchange reserves declined steeply causing default to appear a distinct possibility. Capital Market of the country in line with the economy, performed poorly. Against this back drop the performance of an investment portfolio, such as ours, with largely depends on market conditions supported by economic development, particularly!:/ sectors like textile, sugar and modarabas, could only be expected to suffer.

OPERATIONAL RESULTS

The Company's income amounted to Rs.8.50 million as at the year ended 30th June, 1998 as against Rs.0.99 million for the preceding year showing a net increase of Rs. 7.51 million. After meeting administrative expenses, custodian fee, auditor's remuneration, the fee of 1% of the net assets of the company to Investment Advisor, and finally provision of Rs.21.2 million to be made for diminution in value of investments, the loss before taxation comes to Rs.13.7 million. In these circumstances, the Directors have regretfully passed over dividend payment for the year under report. There is no material change in overall position of Company's portfolio since the balance sheet date.

FUTURE PROSPECTS

The present Government is disparately trying to improve worsening economic conditions by presenting comprehensive reform packages of various industries and sectors. So far the pace of economic growth has not responded to the desired level and as such budgeted revenue target could not be achieved. The shortfall in revenue largely and the lack of investment growth are giving alarming signals to country's economic conditions. Unless the financial condition of the country improves, Capital Market would remain dull and directionless.

ACKNOWLEDGMENTS

The Directors would like to take this opportunity of thanking the Corporate Law Authority and Ministry of Finance for their support to the Company.

The Board also appreciate the devoted work done by the staff and officers of the company.

While concluding we regret to inform that one of our Directors, Sheikh Ejaz Ahmed, expired in October, 1998. As a Director on our Board, the Late Sheikh Ejaz Ahmed, rendered valuable contribution to the Board's deliberations. We pray that the departed soul may rest in peace in its heavenly abode. We also pray that the members of the deceased family bear this irreparable loss with strength and fortitude.

For and on behalf of the Board

SAID AHMED
Chairman

Karachi: 5th December, 1998

PATTERN OF SHAREHOLDING AS AT 30TH JUNE 1998

No. of Shareholders	Having Shares		Shares Held	Percentage
	From	To		
388	1	100	23,681	0.15
646	101	500	173,398	1.07
519	501	1,000	418,520	2.58
1,085	1,001	5,000	2,636,672	16.27
225	5,001	10,000	1,615,363	9.96
76	10,001	15,000	977,436	6.03
31	15,001	20,000	558,873	3.45
15	20,001	25,000	332,232	2.05
3	25,001	30,000	81,225	0.50
10	30,001	35,000	334,463	2.06

1	35,001	40,000	38,653	0.24
2	40,001	45,000	82,391	0.51
3	45,001	50,000	144,596	0.89
3	50,001	55,000	157,579	0.97
3	55,001	60,000	173,930	1.07
3	60,001	65,000	189,350	1.17
1	65,001	70,000	70,000	0.43
2	75,001	80,000	155,533	0.96
1	80,001	85,000	84,000	0.52
1	85,001	90,000	87,500	0.54
4	95,001	100,000	394,789	2.44
1	100,001	105,000	105,000	0.65
1	120,001	125,000	124,000	0.76
2	140,001	145,000	286,996	1.77
1	165,001	170,000	166,500	1.03
1	180,001	185,000	182,971	1.13
1	190,001	195,000	191,672	1.18
1	245,001	250,000	247,800	1.53
1	250,001	255,000	254,523	1.57
1	265,001	370,000	266,800	1.65
1	330,001	335,000	332,980	2.05
1	365,001	270,000	367,920	2.27
1	455,001	460,000	458,000	2.82
1	465,001	470,000	465,082	2.87
1	580,001	585,000	584,732	3.61
1	1,300,001	1,305,000	1,300,840	8.02
1	2,140,001	2,145,000	2,144,000	13.23
-----			-----	-----
3,039			16,210,000	100.00
=====			=====	=====

