

## **Security Stock Fund Limited**

### **Annual Report 1998**

#### **Contents**

Company Information

Notice of Meeting

Directors' Report

Pattern of Holding of the Shares

Auditors' Report

Balance Sheet

Profit & Loss Account

Statement of Changes in Financial Position

Notes to the Accounts

Statement of Income & Expenditure

of Investment Advisor in relation to the Investment Company

#### **Company Information**

##### **Board of Directors**

Mr. A. K. M. Sayeed

Mr. Asim Iftikhar

Mr. Farrukh H. Khan

Mr. Iqbal Usman

Mr. Imran Iqbal

Mr. Jan Mohammad

Mr. Mohammad Rashid Zahir

Mr. Salim Rathod

Mr. Shahid A. Khan

Mr. Sikander Gulzar

Mr. Zulfiqar Hussain

##### **Chief Executive**

Mr. Iqbal Usman

##### **Company Secretary**

Mr. Anwar Zafar

##### **Investment Advisor**

Security Fund Management Limited

##### **Auditors**

M. Yousuf Adil Saleem & Co.

##### **Legal Advisor**

Mohsin Tayebaley

##### **Custodian**

Muslim Commercial Bank Ltd.

##### **Registered Office & Shares Department**

220, 2nd Floor, Uni Tower,  
I. I. Chundrigar Road,  
Karachi.  
Tel: 2417770 Fax: 2419296

## Notice of 4th Annual General Meeting

Notice is hereby given that the Fourth Annual General Meeting of the Security Stock Fund Limited will be held on Thursday, the 24th December, 1998, at 12:30 P.M. at the Best Western Plaza Hotel, Karachi, to conduct following business.

1. To receive, consider, and adopt Audited Accounts of the Company for the year ended 30th June, 1998.
2. To appoint Auditors of the Company for the year ending 30th June, 1998.
3. To appoint ten (10) directors as fixed by the Board of Directors in accordance with the provisions of the section 178(1) of the Companies Ordinance, 1984, for a period of three years.

The retiring directors are:

- I. Mr. A.K.M. Sayeed
- II. Mr. Asim Iftikhar
- III. Mr. Farrukh H. Khan
- IV. Mr. Iqbal Usman
- V. Mr. Imran Iqbal
- VI. Mr. Muhammad Rashid Zahir
- VII. Mr. Jan Muhammad
- VIII. Mr. Salim Rathod
- IX. Mr. Shahid Ahmed Khan
- X. Mr. Sikander Gulzar
- XI. Mr. Zulfiqar Hussain

To transact any other business that may be placed before the meeting.

By order of the Board

**ANWAR ZAFAR**  
Company Secretary

Karachi;  
November 20, 1998

### Notes:

1. The share transfer books of the Company will remain closed from December 16, 1998 to December 23, 1998 (both days inclusive).
2. A member entitled to attend and vote at the meeting is entitled to appoint another member of the Company as a Proxy to attend and vote on his/her behalf. Proxies in order to be effective must reach the registered office of the Company duly stamped not later than 48 hours before the meeting.

## Directors' Report

We are pleased to present results for the year ending on 30th June 1998.

During the year the stock market persisted in its overall declining trend after a brief rise at the start when the KSE 100 index crossed 1900. But the initial optimism primarily generated by some measures from the government to build investors confidence could not sustain the market due to decline in interest all around the world in emerging markets. The foreign investment in equities dropped substantially taking a heavy toll. The decline became suddenly sharper in the last quarter when the market was overtaken by events impacting Country's creditworthiness and deadlock with international lending agencies. The KSE 100 index closed at 879, down from 1565 since 30th June 1997. This makes a total drop of over 43% for the year and over 60% since the launch of the fund in August 1994 when the KSE index was some 2100. There is no sector which is not at a substantial discount to what it was worth previously. The notable feature this year is the losses in blue chips until recently considered safe heavens. The chemical sector declined by 37%, synthetic by 40%, financial by 43%, Cement by 56%, and the apple of market's eye fuel & energy by more than 60%. The rest of the sectors were not in any position to oblige by offering further room for decline.

