

Arif Habib Securities Limited

Annual Report 2001

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COMPANY INFORMATION

Board of Directors

Mr. Arif Habib Chairman and Chief Executive
Mr. Majeed Dawood
Mr. Muhammad Yousuf
Mr. Abdul Majid M Siddiq
Mr. Muhammad Rafiq Jangda
Mr. Abdus Samad A. Habib
Mrs. Zetun Arif

Company Secretary

Mr. Abdus Samad A. Habib
(MBA)

Auditors

M/s Rahim Iqbal Rafiq and Company
Chartered Accountants

Legal Advisors

M/s Bawany & Partners

Bankers

Muslim Commercial Bank Ltd.
Habib Bank Ltd.
Metropolitan Bank Limited

Registered Office

60-63, Karachi Stock Exchange Building,
Stock Exchange Road, Karachi.
Phones: 2415213 - 15
Fax No: 2429653 - 2416072

SIX YEARS AT A GLANCE

Financial Highlights

Rs in millions

Income statement	<i>FY01</i>	<i>FY00</i>	<i>FY99</i>	<i>FY98</i>	<i>FY97</i>	<i>FY96</i>
------------------	-------------	-------------	-------------	-------------	-------------	-------------

Revenues	180.11	268.48	61.82	31.56	15.84	0.44
Expenses	38.81	41.09	15.22	6.22	2.18	1.11
Profit before tax	140.87	230.69	54.65	15.93	15.18	6.63
Profit after tax	132.56	228.47	53.08	14.89	14.93	6.63

Rs in millions

Balance sheet	FY01	FY00	FY99	FY98	FY97	FY96
Paid up capital	50.00	50.00	50.00	40.00	40.00	20.00
Shareholders equity	494.65	387.09	163.63	72.04	58.35	24.63
Liabilities	571.47	113.97	105.32	1.49	0.84	0.56
Total assets	1091.12	501.06	268.94	73.54	57.60	25.18

Ratios	FY01	FY00	FY99	FY98	FY97	FY96
Earning per share (Rs.)	26.51	45.69	10.62	3.72	3.73	3.31
Break-up value (Rs.)	98.93	77.42	32.73	18.01	14.59	12.31
Return on Equity (%)	30.07	82.97	45.05	22.84	35.98	44.88

Payout	FY01	FY00	FY99	FY98	FY97	FY96
Cash dividend	50%	10%	3%	3%	3%	10%

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Seventh Annual General Meeting of Arif Habib Securities Limited will be held at 11:00 a.m on 29 September 2001 at 7th Floor A1-Sehat Centre, Regent Plaza Hotel, Rafiqui Shaheed Road/Shahrah-e-Faisal, Karachi, to transact the following business:

1. To confirm the minutes of the Sixth Annual General Meeting held on Friday 30 December 2000.
2. To receive and adopt the audited accounts of the Company for the year ended 30 June 2001 together with the Directors' and Auditors' Reports thereon.
3. To approve 50% cash dividend as recommended by the Board of Directors.
4. To appoint Auditors for the year 2001 and to fix their remuneration. Rahim Iqbal Rafiq & Company, Chartered Accountants, being eligible offer themselves for reappointment.
5. To elect Directors of the Company in accordance with Section 178 (1) of the Companies Ordinance, 1984. The number of Directors to be elected has been fixed at seven by the Board of Directors.

Pursuant to section 178 (2) (b), (3) of the Companies Ordinance, 1984, name of the retiring Directors are as under and are eligible to file their nomination for re-election as Directors:

Mr. Arif Habib
 Mr. Majid Dawood
 Mr. Muhammad Yousuf
 Mr. Abdul Majeed M. Siddique
 Mr. Muhammad Rafiq Jangda
 Mr. Abdus Samad A. Habib
 Mrs. Zetun Arif

4. To consider any other business of the Company with the permission of the chair.

Abdus Samad A. Habib
 Company Secretary

Notes:

1. Any person who seeks to contest to the office of director shall, whether he is a retiring director or otherwise, file with the company, not later than fourteen days before the date of meeting, a

notice of his/her intention to offer himself/herself for election as a director.

2. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on his/her behalf. A proxy must be a member of the Company. Proxy forms in order to be effective must be received at the Registered Office of the Company located at 60-63 Karachi Stock Exchange Building, Stock Exchange Road, Karachi duly stamped and signed not less than 48 hours before the meeting.

3. CDC shareholders desiring to attend the meeting are requested to bring their original National Identity Card, Account and Participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate identification of the respective shareholders.

4. The share transfer books of the Company will remain closed from Friday 21 September 2001 to Saturday 29 September 2001 (both days inclusive). The Shares Department of the Company is located at 60-63 Karachi Stock Exchange Building, Stock Exchange Road, Karachi.