CATEGORIES OF SHAREHOLDERS AS ON 30 JUNE 1998

Particulars	Shareholders	Shareholding	Percentage
Individuals	2,994	8,178,133	50.45
Insurance Companies	4	94,999	0.59
Joint Stock Companies	25	4,461,004	27.52
Financial Companies	8	2,803,655	17.29
Modaraba Companies	4	354,509	2.19
Leasing Companies	2	173,500	1.07
Non Resident	1	2,000	0.01
Others	1	142,200	0.88
-----		-----	-----
3,039	16,210,000	100.00	
=====	=====	=====	

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Golden Arrow Selected Stocks Fund Limited as at 30 June 1998 and the related Profit and Loss Account and Statement of Changes in Financial Position 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 purpose 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 Adviser's 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 Adviser's 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 purpose of the Company's business;

(iii) the business conducted, investments made and expenditure incurred during the year were in accordance with the investment policy of the company and Investment Companies and Investment Adviser's Rules, 1971;

(iv) the company has not contravened the provisions of Rule 8 of the Investment Companies and Investment Adviser's Rules, 1971;

(c) In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and the Profit and Loss Account and the Statement of Changes in Financial Position together with the notes forming part thereof give the information required by the Companies Ordinance, 1984 and Investment Companies and Investment Adviser's Rules, 1971 in the manners so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 1998 and of the loss and the changes in financial position for the year ended on that date; and

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

TASEER HADI KHALID & CO.
Chartered Accountants

Karachi: 5th December, 1998

BALANCE SHEET AS AT 30 JUNE 1998

	NOTE	1998	1997
		(Rupees '000)	
CAPITAL AND RESERVES			
SHARE CAPITAL			
Authorised			
60,000,000 ordinary shares of Rs. 5/- each		300,000	300,000
		=====	=====
Issued, Subscribed and Paid-up			
16,210,000 ordinary Shares of Rs. 5 each	3	81,050	81,050
RESERVES			
Share premium		6,700	6,700
General reserve		500	500
Accumulated loss		(35,505)	(21,303)
		-----	-----
		(28,305)	(14,103)

		-----	-----
		52,745	66,947
Deferred expenditure payable	4	62	124
CURRENT LIABILITIES			
Due to shareholders on reduction of capital		45	45
Current maturity of deferred expenditure payable	4	62	116
Creditors and accrued expenses	5	839	48
Due to investment adviser - an associated company	6	539	694
Unclaimed dividend		322	322
Provision for taxation	7	440	150
		-----	-----
		2,247	1,375
		-----	-----
		55,054	68,446
		=====	=====
DEFERRED EXPENDITURE	8	136	272
CURRENT ASSETS			
Marketable securities	9	49,404	65,169
Short Term Investments	10	2,500	-
Advances, prepayments and other receivables	11	1,144	733
Bank balances on current account		1,870	2,272
		54,918	68,174
		-----	-----
		55,054	68,446
		=====	=====

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

SAID AHMED
CHAIRMAN

M. ASHRAF KOTHARI
DIRECTOR

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

	NOTE	1998	1997
		(Rupees '000)	
Sales of marketable securities		10,487	21,676
Cost of sales of marketable securities	12	7,593	25,507
		-----	-----
Gain/(Loss) on sale of marketable securities		2,894	(3,831)
Other income	13	5,609	4,826
		-----	-----
		8,503	995
OPERATING EXPENSES			
Administrative	14	384	408
Financial	15	13	25
Remuneration to the investment adviser	6.1	527	670
		-----	-----
		924	1,103

		7,579	(108)
(Provision for)/Reversal of provision for diminution in value of marketable securities		(21,253)	3,675
(Loss)/Profit for the year before taxation		(13,674)	3,567
Taxation - Current Year	7	440	150
- Prior Year		88	32
		528	182
(Loss)/Profit for the year after taxation		(14,202)	3,385
Accumulated loss brought forward		(21,303)	(24,688)
Accumulated loss carried forward		(35,505)	(21,303)