The performance of your fund has to be seen against such a dismal backdrop. The drop in NAV was limited to 20% in a market which declined by 43%. This drop was solely the result of provision for diminution in the market value of securities - temporary to a certain extent. The return of the portfolio in terms of dividend income and profit on certificates remained the same. This attests to basic soundness of the portfolio, which will regain its apparent losses once the market takes an upturn. During the period investment policy of your directors has remained focused on prudent investment and low level of portfolio turnover. We continue to maintain a ratio of equity and fixed income securities. As we write this report there are some positive signals for the market. The sanctions imposed on Pakistan have been partly lifted and there are encouraging signs that the international lending agencies will soften

their stand opening way for rescheduling of debt and further line of credit so urgently required to avert implosion of the economy.

The computers all around the world are expected to face software problems at the turn of the century commonly known as The Millennium Bug. The problem primarily arises because of lack of space originally allocated for dates in computer programs. It is yet not clear as to what extent companies will be affected -- estimates vary. We however do not expect to face any disruption in our internal computer system having already acquired necessary upgrades from the software supplier. And since we are not connected on-line to another computer system our exposure to the probable risk of system disruption remains limited to the extent it affects other corporate entities we deal with such as stock exchanges and banks.

<b>Financial Results</b>	<b>Amount (Rs)</b>
Profit for the year	2,102,191
Provision for diminution in Market value of securities	(23,061,458)
Loss before taxation	(20,959,267)
Taxation	(533,632)
Loss after Taxation	(21,492,899)
Profit brought forward	2,099,980
Loss carried forward	(19,392,919)

Because of loss for the year no dividend could be declared:

#### **Auditors**

M/s M. Yousuf Adil Saleem & Co., Chartered Accountants, retire and being eligible offer themselves for reappointment.

#### **Pattern of Shareholding**

The Pattern of Shareholding of the Company is attached.

For and on behalf of the Board.

**(IQBAL USMAN)**

Chief Executive

Dated: Nov.20, 1998

Place : Karachi.

**\*Pattern of Holding of the Shares held by the Shareholders**

**As at June 30, 1998**

No. of Shares Holders		Share Holdings				Total Shares Held
312	From	1	to	100	Shares	31,200
14,381	From	101	to	500	Shares	7,147,600
23	From	501	to	1,000	Shares	22,600
22	From	1,001	to	5,000	Shares	54,700
9	From	5,001	to	10,000	Shares	81,700
1	From	10,001	to	15,000	Shares	11,300
2	From	40,001	to	45,000	Shares	84,000
1	From	995,001	to	1,000,000	Shares	1,000,000
1	From	1,565,001	to	1,570,000	Shares	1,566,900
-----						-----
14,752						10,000,000
=====						=====

Categories of Shareholders	Number	Shares Held	Percentage
INDIVIDUALS	14,748	7,391,600	73.92%
INVESTMENT COMPANIES	2	41,500	0.42%
JOINT STOCK COMPANIES	1	1,000,000	10.00%
FINANCIAL INSTITUTIONS	1	1,566,900	15.67%
-----			-----
14,752			100.00%
=====			=====

**Auditors' Report to the Members**

We have audited the annexed balance sheet of SECURITY STOCK FUND LIMITED as at June 30, 1998 and the related profit and loss account and statement of changes in financial position (Cash Flow Statement), together with the notes forming part thereof, for the year then ended 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, after due verification thereof, 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 by 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; and

(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 profit and loss account and the statement of changes in financial position (cash flow statement) 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 manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 1998 and of the Profit and the changes in financial position for the year then ended; and

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

**M. Yousuf Adil Saleem & Co.**

Chartered Accountants

Karachi: 20 November, 1998

### Balance Sheet as at June 30, 1998

Note	1998 Rupees	1997 Rupees
<b>SHARE CAPITAL</b>		
Authorised		
10,000,000 ordinary shares of Rs. 10/- each	100,000,000	100,000,000
	=====	=====
Issued, subscribed and paid-up		
10,000,000 ordinary shares of Rs. 10/- each fully paid in cash	100,000,000	100,000,000
Accumulated (loss) / profit	(19,392,919)	2,099,980
	-----	-----
	80,607,081	102,099,980