5. Members are requested to promptly communicate to the Company any change in their address.

DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present the 7th annual report of the Company for the year ended on 30th June 2001 together with audited accounts of the Company and auditors' report thereon.

The Company has now become a listed entity with effect from the year under review. Twenty five percent of the paid up capital was offered to general public by an existing shareholder at a premium of Rs. 70 per share for a total amount of Rs. 100 Million. Subscriptions for Rs. 434,640,000 were received, which amounted to an over-subscription of 4.3 times of the offer.

Being a committed responsible corporate citizen, the Company has announced its audited financial results within one month of the close of its financial year and proposes to hold its Annual General Meeting within three months of the financial year-end.

FINANCIAL RESULTS

By the grace of Allah, despite difficult market conditions during the year under review, your Company has earned an after tax profit of Rs. 132,560,071 recording an earning per share of Rs. 26.51. Last year's earning per share was Rs. 45.69 with an after tax profit of Rs. 228,466,044. The Board of Directors is pleased to recommend a Cash dividend of 50% i.e. Rs. 5 per share for its shareholders.

The summary of financial results and its appropriations are as follow:

	<i>Rupees</i>
Profit before taxation	140,870,004
Provision for taxation	8,309,933

Profit after taxation	132,560,071
Unappropriated profit brought forward	307,091,417

	439,651,488
APPROPRIATIONS	
Transferred to general reserve	400,000,000
Cash dividend @ 50% (2000 @ 10%)	25,000,000

Unappropriated profit carried forward	14,651,488
Earning per share- Basic and Diluted	26.51

MARKET REVIEW

The stock market remained under bearish spell during most part of the year under review. The KSE-100 Index declined by 10.15% on yoy basis to 1,366 from 1,520.73. Average daily turnover of shares at Karachi Stock Exchange has also declined by 56.10% from 184.59 million shares to 118.25 million shares. This is first time during last ten years that KSE witnessed a negative growth in daily turnover. The brokerage rates and carry over charges have also declined due to intense competition. Fortunately, dividend distribution by the listed companies improved impressively. An amount of Rs. 29.61 billion was distributed as dividend by listed companies as compared to Rs.24.10 billion in the previous year. Your Company benefited from these improved dividends and recorded a remarkable growth in dividend income whereas capital gains and brokerage income were less than last year.

The economic performance of the Country was mixed under the difficult global environment due to oil price hike and signs of slowdown in developed economies. The Country faced a drought like situation affecting agricultural production. Though budgeted targets of revenue collection and exports were missed yet, a reasonable growth in these areas was achieved. The investment sentiment has been very weak mainly because of the continuously declining trend in the value of the Pakistan Rupee Viz. Vis US Dollar. During the year under review the Rupee depreciated by 23.13%, offering a minimum return of 27% in rupee terms thus driving away most of the rupee liquidity to dollar investments. This is probably a major reason that foreign portfolio investors are withdrawing from our market. Even the resumption of the IMF programme and the resolution of the Hubco dispute could not create any positive impact on investor confidence.

FUTURE OUTLOOK

The financial year 2001-02 has started on a very weak note. The KSE-100 Index has already declined by 8% during first 30 trading days of current financial year. The average daily turnover is also on lower side. Business sentiment still is weak. The stock market is passing through a transition phase from the traditional system of 5 days trading period to T+3 continuous net settlement system and the introduction of futures trading. It will take some time for the market participants to adjust themselves to the new system particularly in view of lack of co-ordination amongst the Regulators, Stock Exchanges management and market participants for smooth implementation of these reforms.

Dividend payout by listed Companies is likely to decline due to two adverse changes brought in by the government through the last budget, firstly, the levy of tax on bonus shares and secondly, the reduction in the bench mark for compulsory distribution of cash dividend to avoid tax on reserves from 40% of the current year's profits to 50% of the paid up capital or 40% of profits whichever is less.

Investors would like to see the IMF approval of PRGF programme for Pakistan. Though the government has resolved to support the market by injecting liquidity into Stock Market through government financial institutions and has announced a number of development projects to kick start the economy and industry but business confidence is likely to return only if the value of Pakistan Rupee stabilises.

Your Company has acquired 40% shares of Arif Habib Investment Management Ltd. (AHIM), an associated company for Rs. 16 Million out of an approved amount of Rs. 50 Million. AHIM is in process of launching open-end mutual funds and is unlikely to give any return to its sponsors for the next couple of years as due to introduction of new IAS 38 recommending whole of pre-operating expenses to be charged to profit and loss account.

In view of factors mentioned above, the current year looks difficult. The management seeks Allah's blessings and pledges to work hard to achieve reasonable returns for the Company and its shareholders.