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

SAID AHMED
CHAIRMAN

M. ASHRAF KOTHARI
DIRECTOR

**STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 1998**

	1998	1997
	(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss)before taxation	(13,674)	3,567
Adjustment for:		
Amortisation of deferred expenditure	136	198
Provision for/(reversal) of diminution in value of marketable securities	21,253	(3,675)
	7,715	90
Changes in Operating assets/liabilities:		
(Increase)/decrease in current assets		
Marketable securities	(5,489)	(8,547)
Short term investment	(2,500)	429
Prepayments & other receivable	(399)	(510)
(Decrease)/increase in current liabilities		
Creditors and accrued expenses	791	(412)
Due to investment adviser	(155)	15
	(7,752)	(9,025)
Income tax paid	(249)	(135)

Net cash flow used in operating activities	(286)	(9,070)
CASH FLOWS FROM INVESTING ACTIVITIES		
Deferred expenditure paid	(116)	(194)
	-----	-----
Net cash flow (used) in/from investing activities	(116)	(194)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	(2)
	-----	-----
	-	(2)
Net (decrease)/increase in bank balances	(402)	(9,266)
Bank balance at the beginning of the year	2,272	11,538
	-----	-----
Bank balance at the end of the year	1,870	2,272
	=====	=====

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 1998**

1. STATUS AND NATURE OF BUSINESS

The company was incorporated on 09 May 1983 as a public limited company under Companies Act, 1913 (now Companies Ordinance, 1984) and was registered as an Investment Company under the Investment Companies and Investment Adviser's Rules, 1971 and is listed on Karachi and Lahore Stock Exchanges. The Company has entered into an agreement with an associated company, Golden Arrow Investment and Research (Private) Limited to act as its "Investment Adviser."

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These accounts have been prepared under the historical cost convention.

2.2 Marketable Securities

These are valued at lower of average cost and middle market price ruling on the balance sheet date determined on an aggregate portfolio basis. Middle market value has been used for calculating the market value which has been taken from the Karachi Stock Exchange closing rate summary sheet and it means the average of the highest and the lowest quotations prevailing on the balance sheet date.

2.3 Revenue Recognition

(i) Dividend Income is recorded at the time of the closure of share transfer books of the company declaring the dividend and is shown net of zakat deducted.

(ii) Sales and purchases of securities are recognised on the date of contract. Capital gain on sale of investments is taken to income of the period in which it arises.

(iii) In respect of term finance certificates, profit is recognised on a time proportion basis that takes into account the effective yield on the asset.

2.4 Deferred Expenditure

The expenditure incurred on the issue of right shares has been deferred and are being amortized over a period of five years commencing from the year in which these expenses were incurred.

2.5 Taxation

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account available credits and rebates. The company provides for deferred taxation using the liability method for all major timing differences. However, deferred tax debits are not accounted for.

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	1998	1997
	(Rupees '000)	
11,804,320 Ordinary shares of Rs. 5/- each fully paid in cash	59,022	59,022
4,405,680 Ordinary shares of Rs. 5/- each issued as bonus shares	22,028	22,028
-----	-----	-----
16,210,000	81,050	81,050
=====	=====	=====

4. DEFERRED EXPENDITURE PAYABLE

Balance as on 01 July	240	434
Less: Paid during the year	116	194
Transferred to current maturity	62	116
	-----	-----
	178	310
	-----	-----
	62	124
	=====	=====

Expenditure incurred on the issue of shares of the company to the public is being borne by the Investment Advisor, Golden Arrow Investment & Research (Pvt) Limited (associated company). These expenses are payable over a period of five years in equal installments as per Investment Companies and Investment Adviser's Rules, 1971. Mark-up is charged @ 10% per annum.

5. CREDITORS AND ACCRUED EXPENSES

Amount payable against purchases of shares	739	-
Accrued Expenses		
Audit fee	30	30
Custodian fee	70	18
	-----	-----
	100	48
	-----	-----
	839	48
	=====	=====

**6. DUE TO INVESTMENT ADVISER - GOLDEN ARROW
INVESTMENT AND RESEARCH (PRIVATE) LIMITED
AN ASSOCIATED COMPANY**

One percent of net assets	6.1	527	670
Mark-up on deferred expenditure		12	24

-----	-----
539	694
=====	=====

6.1 The remuneration of the Investment Adviser, at one percent of the net assets of the company as at the end of its year of account in term of Clause II (a) of the Investment Companies and Investment Adviser's Rules, 1971 has been determined as follows:

