

KASB PREMIER FUND LIMITED

ANNUAL REPORT 1995-96

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COMPANY INFORMATION

Board of Directors

Shaukat Ali Kazmi, Chairman
Shafiq Ahmed Khan
Ahmed Kamran
Nasim Akbar
Zahid Q. Noorani, Chief Executive
Assim Jang
Raza Mirza

Company Secretary

Qazi Mazharul Haque

Investment Adviser

Khadim All Shah Bukhari & Co. Ltd.

Auditors

Taseer Hadi Khalid & Co.

Legal Advisor

Mohsin Tayebaly & Co.

Custodian

Deutsche Bank A.G.

Banker

Deutsche Bank A.G.

Registered Office

6th Floor, Trade Centre
I.I. Chundrigar Road
Karachi 74200, Pakistan

Share Department

Ground Floor
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi 75530, Pakistan

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Second Annual General Meeting of KASB Premier Fund Ltd. will be held on Monday, December 30, 1996 at 3:00 p.m. at the registered office of the Company, 6th Floor, Trade Centre, I.I. Chundrigar Road, Karachi to transact the following business:-

Ordinary Business:

1. To confirm the minutes of the First Annual General Meeting of the Company held on December 14, 1995.
2. To receive, consider and adopt the audited accounts of the Company together with the Directors' and the Auditors' reports thereon for the period ended June 30, 1996.
3. To appoint auditors of the company for the year ending June 30, 1997 and to fix their remuneration. The present auditors, Messrs Taseer Hadi Khalid & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.

Special Business:

4. To consider and approve the proposal to amend Article 133 of the Company's Articles of Association as recommended by the Board and if thought fit, to pass with or without modification (s) the following Special Resolution : -

"Resolved that Article 133 of the Company's Articles of Association be amended to delete the words ' two-third ' appearing in the second line after the words ' at least four directors present in person or ' and to substitute those words with the words ' one - third ' ".

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

A statement under section 160 of the Companies Ordinance, 1984 setting up all material facts concerning the special resolution contained in item 4 of the notice which will be considered for adoption at the meeting is annexed to this notice of meeting being sent to members.

By order of the Board

QAZI MAZHARUL HAQUE
Company Secretary

Notes:

1. The share transfer books of the company will remain closed from December 18, 1996 to December 30, 1996 (both days inclusive) to determine the names of members entitled to attend the meeting.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote for him/her. A proxy must be a member of the Company.
3. In order to be valid, an instrument of proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney, must be deposited at the registered office of the Company, 6th Floor, Trade Centre, I.I. Chundrigar Road, Karachi not less than 48 hours before the time of the meeting.
4. Members are requested to notify any change in their registered addresses immediately.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984.

This statement is annexed to the notice of the Second Annual General Meeting of KASB Premier Fund Ltd. to be held on December 30, 1996 at which certain special business is to be transacted. The special business is to amend articles of association of the company. The purpose of this statement is to set forth the material facts concerning such special business >

Item 4 of the Agenda

The existing provisions of Article 133 of KASB Premier Fund Ltd.'s Articles of Association pertaining to quorum for holding Board meetings are as follows :-

133. Quorum: The quorum of a meeting of the Directors shall be at least four Directors present in person or two-third of the total number of Directors for the time being in office, whichever is greater. If all the Directors, except one, are disqualified from voting, the matter shall be referred to and decided by the Members in a General Meeting.

Since the Board of Directors of KASB Premier Fund Ltd. consider the above provisions to be in variance with the practice followed by companies generally where the minimum quorum required for holding Board Meetings is only four Directors present in person or one third of the total number of Directors for the time being in office, they have recommended an amendment of Article 133 so as to substitute the words 'two- third' in it by the words 'one- third' and the adoption by the annual general meeting of the Special Resolution as reproduced at item 4 of the agenda.

None of the Directors of the company are interested in this special business except to the extent of their shareholding or shares held by their nominating institutions.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors have pleasure in submitting to the shareholders their annual report together with the audited financial statements for the period ended June 30, 1996.