<b>DEFERRED EXPENDITURE</b>	3	441,515	1,427,203
<b>CURRENT LIABILITIES</b>			
Current maturity of deferred expenditure		935,688	985.69
Due to Investment Adviser	4	7,081,764	5,507,088
Creditors and accrued expenses		78,143	41,219
Income Tax		652,000	2,384,287
		-----	-----
		8,797,595	8,918,282
		-----	-----
		89,846,191	112,445,465
		=====	=====
<b>DEFERRED EXPENDITURE</b>	5	1,052,540	2,038,228
<b>CURRENT ASSETS</b>			
Marketable Securities	6	78,761,120	91,793,947
Certificate of investment	7	4,000,000	4,000,000
Advances and other receivables	8	1,678,828	1,246,959
Cash and bank balances	9	4,353,703	13,366,331
		-----	-----
		88,793,651	110,407,237
		-----	-----
		89,846,191	112,445,465
		=====	=====

The annexed notes from 1 to 17 form an integral part of these accounts.

**IQBAL USMAN**  
Chief Executive

**SALIM RATHOD**  
Director

**Profit and Loss Account**  
**For the Year Ended June 30, 1998**

	Note	1998 Rupees	1997 Rupees
<b>REVENUE</b>			
Capital loss on marketable securities	10	(3,098,171)	(158,779)
Dividend income - net of zakat		4,856,097	3,976,523
Return on investment and bank deposits	11	3,351,775	5,637,205
		-----	-----
		5,109,701	9,454,949
<b>EXPENDITURE</b>			
Operating expenses	12	202,146	120,308
Amortization of deferred expenditure		985,688	985,688

Financial charges	13	207,534	304,324
Remuneration of investment advisor		1,612,142	2,042,000
		-----	-----
		3,007,510	3,452,320
		-----	-----
Profit, for the year		2,102,191	6,002,629
(Provision) / Reversal of diminution in value of marketable securities		(23,061,458)	10,780,273
		-----	-----
(Loss) / Profit before taxation		(20,959,267)	16,782,902
Provision for taxation			
Current year		(652,000)	1,245,115
Prior years'		118,368	833,014
		-----	-----
		(533,632)	(2,078,129)
		-----	-----
(Loss) / Profit for the year after taxation		(21,492,899)	14,704,773
Accumulated profit/(loss) brought forward		2,099,980	(12,604,793)
		-----	-----
Accumulated (loss) /profit carried forward		(19,392,919)	2,099,980
		=====	=====

The annexed notes from 1 to 17 form an integral part of these accounts

**IQBAL USMAN**  
Chief Executive

**SALIM RATHOD**  
Director

**Statement of Changes in Financial Position  
(Cash Flow Statement)  
For the Year Ended June 30, 1998**

	<b>1998</b>	<b>1997</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss) / Profit before taxation	(20,959,267)	16,782,902
Adjustment for items not involving movement of funds		
Amortization of deferred expenditure	985,688	985,688
Provision / Reversal of provision for diminution in value of marketable securities	23,061,458	(10,780,273)
	-----	-----
	24,047,146	(9,794,585)
	-----	-----
Operating profit before working capital changes	3,087,879	6,988,317
<b>EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES</b>		



Increase in current assets		
Advances and other receivables	(340,750)	(651,500)
	-----	-----
	2,747,129	6,336,817
Increase/(decrease) in current liabilities		
Due to Investment Adviser	588,988	868,769
Accrued expenses	36,924	( 175,516)
	-----	-----
	625,912	693,253
Cash used in operations	3,373,041	7,030,070
Income tax paid	(2,357,037)	(1,012,959)
	-----	-----
Net cash from operating activities	1,016,004	6,017,111
	-----	-----

## B. CASH USED IN INVESTING ACTIVITIES

Marketable securities	(10,028,632)	(32,112,109)
Short term investment	--	22,000,000
	-----	-----
Net cash used in investing activities	(10,028,632)	(10,112,109)
Net decrease in cash and cash equivalents	(9,012,628)	(4,094,998)
Cash and bank balances at the beginning of the year	13,366,331	17,461,329
	-----	-----
Cash and bank balances at the end of the year	4,353,703	13,366,331
	=====	=====