	1998	1997
	(Rupees '000)	
ASSETS		
Deferred expenditure	136	272
Marketable securities at market value	49,404	65,169
Short term investment	2,500	-
Advances, prepayments and other receivables	1,144	733
Bank balances on current account	1,870	2,272
	-----	-----
	55,054	68,446
LIABILITIES		
Deferred expenditure payable	63	124
Due to shareholders on reduction of capital	45	45
Current maturity of deferred expenditure payable	62	116
Creditors and accrued expenses	839	48
Due to Investment Adviser- an associated company	539	694
Unclaimed dividend	322	322
Provision for taxation	440	150
	-----	-----
	2,310	1,499
	-----	-----
Net assets as per rules	52,744	66,947
	=====	=====
Remuneration @ one percent of net assets	527	670
	=====	=====

7. PROVISION FOR TAXATION

The income tax assessments of the company have been finalised upto and including the assessment year 1997-98.

8. DEFERRED EXPENDITURE

Balance as on 1st July	272	470
Less: Amortised during the year	136	198
	-----	-----
	136	272
	=====	=====

9. MARKETABLE SECURITIES

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

NUMBER OF SHARES

BALANCE AS AT 30 JUNE 1998 PERCENTAGE IN RELATION TO

	Balance as at 01 July 1997	Purchases	Sales	Bonus Shares	Number of Shares	At Cost (Rupees '000)	At Market	Own net Assets	Investee Paid-up Capital (In relation to cost)
MUTUAL FUNDS									
ICP (State Enterprise) Mutual Fund	-	25,000	-	-	25,000	864	247	1.64	0.10
MODARABAS									
First AI Noor Modaraba	152,500	-	-	-	152,500	1,512	656	2.87	0.72
First Elite Capital Modaraba	34,020	-	-	-	34,020	456	41	0.86	0.40
First Equity Modaraba	15,750	-	15,000	-	750	8	3	0.02	0.00
First Habib Bank Modaraba	123,263	10,000	-	-	133,263	1,874	757	3.55	0.47
First Habib Modaraba (Shares of Rs. 5/- each)	240,000	-	-	-	240,000	1,260	660	2.39	0.50
First Hajveri Modaraba	100,000	-	-	-	100,000	442	350	0.84	0.22
First Professional Modaraba	33,480	17,000	-	-	50,480	381	126	0.72	0.49
First Ibrahim Modaraba	75,000	-	-	-	75,000	543	319	1.03	0.47
First Mehran Modaraba	30,000	-	-	-	30,000	340	75	0.64	0.41
Modaraba AI Mall	55,200	-	-	-	55,200	1,031	182	1.95	0.56
LEASING COMPANIES									
Dawood Leasing Company Limited	100,000	-	-	-	100,000	1,241	475	2.35	0.50
First Leasing Corporation Limited	47,500	12,500	-	-	60,000	666	390	1.26	0.24
Ibrahim Leasing Company Limited	50,000	-	-	-	50,000	333	212	0.63	0.33
INVESTMENT COMPANIES/BANKS									
Askari Commercial Bank Limited	29,900	-	-	1,495	31,395	729	432	1.38	0.07
Faysal Bank Limited	50,000	-	50,000	-	-	-	-	-	-
First International Investment Bank Limited	87,960	-	-	-	87,960	1,813	792	3.44	1.01
Security Investment Bank Limited	22,000	24,000	21,000	-	25,000	237	194	0.45	0.14
INSURANCE									
E.F.U. General Insurance Limited	25,000	-	-	5,000	30,000	1,240	960	2.35	1.03
International General Insurance Company Limited	10,995	-	-	2,748	13,743	716	756	1.36	1.04
TEXTILE SPINNING									
AI-Hamd Textile Mills Limited	35,000	-	-	-	35,000	793	157	1.50	0.94
Brother Textile Mills Limited	78,750	-	-	7,875	86,625	1,827	472	3.46	1.86
Central Cotton Mills Limited	6,024	-	-	-	6,024	152	12	0.29	0.20
Gadoon Textile Mills Limited	48,000	-	-	-	48,000	2,147	612	4.07	0.92
Gulshan Spinning Mills Limited	35,075	-	-	-	35,075	914	526	1.73	0.72
Khalid Siraj Textile Mills Limited	10,700	-	-	-	10,700	251	35	0.48	0.23
Nagina Cotton Mills Limited	38,500	-	-	-	38,500	945	241	1.79	1.01
Saitex Spinning Mills Limited	33,010	-	-	-	33,010	233	43	0.44	0.31
Sargodha Spinning Mills Limited	50,000	-	-	-	50,000	516	27	0.98	0.17
Suraj Cotton Mills Limited	40,000	-	-	-	40,000	704	280	1.33	0.78
Taj Textile Mills Limited	40,000	-	-	2,000	42,000	417	116	0.79	0.16
TEXTILE WEAVING									
ICC Textile Mills Limited	106,000	-	-	-	106,000	751	466	1.42	0.75
Kohinoor Weaving Mills Limited	110,800	39,000	-	-	149,800	1,680	1,768	3.19	1.20
Nishat Fabrics Limited	100,000	12,000	112,000	-	-	-	-	-	-