Auditors

The retiring auditors M/s. Rahim, Iqbal, Rafiq & Company, Chartered Accountants, have offered themselves for reappointment. The Board recommends their reappointment. A resolution proposing the re-appointment of Rahim, Iqbal, Rafiq & Company as auditor of the Company will be submitted to the forthcoming Annual General Meeting.

Pattern of Shareholding

The pattern of Shareholding as required by the Companies Ordinance, 1984 is enclosed.

Acknowledgment

We thank our clients for their continuing confidence and patronage. We are grateful to our shareholders

for their trust reposed in us particularly to all those who subscribed to our public offer. We record our gratitude to the Securities & Exchange Commission of Pakistan and the management of Karachi, Lahore and Islamabad Stock Exchanges for their support and guidance. We acknowledge and appreciate hard work put in by the employees of the Company during the year.

On behalf of the Board of Directors

Karachi
August 15, 2001

ARIF HABIB
Chairman & Chief Executive

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of ARIF HABIB SECURITIES LIMITED as at June 30, 2001; profit and loss account, statement of changes in financial position (cash flow statement) and statement of changes in equity 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.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standard and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) In our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion -

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

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

iii) the business conducted, investment made and the expenditure incurred during the year were in accordance with the objects of the company.

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) and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, 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, 2001: and

d) in our opinion, Zakat deductible under the Zakat and Ushr Ordinance, 1980, was deducted by the Company and deposited in Central Zakat Fund established under section 7 of that ordinance.

Karachi
Dated - 30 July 2001

RAHIM IQBAL RAFIQ & COMPANY
Chartered Accountants

BALANCE SHEET AS AT 30 JUNE 2001

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
SHARE CAPITAL AND RESERVES			
Authorised Capital			
25,000,000 Ordinary shares of Rs. 10/- each		250,000,000	250,000,000
Issued, subscribed and paid-up capital			
5,000,000 Ordinary shares of Rs. 10/- each	3	50,000,000	50,000,000
Share premium reserve		30,000,000	30,000,000
General reserve		400,000,000	--
Unappropriated profit		14,651,488	307,091,417
		-----	-----
		494,651,488	387,091,417
CURRENT LIABILITIES			
Short term running finance	4	557,789,690	57,307,352
Due to Director-interest free		--	39,610,312
Creditors, accrued & other liabilities	5	6,455,043	12,330,000
Taxation	6	7,220,529	2,225,133
Proposed dividend		25,000,000	2,500,000
		-----	-----
		596,465,262	113,972,797
COMMITMENTS			
	7	-----	-----
		1,091,116,750	501,064,214
OPERATING FIXED ASSETS			
	8	3,213,284	3,218,297
STOCK EXCHANGE - MEMBERSHIPS AND LICENCES			
	9	48,000,000	40,000,000
INVESTMENT IN ASSOCIATED UNDERTAKING			
	10	16,000,000	--
LONG TERM DEPOSITS			
	11	740,000	1,178,000
CURRENT ASSETS			
Investment in marketable securities	12	386,479,629	293,630,975
Trade debts	13	9,401,516	8,964,409
Sale proceeds receivables	14	605,125,060	100,188,636
Advances, deposits, prepayments & other receivables	15	6,073,773	8,176,697
Cash & bank balances	16	16,083,488	45,707,200
		-----	-----
		1,023,163,466	456,667,917
		-----	-----
		1,091,116,750	501,064,214
		=====	=====

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

Arif Habib
Chief Executive

Rafiq Jangda
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2001

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
Operating revenue	17	121,070,563	50,510,015
Operating expenses	18	13,022,501	15,490,232
Financial charges	19	25,632,390	25,600,020
		-----	-----
		(38,654,891)	(41,090,252)
		-----	-----
Operating profit		82,415,672	9,419,763
Capital gain on investment		59,039,411	217,630,279
Other Income		99	339,442
Other Charges	20	(158,693)	--
(Provision)/Reversal for diminution in value of investment		(426,485)	3,297,925
		-----	-----
		58,454,332	221,267,646
		-----	-----
Profit before taxation		140,870,004	230,687,409
Provision for taxation		(5,800,000)	(2,225,133)
Current		(2,509,933)	3,768
		-----	-----
Prior		(8,309,933)	(2,221,365)
		-----	-----
Profit after taxation		132,560,071	228,466,044
Un-appropriated profit brought forward		307,091,417	83,625,373
		-----	-----
		439,651,488	312,091,417
APPROPRIATIONS			
Transferred to general reserve		(400,000,000)	--
		--	(2,500,000)
Interim dividend (2000: @ 5%)		(25,000,000)	(2,500,000)
		-----	-----
Final dividend @ 50% (2000: 5%)		(425,000,000)	(5,000,000)
		-----	-----
Un-appropriated profit carried forward		14,651,488	307,091,417
		=====	=====
Earnings per share-Basic and Diluted	23	26.51	45.69
		=====	=====