**IQBAL USMAN**

Chief Executive

**SALIM RATHOD**

Director

## Notes to the Accounts

### For the Year Ended June 30, 1998

#### 1. STATUS AND NATURE OF BUSINESS

1.1 The Company was incorporated on January 29, 1994, as a public limited company under the Companies Ordinance, 1984 and has been registered as an Investment Company 'under the Investment Companies and Investment Adviser's Rules, 1971. The Company is listed on the Karachi, Lahore and Islamabad 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 an agreement with the Security Fund Management Limited (an approved Investment Adviser) to provide Investment advisory services. Muslim Commercial Bank Limited is the custodian of Fund's securities.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Accounting Convention

These accounts has been prepared under the historical cost convention.

### 2.2 Deferred expenditure

These are amortized over a period of five years from the year of deferment.

### 2.3 Taxation

The charge for current taxation is based on taxable income at the current tax rates after taking into account tax credits and rebates available, if any.

### 2.4 Marketable securities

These are valued at lower of moving average cost and market value on an aggregate portfolio basis. Market value is taken from Karachi Stock Exchange quotations as on the last working day of the income year.

### 2.5 Revenue recognition

a. Dividend income is taken as net of zakat and is recognized at the time of closure of share transfer books of the company declaring the dividend.

b. Profit on short term investment and bank deposits are recognized on receipt basis.

c. Sales and purchase of securities are recorded on the date of contract. Capital gains and losses on the sale of securities are accounted for in the year in which they arise.

### 3. DEFERRED EXPENDITURE PAYABLE

	<b>1998</b>	<b>1997</b>
	<b>Rupees</b>	<b>Rupees</b>
Opening balance	2,412,891	3,398,579
Paid during the year/transferred to their current account	985,688	985,688
	-----	-----
	1,427,203	2,412,891
Shown under current liabilities		
Installments due within one year	985,688	985,688
	-----	-----
	441,515	1,427,203
	=====	=====

The expenditure incurred on the incorporation and floatation of Security Stock Fund Limited has been paid by the Security Fund Management Limited.

As per Investment Companies and Investment Adviser's Rules, 1971, these expenses are to be repaid by Security Stock Fund Limited over a period of five years in equal annual installment. Interest is being charged at the rate of 10%.

### 4. DUE TO INVESTMENT ADVISOR -

	<b>1998</b>	<b>1997</b>
	<b>Rupees</b>	<b>Rupees</b>

**AN ASSOCIATED COMPANY****INVESTMENT ADVISER FEE**

Opening balance	4,413,987	3,507,752
2 percent of net assets (note 4.1)	1,612,142	2,042,000
	-----	-----
	6,026,129	5,549,752
Paid during the year	(985,688)	(1,135,765)
	-----	-----
Closing balance	5,040,441	4,413,987
	=====	=====

**DEFERRED EXPENDITURE INSTALLMENT**

Opening balance	985,688	--
Closing portion of deferred expenditure payable	985,688	985,688
	-----	-----
Closing balance including overdue installment	1,971,376	985,688
	=====	=====

**MARKUP ON DEFERRED EXPENDITURE PAYABLE**

Opening balance	107,413	144,879
Markup payable for the year	203,822	302,392
	-----	-----
	311,235	447,271
Paid during the year	(241,288)	(339,858)
	-----	-----
Closing balance	69,947	107,413
	-----	-----
	7,081,764	5,507,088
	=====	=====

4.1 The Investment Adviser is entitled to a remuneration of 2 percent of the net assets of the company for the first five years of Investment Company's existence and thereafter @ 1% of net assets of the Company in terms of Rule 11(a) of the Investment Companies and Investment Adviser's Rules, 1971 which is determined as under :-

	<b>1998</b>	<b>1997</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>ASSETS</b>		
Deferred expenditure	1,052,540	2,038,228
Marketable securities	78,761,120	91,793,947
Certificate of investment	4,000,000	4,000,000
Advances and other receivables	1,678,828	1,246,959
Cash and bank balances	4,353,703	13,366,331
	-----	-----
	89,846,191	112,445,465