Service Fabrics Limited	81,889	-	-	-	81,889	1,003	61	1.90	0.64
TEXTILE COMPOSITE									
Crescent Textile Mills Limited	22,000	-	-	1099	23,099	404	179	0.77	0.10
Dawood Cotton Mills Limited	10,000	-	-	-	10,000	692	155	1.31	0.93
Ishaq Textile Mills Limited	59,500	-	-	-	59,500	1,316	997	2.50	1.36
Nishat Mills Limited	-	59,225	-	-	59,225	2,034	489	3.86	0.06
SYNTHETIC & RAYON									
Bengal Fibre Industries Limited	21,500	-	-	-	21,500	299	199	0.57	0.44
Ibrahim Fibres Limited	75,000	44,000	10,000	-	119,000	1,008	595	1.91	0.05
Polypropylene Products Limited (Shares of Rs. 5/= each)	23,014	-	-	-	23,014	330	131	0.63	1.65
Sunshine Cloth Mills Limited	15,500	-	-	-	15,500	182	16	0.35	0.12
SUGAR & ALLIED INDUSTRIES									
Chashma Sugar Mills Limited	31,400	-	3,000	-	28,400	517	284	0.98	0.27
Dewan Sugar Mills Limited	40,000	-	-	-	40,000	1,810	760	3.43	1.44
Faran Sugar Mills Limited	63,744	-	-	-	63,744	1,087	446	2.06	0.87
Haseeb Waqas Sugar Mills Limited	100,000	-	-	-	100,000	900	245	1.71	0.28
Kohinoor Sugar Mills Limited	27,600	-	-	-	27,600	475	283	0.90	0.50
Mirpurkhas Sugar Mills Limited	20,714	-	-	-	20,714	721	254	1.37	0.13
Premier Sugar Mills Limited	6,700	-	-	-	6,700	314	161	0.60	0.84
Shahmurad Sugar Mills Limited	66,500	-	-	-	66,500	2,812	1,181	5.33	5.33
Sindh Abadgar's Sugar Mills Limited	50,800	-	-	-	50,800	764	305	1.45	0.73
CEMENT									
Cherat Cement Company Limited	110,450	-	-	-	110,450	6,091	1,127	11.55	1.27
D.G. Khan Cement Company Limited	93,410	-	-	-	93,410	3,679	442	6.98	0.28
Maple Leaf Cement Factory Limited	250,000	-	-	-	250,000	2,751	820	5.22	0.21
FUEL & ENERGY									
Ibrahim Energy Limited	70,000	-	-	-	70,000	626	508	1.19	0.50
Kohinoor Energy Limited	-	30,000	-	-	30,000	517	146	0.98	0.04
National Refinery Limited	67,000	33,000	-	-	100,000	5,928	1,550	11.24	0.89
Nishat Tek Limited	20,500	500	21,000	-	-	-	-	-	-
Pakistan State Oil Company Limited	6,639	-	2,600	1,007	5,046	354	372	0.67	0.04
Shell Pakistan Limited	18,975	7,787	10,700	-	16,062	2,280	2,353	4.32	0.65
Sui Northern Gas Pipelines Limited	26,540	61,000	-	11,631	99,171	2,690	893	5.10	0.06
ENGINEERING									
Abbas Steel Mills Limited	28,500	-	-	-	28,500	359	125	0.68	0.85
Metropolitan Steel Corporation Limited	21,399	-	-	-	21,399	391	107	0.74	0.48
AUTO & ALLIED ENGINEERING									
AI-Ghazi Tractors Limited (Shares of Rs. 5/- each)	14,300	-	15,730	1,430	-	-	-	-	-
Ghandhara Nissan Diesel Limited	11,500	20,000	-	-	31,500	868	599	1.65	1.12
Pak Suzuki Motor Company Limited	25,000	-	-	-	25,000	1.17	850	2.22	0.24
CABLES & ELECTRICAL GOODS									
Pak Elektron Limited	50,237	-	-	-	50,237	2,418	201	4.58	1.30
TRANSPORT & COMMUNICATION									