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

Arif Habib
Chief Executive

Rafiq Jangda
Director

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2001

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
CASH FLOWS FROM OPERATING ACTIVITIES			

Profit before taxation	140,870,004	230,687,409
Adjustment for :		
Depreciation	808,510	856,739
Amortization of deferred cost	--	170,267
Loss on sale of fixed assets	158,693	--
Financial Charges	25,632,390	8,451,585
Dividend Income	(88,720,555)	(8,659,007)
	-----	-----
	(62,120,962)	819,584
	-----	-----
Operating Profit before working capital changes	78,749,042	231,506,993
Changes in working capital		
(Increase)/Decrease in current assets		
Advances, deposits and other receivables	4,737,040	(4,997,728)
Trade debts	(437,107)	(6,840,280)
Increase/(Decrease) in current liabilities		
Due to director	(39,610,312)	--
Creditors, accrued and other liabilities	(5,874,957)	11,875,921
	-----	-----
	(41,185,336)	37,913
	-----	-----
Cash (used)/generated in operating activities	37,563,706	231,544,906
Income tax paid	(4,086,617)	(3,485,371)
Financial Charges paid	(25,632,390)	(8,451,585)
	-----	-----
Net cash generated from operating activities	7,844,699	219,607,950
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(8,974,690)	(489,935)
Proceeds from sale of fixed assets	12,500	--
Dividend received	86,858,519	11,785,632
Investment in associated undertaking	(16,000,000)	--
Long term deposits	438,000	(772,000)
	-----	-----
Net cash from investing activities	62,334,329	10,523,697
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(2,500,000)	(2,500,000)
	-----	-----
Net cash used in financing activities	(2,500,000)	(2,500,000)
	-----	-----
Increase in cash and cash equivalents	67,679,028	227,631,647
Cash and cash equivalent at beginning of the period	382,219,459	154,587,812
	-----	-----
Cash and cash equivalent at end of period	21 449,898,487	382,219,459
	=====	=====

Arif Habib
Chief Executive

Rafiq Jangda
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2001

<i>Share Capital</i>	<i>Share Premium</i>	<i>Accumulated Profit</i>	<i>General Reserve</i>	<i>Total</i>
--------------------------	--------------------------	-------------------------------	----------------------------	--------------

Balance as at July 01, 1999	50,000,000	30,000,000	83,625,373	--	163,625,373
Profit for the year	--	--	228,466,044	--	228,466,044
Appropriations:					
Dividend - interim	--	--	(2,500,000)	--	(2,500,000)
Dividend - final	--	--	(2,500,000)	--	(2,500,000)
	-----	-----	-----	-----	-----
Balance as at June 30, 2000	50,000,000	30,000,000	307,091,417	--	387,091,417
Profit for the year	--	--	132,560,071	--	132,560,071
Appropriations:					
Transferred to general reserve			(400,000,000)	400,000,000	--
Proposed dividend			(25,000,000)	--	(25,000,000)
	-----	-----	-----	-----	-----
Balance as at June 30, 2001	50,000,000	30,000,000	14,651,488	400,000,000	494,651,488
	=====	=====	=====	=====	=====

Arif Habib
Chief Executive

Rafiq Jangda
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

1. STATUS AND NATURE OF BUSINESS

The Company was incorporated on November 14, 1994 as a Public Limited Company under the Companies Ordinance, 1984. The Company is principally engaged in the business of investment advisory, financial consultancy, brokerage, underwriting, portfolio management and securities research.

1.2 The Company was given a certificate of commencement of business on April 23, 1995 and has started its commercial operations from July 01, 1995.

1.3 The Company has acquired memberships of Karachi, Lahore and Islamabad Stock exchanges from Mr. Arif Habib alongwith assets and liabilities and commenced the brokerage business from February 08, 1999.

1.4 The Company has obtained listing of Karachi, Lahore and Islamabad Stock Exchanges during the financial year under review.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These financial statements have been prepared under the 'historical cost convention'.

2.2 Basis of presentation

These accounts have been prepared in accordance with the International Accounting Standards issued by the International Accounting Standards Committee (IASC) as adopted in Pakistan and the requirements of the Companies Ordinance, 1984

2.3 Taxation

Provision for current taxation is based on taxable income at current tax rates after taking into account tax rebates and tax credit available, if any. The Company provides for deferred taxation on liability method on all major timing differences. Net deferred tax debits are not recognized.

2.4 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation on fixed assets is charged to income by applying reducing balance method at the rates specified in fixed assets note. Full year's depreciation is charged on the assets acquired during the year,

whereas no depreciation is charged in the year of disposal. Gains and losses on disposal of fixed assets, if any, are taken to profit and loss account currently. Normal repairs and maintenance are charged to income as and when incurred.