The results for 1995-96 reflect the first year in operation of the fund. During the period, the value of the fund declined by Rs. 38,968,995 or 9.74%. We ended the year with a Net Asset Value (NAV) of Rs. 9.025 per share, while the shares of your fund are trading at a steep discount to NAV of 45.7%.

During the period under review, a cycle of balance of payments crisis, political instability and mini-budgets made for an unfriendly business environment. The number of new floatations were two-thirds of the number last year. According to State Bank of Pakistan (SBP) Annual Report 1995-96, the amount of capital as proportion of total private fixed investment raised through the KSE fell from 11.1% to 2.2% The number of dividend declaring companies fell from 66% to 48%. Average earnings of the top 40 market capitalised companies grew only by 17% in 1995-96, compared to 24% in the previous year. The economic instability forced international credit rating agencies to downgrade Pakistan's sovereign rating twice within a span of 17 months. This has proved to be a major disincentive for foreign investors and as a result they have shied away from Pakistan's capital markets.

While investors have focused on the effects of the economic uncertainty, a number of more fundamental problems should not be ignored. The most important of these are the general liquidity squeeze, and the uncertainty emanating from the political front. In the light of the continuation of tight monetary policy resulting in a liquidity crunch, political uncertainty has proved to be a catalyst for continued recession in the stock market. Uncertainty breeds speculation, and as a result, every step that the market took upward it fell back two steps in view of the extremely short-term attitude of investors towards the market.

The market had pinned high hopes on the proposed privatisation of PTCL and other state-owned utilities such as KESC, Sui Northern and Sui Southern etc. Delays in this regard have also taken their toll on the market. The apparent lack of interest of international investors has further dampened sentiments.

A positive development is the formation of the Mutual Funds Association of Pakistan (MUFAP). This new forum would help in popularising the role played by mutual funds in the development of capital markets. It would also serve as a platform for the industry players to bring to the attention of the Government, the controversial policy issues such as turnover tax, double taxation, and non-deductibility of preliminary expenses and expenses to the issue which have served as a deterrent for investors to set up more mutual funds in addition to unjustifiably undermining the profitability of the entire mutual fund industry including your fund. The management of the fund, in addition to MUFAP, has also made extensive efforts through other forums to bring these issues to the attention of relevant authorities. We expect that our efforts would bear fruit and these anomalies would be removed soon.

The expected introduction of Electronic Trading System and the Central Depository are other factors which would help in increasing the transparency on the country's stock exchanges and would be positively received by investors.

Outlook

The medium to long term direction of the stock market depends on a host of factors including political stability and easing of the severe liquidity crunch being faced by the major investing institutions. In addition, developments on the privatisation front would also bode well for the stock market in the longer-term as foreign direct investment picks up momentum. Moreover, agreement has also been reached with the IMF on disbursement of the outstanding balance under the October 1995 Standby Arrangement. In the light of these factors, we remain cautious over the market's expected performance over the remaining of FY 1996-97 and beyond.

Members are requested to appoint auditors for 1996-97 and fix their remuneration. The present auditors, Taseer, Hadi Khalid & Co., retire and offer themselves for reappointment.

The Board of Directors wish to record their appreciation for the valuable services rendered by the outgoing members of the Board Mr. Arif Ali Shah Bukhari and Mr. Shabbir Hamza Khandwala who resigned during the year. The Board would like to extend a warm welcome to the new members, Mr. Assim Jang and Mr. Raza Mirza.

The pattern of shareholding as required by Section 236 of the Companies Ordinance, 1984 is enclosed.

On behalf of the Board of Directors

Taseer Hadi Khalid & Co.
Chartered Accountants

Telephone 5671761 - 3 5685847 - 9
Fax 92 (21) 5685095

First Floor
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi 75530 Pakistan

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of KASB PREMIER FUND LIMITED as at 30 June 1996 and the related Profit and Loss Account and Cash Flow Statement together with the notes to the accounts for the period then ended. Our examination has been 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 v, as for the purpose of the Company's business:

(iii) the business conducted, investments made and expenditure incurred during the period 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; and

(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 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 30 June 1996 and of the loss and cash flow for the period ended on that date ;

'i:.