Pakistan Telecommunication
Company Limited

- 82,000 22,000 - 60,000 1.00 947 1.90 -

CHEMICAL & PHARMACEUTICAL

Berger Paints Pakistan Limited	13,915	-	-	1,391	15,306	593	444	1.12	1.92
Dowood Hercules Chemicals Limited	10,000	-	-	10,000	2,000	1,506	2,400	2.86	0.45
Engro Chemicals Pakistan Limited	12.50	15,000	-	1,875	29,373	2,549	1,504	4.83	0.25
ICI Pakistan Limited	-	83,000	83,000	-	-	-	-	-	-
Knoll Pharmaceuticals Limited	24,000	35,000	-	-	27,500	4,654	1,636	8.82	6.06
Otsuka Pakistan Limited	35,000	-	-	-	35,000	882	359	1.67	0.88
Sitara Chemicals Industries Limited	40,495	-	-	5,061	45,556	1,510	911	2.86	0.91

PAPER & BOARD

Crescent Board Mills Limited	38,000	-	-	-	38,000	590	76	1.12	0.67
Packages Limited	75,000	-	-	9,375	84,375	3,998	3,038	7.58	1.14

GLASS & CERAMICS

Baluchistan Glass Limited (Shares of Rs. 5/- each)	110,000	-	-	-	110,000	2,900	220	5.50	5.27
Emco Industries Limited	59,166	-	-	8,874	68.04	1,174	680	2.23	1.02

MISCELLANEOUS

Treet Corporation Limited	18,683	-	-	-	18,683	435	308	0.82	1.04
---------------------------	--------	---	---	---	--------	-----	-----	------	------

TERM FINANCE CERTIFICATE

ICI Pakistan Limited	1,500	-	-	-	1,500	7,500	7,665	14.22	-
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103,097 49,404

Less: Provision for diminution
in the value of investments

53,693 -

1998 49,404 49,404

=====
1997 65,169 65,169

=====
=====

9.1 Net assets means as defined in Section 2 (e) of the Investment Companies and Investment Adviser's Rules, 1971.

9.2 Following shares have not been transferred in the name of the company at 30 June 1998:

Name of the Company	Shares
Sargodha Spinning Mills Limited	50,000
ICC Textile Mills Limited	105,000
D.G. Khan Cement Company Limited	50,000

10. SHORT TERM INVESTMENT

These represents a placement with Security Investment Bank Limited for three months at a profit rate of 17% per annum. The placement had matured on 14 July 1998.

11. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLE

1998 1997
(Rupees '000)

Advance Tax	18	6
Prepayments	18	18
Dividend receivable	669	358
Profit receivable on Term Finance Certificates	351	351
Profit receivable on Shod Term Deposits	88	-
	-----	-----
	1,144	733
	=====	=====

12. COST OF SALES OF MARKETABLE SECURITIES

Balance as on 01 July	97,608	96,561
Purchases	12,968	26,446
Stamps and duties	114	108
	-----	-----
	110,690	123,115
Less: Balance as on 30 June	(103,097)	(97,608)
	-----	-----
	7,593	25,507
	=====	=====

13. OTHER INCOME

Dividend	4,132	3,812
Less: Zakat deducted at source	(14)	(38)
	-----	-----
	4,118	3,774
Profit on Term Finance Certificates	1,403	1,052
Profit on Security Investment Bank Limited		
Term Deposits	88	-
	-----	-----
	5,609	4,826
	=====	=====

14. ADMINISTRATIVE EXPENSES

Professional tax	52	39
Annual listing fee	85	75
Custodian fee	70	55
Amortisation of deferred expenses	136	198
Auditors' remuneration	37	37
Director's fee	4	4
	-----	-----
	384	408
	=====	=====

14.1 Auditors' remuneration

Audit fee	30	30
Out of pocket expenses	7	7
	-----	-----
	37	37
	=====	=====

15. FINANCIAL EXPENSES

Bank Charges	1	1
Mark-up on deferred expenditure payable to Golden Arrow Investment & Research (Pvt) Ltd.	12	24

 13 25
 =====

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of all the financial instruments reflected in the financial statements approximates fair values.

17. CONCENTRATION OF CREDIT RISK AND CREDIT EXPOSURES OF THE FINANCIAL INSTRUMENTS

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

18. INTEREST RATE RISK EXPOSURE

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

	(Rupees in '000)			
	One month to one year	Over one year	Non interest bearing	Total
Financial Assets				
Marketable securities	2,555	5,110	41,739	49,404
Short term investments	2,500	-	-	2,500
Other receivables	-	-	1,108	1,108
Bank balances	-	-	1,870	1,870
	-----	-----	-----	-----
	5,055	5,110	44,717	54,882
	-----	-----	-----	-----
Financial Liabilities				
Deferred expenditure payable	62	62	-	124
Due to shareholders on reduction of capital	-	-	45	45
Creditors and accrued expenses	-	-	839	839
Due to investment adviser	-	-	539	539
Unclaimed dividend	-	-	322	322
	-----	-----	-----	-----
	62	62	1,745	1,869
	-----	-----	-----	-----
On balance sheet gap (a)	4,993	5,048	42,972	53,013
	-----	-----	-----	-----
	4,993	10,041	53,031	-
	=====	=====	=====	=====

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

(b) Effective interest / mark-up rates for financial assets and liabilities are as follows:

Assets	Effective interest mark-up rate (%)
Marketable securities - Term Finance Certificates	18.70
Short term investments	17.00

Liabilities	
Deferred expenditure payable	10.00

**19. TRANSACTIONS WITH AN ASSOCIATED COMPANY
(INVESTMENT ADVISER)**

	1998	1997
Mark-up on deferred expenditure payable	12	24
	=====	=====
Remuneration for services	527	670
	=====	=====
Payments of deferred expenditure payable	116	194
	=====	=====

20. GENERAL

20.1 Figures have been rounded off to the nearest thousand rupees.

20.2 Previous year's figures have been rearranged, wherever necessary, to facilitate comparison.

**Golden Arrow Investment & Research (Pvt) Limited
Investment Adviser
Profit and Loss Account
For the year ended 30 June 1998**

	1998	1997
	(Rupees '000)	
Remuneration from Golden Arrow Selected Stocks Fund Limited	527	670
Interest on deferred expenditure	12	24
	-----	-----
	539	694

OPERATING EXPENSES

ADMINISTRATIVE

Directors' remuneration	289	289
Salaries, wages and other benefits	1,115	1,622
Gratuity	223	105
Rent and electricity	141	168
Repairs and maintenance	71	87
Legal and Professional charges	177	276
Postage, telephone and telegrams	199	245
Printing and Stationery	95	128
Conveyance and entertainment	164	90
Audit fee	21	20
Newspapers and subscriptions	24	46
Depreciation	358	406
Others	138	60
Vehicles running expenses	130	105
Insurance	41	48
Advertisement	83	46

	-----	-----
	3,269	3,741
	-----	-----
Loss of the year	(2,730)	(3,047)
	=====	=====

Note: Service income, capital gain, underwriting commission & other 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 income other than the above two sources of income are not considered to be relevant / material.