**LIABILITIES**

Deferred expenditure payable	441,515	1,427,203
Current maturity of deferred expenditure	985,688	985,688
Due to Investment Adviser	7,081,764	5,507,088
Accrued expenses	78,143	41,219
Income tax	652,000	2,384,287
	-----	-----
	(9,239,110)	(10,345,485)
	-----	-----
	80,607,081	102,099,980
	=====	=====
2 percent of net assets	1,612,142	2,042,000
	=====	=====

**5. DEFERRED EXPENDITURE**

Expenses incurred on incorporation and floatation		
Opening balance	2,038,228	3,023,916
amortized during the year	(985,688)	(985,688)
	-----	-----
	1,052,540	2,038,228
	=====	=====

**6. MARKETABLE SECURITIES**

All the holdings are in fully paid ordinary shares of Rs. 10/- each except where stated otherwise.

	NO. OF SHARES				BALANCE AT JUNE 30, 1998			% IN RELATION TO		
	Opening Balance July 01, 97	Purchases	Bonus	Sales	No. of shares	At Cost Rupees	At Market Value Rupees	Own net assets	Paid-up capital	No. of Shares
<b>MODARABAS</b>										
Equity International Modaraba	25,000	--	--	--	25,000	214,250	115,000	0.27%	0.08%	0.10%
First Habib Bank Modaraba	16,900	25,000	--	--	41,900	283,697	243,020	0.35%	0.07%	0.11%
First Ibrahim Modaraba	6,000	--	--	--	6,000	51,180	24,000	0.06%	0.04%	0.05%
Modaraba Al-Mali	25,000	--	--	--	25,000	211,975	81,250	0.26%	0.12%	0.14%
First Professional Modaraba	21,000	--	--	--	21,000	171,480	52,500	0.21%	0.22%	0.27%
Punjab Modaraba	75,000	--	--	--	75,000	467,700	236,250	0.58%	0.14%	0.22%
Trust Modaraba	250,000	94,500	--	--	344,500	2,491,325	1,894,750	3.09%	0.91%	1.26%
<b>LEASING COMPANY</b>										
Dawood Leasing Limited	20,000	--	--	--	20,000	225,600	95,000	0.28%	0.09%	0.08%
Pakistan Industrial Leasing Corpn. Ltd.	--	100.00	--	--	100,000	1,155,000	950,000	1.43%	0.64%	0.55%
<b>INVESTMENT COMPANIES/BANKS</b>										
Askari Commercial Bank Ltd.	115,000	--	3,250	50,000	68,250	1,608,496	952,088	2.00%	0.16%	0.07%
Bank Al Habib Ltd.	165,500	1,000	24,975	--	191,475	5,203,450	4,403,925	6.46%	1.37%	0.56%