2.5 Membership Cards and Licences

These are stated at acquisition cost. Provision are made for decline other than temporary, if any, in value of these assets.

2.6 Investment in Associated Undertaking

The Company considers its associate companies to be those enterprises in which the Company has significant influence and which neither a subsidiary nor a joint venture of the Company. The Company accounts for investments in associated companies using the equity method.

2.7 Marketable Securities

Investment in quoted marketable securities are valued at lower of cost and market value, determined on an aggregate portfolio basis. Cost is calculated on moving average basis. The market value is determined on the basis of closing rate of Stock Exchange at the date of balance sheet. The effect of diminution in the value of investment is charged to profit and loss account.

Investments in un-quoted securities are valued at cost and provision is made for decline other than temporary, if any, in value of investment.

2.8 Foreign Currencies

Foreign currency transactions are translated into Pak rupees at the rate of exchange prevailing on the date of each transaction. Assets and liabilities denominated in foreign currencies are translated into Pak rupees at the rate of exchange ruling on the balance sheet date. Exchange differences are included in income currently

2.9 Revenue Recognition

(i) Realised gain/losses on investments

Sales and purchases of marketable securities are recognised on the date of contract. Capital gains and losses on sale of marketable securities are recognised in the year in which these arise.

(ii) Dividend / Return

Dividend income is recognised at the time of closure of share transfer books of the Company declaring dividend whereas return on securities other than shares is recognised on accrual basis.

(iii) Brokerage and Underwriting Commission

Brokerage income is accrued as and when due whereas, underwriting commission is recognised when the commitment is fulfilled.

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
4,000,000 Ordinary shares of Rs. 10/- each issued at par fully paid in cash (June 2000:4,000,000 shares)	40,000,000	40,000,000
1,000,000 Ordinary shares of Rs. 10/- each issued at a premium of Rs.30/- per share fully paid in cash.(June 2000:1,000,000 shares)	10,000,000	10,000,000
	-----	-----
	50,000,000	50,000,000
	=====	=====
4. SHORT TERM RUNNING FINANCE - SECURED	557,789,690	57,307,352
	=====	=====

The Company has arranged short term running finance from banks on mark-up basis. Under these agreements the company can avail finances aggregating to Rs. 575 Million (June 2000 Rs.500 Million). These finances are secured against pledge of marketable securities. The rate of mark-up charged by the banks ranges from 0.3836 paisa to 0.42 paisa per thousand rupees per day calculated on daily product basis.

	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
5. CREDITORS, ACCRUED AND OTHER LIABILITIES		
Creditors	5,467,355	6,473,231
Accrued expenses	591,413	739,051
Due to KSE members	66,216	--
Other liabilities	330,059	5,117,718
	-----	-----
	6,455,043	12,330,000
	=====	=====
6. TAXATION		
Opening balance	2,225,133	1,475,000
Provided During the year		
Current	5,800,000	2,221,365
Prior	2,509,933	--
	-----	-----
	8,309,933	2,221,365
Adjusted during the year	(3,314,537)	(1,471,232)
	-----	-----
Closing balance	7,220,529	2,225,133
	=====	=====
7. COMMITMENTS		
On behalf of clients due to Karachi Stock Exchange (Guarantee) Limited	68,289,523	62,447,812

8. OPERATING FIXED ASSETS

Particulars	COST				DEPRECIATION			Written d value as June 30, 200
	As at July 01, 2000	Additions/ (Deletions)	As at June 30, 2001	Rate %	As at July 01, 2000	(Adjustment) / For the year	As at June 30, 2001	
Office equipment	1,261,567	79,290 (223,860)	1,116,997	10	359,559	82,029 (62,855)	378,733	7,382
Furniture and fixtures	976,298	16,000	992,298	10	280,510	71,179	351,689	6,406
Library books	28,432	(28,432)	--	20	18,244	(18,244)	--	--
Computer & allied	2,644,873	80,400	2,725,273	33	1,514,816	399,451	1,914,267	8,110
Vehicles	938,000	799,000	1,737,000	20	457,744	255,851	713,595	10,234
	-----	-----	-----	-----	-----	-----	-----	-----
Rupees June 2001	5,849,170	974,690 (252,292)	6,571,568		2,630,873	808,510 (81,099)	3,358,284	3,213,284
	=====	=====	=====		=====	=====	=====	=====
Rupees June 2000	5,359,235	489,935	5,849,170		1,774,134	856,739	2,630,873	32,182
	=====	=====	=====		=====	=====	=====	=====

8.1 DETAILS OF DISPOSAL OF FIXED ASSETS

Acquisition	Accumulated	Written	Sale	Gain/(Loss)	Mode of
-------------	-------------	---------	------	-------------	---------