Bankers Equity Ltd.	3,175	--	--	--	3,175	124,504	10,795	0.15%	0.02%	--
Bank of Punjab Ltd.	22,425	--	2,777	--	25,202	467,063	163,813	0.58%	0.06%	0.03%
Faysal Bank Ltd.	--	53,000	--	--	53,000	1,552,370	477,000	1.93%	0.13%	0.04%
First International Investment Bank Ltd.	19,100	--	--	--	19,000	428,340	171,900	0.53%	0.24%	0.11%
Muslim Commercial Bank Ltd.	36,300	--	--	--	36,300	1,296,318	675,180	1.61%	0.07%	0.02%
Pakistan Industrial Credit and Inv. Corp.	94,800	--	--	--	94,800	2,199,661	502,440	2.73%	0.34%	0.15%
Prime Commercial Bank Ltd.	48,668	--	--	--	48,668	1,240,673	389,344	1.54%	0.18%	0.07%
<b>INSURANCE</b>										
Askari General Insurance Company Ltd.	--	37,000	--	--	37,000	635,640	407,000	0.79%	1.27%	0.74%
International General Insurance Company of Pakistan Ltd.	60,000	6,200	16,550	--	82350	4,286,250	4,551,250	5.32%	6.22%	1.20%
<b>TEXTILE SPINNING</b>										
Ahmed Ham Textile Mills Ltd.	25,000	--	--	--	25,000	226,458	112,500	0.28%	0.27%	0.30%
Idrees Textiles Mills Ltd.	25,000	--	--	--	25,000	140,750	50,000	0.17%	0.09%	0.17%
Maqbool Textiles Mills Ltd.	21,000	--	--	--	21,000	143,230	94,500	0.18%	0.17%	0.25%
Taj Textile Mills Ltd.	7,500	--	375	--	7,875	30,225	22,050	0.04%	0.01%	0.03%
Suraj Cotton Mills Ltd.	26,000	--	--	--	26,000	211,255	195,000	0.26%	0.23%	0.29%
<b>TEXTILE WEAVING</b>										
Elahi Spinning & Weaving Mill, Ltd.	1,000	--	--	--	1,000	6380	1,750	0.01%	--	0.01%
Kohinoor Raiwand Mills Ltd.	--	100300	--	--	100,000	585,000	625,000	0.73%	0.42%	0.71%
Kohinoor Weaving Mills Ltd.	100.00	88.00	--	188.00	--	--	--	--	--	--
Mohib Export Ltd.	25,000	--	--	--	25,000	178,250	21,250	0.22%	0.12%	0.16%
<b>TEXTILE COMPOSITE</b>										
Crescent Textile Mills Ltd.	57,691	--	2,884	--	60,575	1,160,950	499,714	1.44%	0.30%	0.16%
Kohinoor Industries Ltd.	29.32	--	--	--	29,315	381,628	43,973	0.47%	0.13%	0.10%
Nishat Mills Ltd.	4,000	9,500	--	--	49,500	1,425,425	420,750	1.77%	0.13%	0.04%
Sapphire Fibre Ltd.	25,000	--	--	--	25,000	521,333	737,500	0.65%	0.37%	0.18%
<b>SYNTHETIC &amp; RAYON</b>										
Ibrahim Fibre Ltd.	525,000	--	--	--	525,000	6,097,250	2,546,250	7.57%	0.30%	0.26%
Pakistan Synthetic Ltd.	--	10.00	--	--	10,003	80,900	50,000	0.10%	0.01%	0.02%
<b>JUTE</b>										
Thair Jute Mills Ltd. (Rs. 51-each)	--	66.50	--	--	66,500	526,585	465,500	0.65	0.76	0.96%
<b>SUGAR AND ALLIED</b>										
AI-Abbas Sugar Mills Ltd.	25,000	--	--	--	25,000	202,375	147,500	0.25%	0.12%	0.14%
Haseeb Waqas Sugar Mills Ltd.	325,000	--	--	--	325,000	2,835,400	812,500	3.52%	0.88%	1.00%
<b>CEMENT</b>										
Cherat Cement Ltd.	125,000	--	--	125,000	--	--	--	--	--	--
Maple leaf Cement Lid	500,000	--	--	--	50,000	5,000,000	1,600,000	6.21%	0.38%	0.38%

**TOBACCO**

Pakistan Tobacco Ltd.	20,000	--	--	--	20,000	831,000	420,000	1.03%	0.26%	0.06%
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**FUEL AND ENERGY**

Genertech Pak Ltd	40,000	--	--	--	40,000	900,598	200,000	1.12%	0.50%	0.22%
Ibrahim Energy Ltd,	56,250	--	--	--	56,250	811,050	407,813	1.01%	0.65%	0.45%
Japan Power Generation Ltd.	--	700,000	--	700,000	--	--	--	--	--	--
Mad Gas Company Ltd.	42,000	--	--	--	42,000	1,115,300	753,900	1.38%	0.30%	0.11%
National Refinery Ltd,	--	153.00	--	--	153,000	4,260,650	2,371,500	5.29%	0.64%	0.23%
Shell Pakistan Ltd.	25,000	12.50	--	2500	35,000	6,405,027	5,075,000	7.95%	2.74%	0.15%
Sitara Energy Ltd	123,000	--	--	--	123,000	3,149,400	1,845,000	391%	1.65%	0.64%
Sui Northern Gas Pipe Lines Ltd.	--	135.00	5389		140,389	1,913,400	1,228,404	2.38%	0.08%	0.04%