Particulars	cost	depreciation	down value	proceeds	on disposal	Particulars of buyer	disposal
Mobile Phones Numbers 2	20,000	3,080	16,920	6,500	10,420	Taufiq Rafiq 14-All Moosa Building AM- 18 Preedy Street, Saddar.	Negotiation
Air Conditioners Numbers 2	44,000	29,402	14,598	6,000	8,598	M.M. Electronics 2-Rajah Ah Square Abdullah Haroon Road, Karachi.	Negotiation
Electric Fitting	159,860	30,373	129,487	--	129,487	Written off	
Library Books	28,432	18,244	10,188	--	10,188	Written off	
Total	252,292	81,099	171,193	12,500	158,693		

2001 **2000**
Rupees **Rupees**

9. STOCK EXCHANGE - MEMBERSHIP AND LICENCES

Licences and membership 48,000,000 48,000,000

9.1 This includes memberships of KSE, LSE, ISE and 8 rooms at KSE, 1 room each at LSE and ISE and two booths at KSE.

10. INVESTMENT IN ASSOCIATED UNDERTAKINGS

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

No. of Shares	Name of Company	Activity	Auditors	Holding	Rupees	
					Avg. Cost	Avg. Cost
2001: 1,600,000	Arif Habib Investment Management Ltd. (Unquoted)	Assets Management	Taseer Hadi Khalid & Company	2001 %	2000 %	
2000 :Nil	Chief Executive: Mr. Nasim Baig			40	nil	16,000,000
	Break up value					Rs. 6.92

2001 **2000**
Rupees **Rupees**

11. LONG TERM DEPOSITS

Karachi stock exchange	310,000	310,000
Lahore stock exchange	180,000	680,000
Islamabad stock exchange	100,000	100,000
Karachi Electric Supply Corporation	20,000	20,000
Mobile phones	30,000	35,000
Central Depository Company	100,000	--
Others	--	33,000
Total	740,000	1,178,000

12. INVESTMENT IN MARKETABLE SECURITIES

The nominal value of these ordinary shares/certificates are of Rs. 10/- each unless stated otherwise.

Name of shares/ certificates		Name of Company Institution	Average	Average	Market	Market	Average	Market
June-2001	Jun-2000		value	value	value	value	cost	value
			Jun-2001		Jun-2001		Jun-2000	Jun-2000

LISTED

MODARABAS								
2,650,516	4,000,000	B.R.R. International Modaraba	16,963,302	6.40	17,625,931	6.65	20,200,000	26,000,000
-----	-----		-----		-----		-----	-----
LEASING COMPLIES								
426,000	426,000	Dawood Leasing	2,241,154	5.26	2,215,200	5.20	2,241,154	1,874,400
5,872,000	144,500	N.D.L.C	33,106,650	5.64	27,892,000	4.75	816,150	693,600
-----	-----		-----		-----		-----	-----
6,298,000	570,500		35,347,804		30,107,200		3,057,304	2,568,000
-----	-----		-----		-----		-----	-----
INVESTMENT CO's & BANKS								
1,653,825	--	Al-Meezan Investment Bank	19,018,988	11.50	19,018,988	11.50	--	--
2,430,550	--	Faisal Bank Limited	19,322,873	7.95	18,472,180	7.60	--	--
-----	-----		-----		-----		-----	-----
4,084,375	--		38,341,861		37,491,168		--	--
-----	-----		-----		-----		-----	-----
MUTUAL FUNDS								
70,000	--	ICP 4TH	987,000	14.10	1,050,000	15.00	--	--
235,000	--	ICP 6TH	2,585,000	11.00	2,937,500	12.50	--	--
21,500	--	ICP 8TH	258,000	12.00	219,300	10.20	--	--
109,000	--	ICP 10TH	981,000	9.00	1,090,000	10.00	--	--
106,000	--	ICP 11TH	689,000	6.50	694,300	6.55	--	--
96,500	--	ICP 13TH	1,351,000	14.00	1,326.88	13.75	--	--
-----	-----		-----		-----		-----	-----
638,000	--		6,851,000		7,317,975			
-----	-----		-----		-----		-----	-----
TEXTILE SPINNING								
371,000	309.90	Ideal Spinning	2,050,365	5.53	2,578,450	6.95	1,616,555	2,944,050
50,000	--	Ibrahim Textile	550,000	11.00	550,000	11.00	--	--
184,575	--	Zainab Textile	1,735,005	9.40	1,679,633	9.10	--	--
-----	-----		-----		-----		-----	-----
605,575	309,900		4,335,370		4,808,083		1,616,555	2,944,050
-----	-----		-----		-----		-----	-----
TEXTILE COMPOSITE								
152,604	--	Crescent Textile	2,334,059	15.29	2,327,211	15.25	--	--
215,080	--	Ishaq Textile	2,150,800	10.00	1,881,950	8.75	--	--
345,124	341,624	Kohinoor Textile Mills	1,680,351	4.87	2,346,843	6.80	1,285,507	2,818,398
246,750	374,500	Reliance Weaving Mills Ltd.	2,468,178	10.00	3,232,425	13.10	2,447,156	5,711,125
286,650	212,000	Saphire Fibre	10,296,408	35.92	11,623,658	40.55	7,522,468	10,494,000
50,000	--	Suraj Cotton	637,500	12.75	600,000	12.00	--	--
-----	-----		-----		-----		-----	-----
1,296,208	928,124		19,567,296		22,012,087		11,255,131	19,023,523
-----	-----		-----		-----		-----	-----
SYNTHETIC & RAYON								
375	375	Dewan Salman Fibres	6,639	17.70	6,788	18.10	10,757	10,781
4,069,000	602,000	Ibrahim Fibre	51,054,119	12.55	58,593,600	14.40	8,556,446	8,698,900
-----	-----		-----		-----		-----	-----
4,069,375	602,375		51,060,758		58,600,388		8,567,203	8,709,681
-----	-----		-----		-----		-----	-----
SUGAR & ALLIED								
11,520	12,100	Dewan Sugar	195,930	17.01	172,800	15.00	246,953	181,500
-----	-----		-----		-----		-----	-----
CEMENT COMPANIES								
500,000	--	Lucky Cement Limited	3,512,500	7.03	3,500,000	7.00	--	--
--	8,000	Maple Leaf Cement	--	--	--	--	42,105	40,000
-----	-----		-----		-----		-----	-----
500,000	8,000		3,512,500		3,500,000		42,105	40,000
-----	-----		-----		-----		-----	-----

FUEL & ENERGY								
3,000,000	1,702,000	Hubco Power	58,826,433	19.61	57,750,000	19.25	25,052,325	25,019,400
--	200,000	P.S.O	--		--		30,848,275	32,450,000
-----	-----		-----		-----		-----	-----
3,000,000	1,902,000		58,826,433		57,750,000		55,900,600	57,469,400
-----	-----		-----		-----		-----	-----
ENGINEERING								
242,600	--	Crescent Steel & Allied	3,639,000	15.00	3,481,310	14.35	--	--
-----	-----		-----		-----		-----	-----
AUTO & ALLIED ENGG								
2,000,000	2,000,000	Dewan Farooq Motors	12,930,601	6.47	11,900,000	5.95	20,000,000	21,300,000
586,500	791,000	Honda Atlas Cars	7,292,110	12.43	8,944,125	15.25	9,750,275	9,808,400
684,000	679,000	Indus Motor	8,443,909	12.34	7,660,800	11.20	8,378,959	8,487,500
-----	-----		-----		-----		-----	-----
3,270,500	3,470,000		28,666,620		28,504,925		38,129,234	39,595,900
-----	-----		-----		-----		-----	-----
CHEMICAL & PHARMACEUTICALS								
2,000,000	2,318,900	Fauji Fertilizer Company Ltd.	76,800,000	38.40	72,100,000	36.05	98,712,650	92,060,330
-----	-----		-----		-----		-----	-----
PAPER & BOARD								
541,065	68,065	Century Paper	7,798,240	14.41	8,007,762	14.80	903,240	830,393
-----	-----		-----		-----		-----	-----
TFC's								
350,000	350,000	Dewan Salman *	35,000,000	100.00	35,000,000	100.00	35,000,000	35,000,000
-----	-----		-----		-----		-----	-----
UN-LISTED								
ENGINEERING								
--	2,000,000	Siddiqsons Tinplates Ltd	--		--		20,000,000	20,000,000
-----	-----		-----		-----		-----	-----
29,557,734	16,539,964	Grand total	386,906,114		386,479,629		293,630,975	304,422,777
-----	-----		-----		-----		-----	-----
		Less: provision for diminution in value of short term investment						
		- Opening balance for the year	--		--		(3,297,925)	20,000,000
			(426,485)				3,297,925	
			-----		-----		-----	-----
			(426,485)				--	
			-----		-----		-----	-----
			386,479,629				293,630,975	
			=====		=====		=====	=====

The aggregate market value of quoted companies as on June 30, 2001 was Rs. 386,479,629/- (June -2000 Rs.304,422,777/-)

*The company is in course of listing

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
13. TRADE DEBTS			
Due from KSE members- unsecured considered good		773,750	--
Due from Customers - considered good			
- secured		2,230,787	--
- unsecured		6,396,979	8,964,409
		-----	-----
		8,627,766	--
		-----	-----
		9,401,516	8,964,409
		=====	=====