**ENGINEERING**

Crescent Steel Ltd.	34,500	--	5,175	--	39,675	1,116,400	952,200	1.39%	0.56%	0.20%
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**AUTO AND ALLIED**

Indus Motors Ltd.	55,500	25,000	--	--	80,500	1,128,616	664,125	1.40%	0.14%	0.10%
Pak Suzuki Motor Ltd.	30,000	--	--	--	30,000	1,627,125	1,035,000	2.02%	0.33%	0.06%

**TRANSPORT & COMMUNICATION**

Pakistan International Air Lines Corpn.	--	63,000	--	--	63,000	658,160	252,000	0.82%	0.02%	0.02%
Pakistan Telecommunication Corp. Ltd	--	100,000	--	100,000	--	--	--	--	--	--

**CHEMICAL AND PHARMACEUTICAL**

Engro Chemical (Pakistan) Ltd.	53,320	35,000	13,248	--	101,568	9,220,707	50,053,008	11.44%	0.92%	0.10%
FFC-Jordan Fertilizer Co. Ltd.	--	600,000	--	600,000	--	--	--	--	--	--
Fauji Fertilizer Company Ltd.	75,000	40,000	--	50,000	65,000	4,932,944	3,347,500	6.12%	0.18%	0.02%
I.C.I. Pakistan Ltd.	--	200,000	--	200,000	--	--	--	--	--	--
Sitara Chemical Industries Ltd.	75,000	2,000	9,625	--	86,625	2,954,700	1,905,750	3.67%	1.78%	0.52%

**PAPER AND BOARD**

Packages Ltd.	56,000	--	7,000	--	63,000	2,362,500	2,268,000	2.93%	0.67%	0.18%
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**GLASS & CERAMICS**

Shabbir Tiles Ltd. (Rs. 5/- each)	300,000	25,500	--	--	325,500	4,532,775	2,929,500	5.63%	6.65%	4.77%
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**TFC's**

Sui Southern Gas Go. Ltd. (Rs. 5,000 each)	1,606	--	--	--	1,606	5,389,076	8,070,150	6.69%	--	--
I.C.I. Pakistan Ltd. (Rs. 5,000 each)	2,000	--	--	--	2,000	7,647,926	10,140,000	9.50%	--	--
Gatron Industries Ltd. (Rs. 5,000 each)	--	1,000	--	--	1,000	5,000,000	5,000,000	6.21%	--	--

Less: Provision for diminution in value of marketable securities

Opening balance

During the year

-----  
110,031,720      78,761,120

-----  
8,209,142

23,061,458

-----  
(31,270,600)

1998 Rupees	78,761,120	78,761,120
-------------	------------	------------

1997 Rupees	91,793,947	91,793,947
-------------	------------	------------

	<b>1998</b>	<b>1997</b>
	<b>Rupees</b>	<b>Rupees</b>

**7. CERTIFICATES OF INVESTMENT**

Security Investment Bank Limited	4,000,000	4,000,000
Certificates of Investment are obtained from an associated Investment Bank and carry a return @ 17.50% per annum	<u>                    </u>	<u>                    </u>

**8. ADVANCES AND OTHER RECEIVABLES**

Considered good		
Advance income tax	650,578	559,459
Dividend receivable	1,028,250	687,500
	<u>                    </u>	<u>                    </u>
	1,678,828	1,246,959
	<u>                    </u>	<u>                    </u>

**9. CASH AND BANK BALANCES**

With banks		
In current account	5,376	8,501
In PLS accounts	348,327	357,830
In deposit accounts	4,000,000	13,000,000
	<u>                    </u>	<u>                    </u>
	4,353,703	13,366,331
	<u>                    </u>	<u>                    </u>

**10. CAPITAL LOSS**

Sale of securities	45,785,840	40,816,257
Less: Cost of sales		
Opening stock	100,003,089	67,890,980
Purchase	58,732,780	72,841,745
Stamp duties	179,862	245,400
Closing stock	(110,031,720)	(100,003,089)
	<u>                    </u>	<u>                    </u>
	(48,884,011)	(40,975,036)
	<u>                    </u>	<u>                    </u>
	(3,098,171)	(158,779)
	<u>                    </u>	<u>                    </u>