14. SALE PROCEEDS RECEIVABLE

Due from Karachi Stock Exchange and its members

in respect of sale of shares (received subsequent to balance sheet date).	605,125,060	100,188,636
	-----	-----

15. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances - good		
- Income Tax	3,356,611	2,584,531
to staff	813,520	536,210
Prepayments	41,606	47,595
Other receivable		
- Receivable from Associated Undertaking	--	1,952,059
- Dividend receivable	1,862,036	--
- Exposure with K.S.E.	--	2,484,275
- Other receivable	--	572,027
	-----	-----
	6,073,773	8,176,697
	=====	=====

16. CASH AND BANK BALANCES

Cash in Hand	33,153	61,818
Cash at Bank		
- Current Account	1,016,866	5,611,273
- PLS Account	15,033,469	40,034,109
	-----	-----
	16,050,335	45,645,382
	-----	-----
	16,083,488	45,707,200
	=====	=====

17. OPERATING REVENUE

Brokerage income	31,268,153	39,845,698
Underwriting Commission	1,081,855	2,005,310
Dividend income	88,720,555	8,659,007
	-----	-----
	121,070,563	50,510,015
	=====	=====

18. OPERATING EXPENSES

Salaries and benefits	4,090,492	3,689,083
Printing and stationery	231,560	210,630
Communication	812,268	1,180,769
Rent rates and taxes	746,621	575,142
Power	272,454	288,367
Legal and professional charges	93,600	127,500
C.D.C & Clearing house charges	4,147,700	6,896,242
Entertainment	50,000	30,055
Travel ling and conveyance	379,408	387,101
Amortization of deferred cost	--	170,267
Depreciation	808,510	856,739
Repair and maintenance	216,442	313,167
Audit fee	75,000	35,000
Share transfer expenses	18,307	342,375
insurance	61,740	49,787
Membership and other subscription	401,389	--
Advertisement	397,939	195,000
Others	219,071	143,008
	-----	-----

	13,022,501	15,490,232
	=====	=====

19. FINANCIAL CHARGES

Mark-up on short term running finance	25,448,769	25,002,744
Bank charges	183,621	597,276
	-----	-----
	25,632,390	25,600,020
	=====	=====

20. OTHER CHARGES

Loss on sale of fixed assets	158,693	--
	=====	=====

21. CASH AND CASH EQUIVALENT

Cash and bank balances	16,083,488	45,707,200
Investment in marketable securities	386,479,629	293,630,975
Sale proceeds receivable	605,125,060	100,188,636
Short term running finance	(557,789,690)	(57,307,352)
	-----	-----
	449,898,487	382,219,459
	=====	=====

22. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTOR

The Chief Executive of the company is not drawing any remuneration for holding the office.

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
Directors		
Managerial remuneration	465,684	387,882
Bonus	65,600	104,500
Commission	600,000	663,516
House rent allowance	209,550	174,528
Conveyance	10,800	10,800
Utilities	46,566	38,790
	-----	-----
	1,398,200	1,380,016
	=====	=====
Number	3	3
	=====	=====

23. EARNINGS PER SHARE - BASIC AND DILUTED

Profit for the year	132,560,071	228,466,044
	=====	=====
	(Number of Shares)	
Weighted Average Number of Ordinary Shares	5,000,000	5,000,000
	(Rupees)	
Earning per share-Basic	26.51	45.69

24. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**24.1 Interest/mark-up rate risk exposure**

The Company's exposure to interest/mark-up rate risk based on contractual repricing or maturity dates whichever earlier is as follows.

	<i>Non</i>
Interest/mark-up bearing	<i>Interest/</i>

Categories of shareholders**As at June 30, 2001**

Categories of shareholders	Number	Shares held	Percentage
Joint Stock Companies	6	30,000	0.00
Financial Institutions	0	0	0.00
Central Depository Company	131	218,500	4.37
Modaraba Companies	0	0	0.00
Insurance Companies	0	0	0.00
Investment Companies	1	5,000	0.00
Individuals	924	4,746,000	95.63
Associated Companies	0	0	0.00
Foreign Investors	0	0	0.00
Others	0	0	0.00
	-----	-----	-----
	1,062	5,000,000	100.00
	-----	-----	-----

Central Depository Company of Pakistan Limited
Pattern of Shareholding for Arif Habib Securities Limited

As at 30th June, 2001

Number of Shareholders	Shareholdings		Total number of Share held
	From	To	
82	1	500	41,000
27	501	2,500	67,500
22	2,501	5,000	110,000
-----	-----	-----	-----

Shareholders Category	Number of Shareholders	Number of shares held	Percentage
Individual	116	200,500	91.76
Joint Stock Companies	15	18,000	8.24
	-----	-----	-----
	131	218,500	100.00
	-----	-----	-----