**11. RETURN ON DEPOSITS AND CERTIFICATES**

Profit on short term investment	675,067	2,558,167
Profit on PLS accounts	44,308	125,130

Profit on deposit accounts with banks	1,814,863	2,647,499
Profit on TFCs	817,537	306,409
	-----	-----
	3,351,775	5,637,205
	=====	=====

<b>1998</b>	<b>1997</b>
<b>Rupees</b>	<b>Rupees</b>

## 12. OPERATING EXPENSES

Auditors' Remuneration		
Audit fee	30,000	30,000
Out of pocket expenses	--	4,784
	-----	-----
	30,000	34,784
Custodian fee	172,146	85,524
	-----	-----
	202,146	120,308
	=====	=====

## 13. FINANCIAL CHARGES

Mark up on deferred expenditure	203,822	302,392
Bank charges	3,712	1,932
	-----	-----
	207,534	304,324
	=====	=====

## 14. TAXATION

Assessment have been finalized upto assessment year 1997-98 accounting year ended on June 30, 1997

## 15. TRANSACTIONS WITH ASSOCIATED UNDERTAKING

Remuneration of Investment Adviser	1,612,142	2,042,000
Interest on deferred expenditure	203,822	302.39
Certificates of Investment	4,000,000	4,000,000
Interest received on Certificate of Investment	675,067	2,558,167

## 16. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### 16.1 Markup/interest rate risk exposure

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

	<b>Markup/interest bearing</b>	<b>Non</b>		
	<b>Less than</b>	<b>One month to</b>	<b>Three months</b>	<b>Markup/Interest</b>
				<b>Total</b>



	one month	three months	to one year	bearing	Rupees
<b>Financial Assets</b>					
Cash and bank balance	348,327	4,000,000	--	5,376	4,353,703
Certificate of Investment	--	--	4,000,000	--	4,000,000
Marketable securities	--	--	18,037,002	60,724,118	78,761,120
Advance and other receivable	--	--	--	1,678,828	1,678,828
Deferred expenditure	--	--	--	1,052,540	1,052,540
Rupees	348,327	--	22,037,002	69,408,322	89,845,191

Average markup rates of financial assets

7.50% 14.50% 17.5% to 18.7%

#### Financial Liabilities

Accrued expenses	--	--	--	78,143	78.14
Due to investment advisor	--	--	--	7,081,764	7,081,764
Deferred expenditure payable	--	--	1,427,203	--	1,427,203
Taxation	--	--	--	652,000	652,000
Rupees	--	--	1,427,203	7,811,907	9,239,110

Average markup rates of financial assets

-- -- 10% -- --

#### 16.2 Fair value of the financial instruments

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

#### 17. GENERAL

Figures have been rounded off to the nearest Rupee.

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

**IQBAL USMAN**  
Chief Executive

**SALIM RATHOD**  
Director

#### Statement of Income and Expenditure of Investment Advisor in Relation to the Investment Company For the Year Ended June 30, 1998

**1998**  
**Rupees**

#### INCOME

Free income - investment advisory	985,688
Mark up	241,289

-----  
1,226,977

**OPERATING EXPENSES**

Salary Wages	561,227
Office rent	90,300
Conveyance	16,794
Printing & Stationery	25,220
Computer Supplies	13,500
Listing Fee Islamabad & Karachi Stock Exchange	57,500
Membership Fee Islamabad Stock Exchange	10,000
Membership Fee Mutual Fund Association	12,500
Postage	5,607
Newspaper subscription	10,250
Entertainment	7,500
Advertisement	8,640
Telephone & Electricity	40,679
Auditors' Remuneration - Audit Fee	5,000
Professional & Legal Fee	20,000
Insurance	28,168
Staff Welfare	8,500
Miscellaneous	7,509
Depreciation	68,456

-----  
997,250

Financial Charges	200
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997,450

Profit for the year	229,527
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