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

TASEER HADI KHALID & CO.
CHARTERED ACCOUNTANTS

Karachi: 28 November 1996

BALANCE SHEET

AS AT JUNE 30, 1996

	Note	1996	1995
		(Rupees in thousand)	
SHARE CAPITAL			
Authorised capital			
80,000,000 ordinary shares of Rs. 10 each		800,000	800,000
		=====	=====
Issued, subscribed and paid-up capital			
40,000,000 (1995:20,000,000) ordinary shares			
of Rs. 10 each issued as fully paid-up in cash		400,000	200,000
Advance against share capital		--	76,340
Accumulated loss		(38,969)	--
		-----	-----
		361,031	276,340
DEFERRED EXPENDITURE PAYABLE	3	9,180	8,746
CURRENT LIABILITIES			
Current maturity of deferred expenditure pay	3	3,060	2,187
Due to the Investment Adviser	4	9,393	442
Creditors and accrued expenses	5	1,531	25
		-----	-----
		13,984	2,654
		-----	-----
		384,195	287,740
		=====	=====
DEFERRED EXPENDITURE	6	5,951	3,051
CURRENT ASSETS			
Marketable securities - net	7	327,612	--
Trade debts - unsecured - considered good		39,887	--
Advances and other receivables	8	3,665	1,324
Taxation		965	563
Bank balances - on deposit account		6,115	282,802
		-----	-----
		378,244	284,689
		-----	-----
		384,195	287,740
		=====	=====

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

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD FROM JULY 11, 1995 TO JUNE 30, 1996

Period from
July 11, 1995
to June 30,
1996
(Rupees in thousand)

Income

Capital gain on marketable securities	9	33,582
Dividend income		3,906
Mark-up on bank deposit		6,431
Profit on term finance certificates		2,160

46,079

Operating Expenses

Administrative	10	4,306
Financial	11	2,175
Remuneration to the Investment Adviser	4	7,221

13,702

32,377

Provision for diminution in value of marketable securities	7	(71,116)
--	---	----------

Loss before taxation		(38,739)
----------------------	--	----------

Taxation - Current		(230)
--------------------	--	-------

Loss for the period		(38,969)
---------------------	--	----------

=====

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

CASH FLOW STATEMENT

FOR THE PERIOD FROM JULY 11, 1995 TO JUNE 30, 1996

1996 1995
(Rupees in thousand)

CASH FLOW FROM OPERATING ACTIVITIES

Loss before taxation	(38,739)	-
Adjustments for non-cash charges:		
Amortisation of deferred expenditure	1,467	7,882
Provision for diminution in value of marketable securities	71,116	-
Mark-up on deferred expenditure	2,172	-
	-----	-----
	74,755	7,882

Profit before working capital changes	36,016	7,882
---------------------------------------	--------	-------

Effects on cash flow due to working capital changes:

(Increase)/decrease in current assets:

Marketable securities	(398,728)	--
Trade debts	(39,887)	--
Advances and other receivables	(2,341)	(1,324)
	-----	-----
	(440,956)	(1,324)

Increase/(decrease) in current liabilities:

Due to the Investment adviser	7,221	442
Creditors and accrued expenses	1,506	25
	-----	-----
	8,727	467

Cash (used in)/generated from operations	(396,213)	7,025
Mark-up paid	(442)	-
Income tax paid	(632)	(563)

Net cash (outflow)/inflow from operating activities	(397,287)	6,462
CASH FLOW FROM FINANCING ACTIVITIES		
Share capital	123,660	276,340
Deferred expenditure paid	(3,060)	-
Net cash inflow from financing activities	120,600	276,340
(Decrease)/increase in cash and bank balances	(276,687)	282,802
Cash and cash equivalents at beginning of period	282,802	--
Cash and cash equivalents at end of period	6,115	282,802

NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE PERIOD FROM JULY 11, 1995 TO JUNE 30, 1996

1. LEGAL STATUS AND NATURE OF BUSINESS

KASB Premier Fund Ltd. is a public limited company incorporated on December 11, 1994 under the Companies Ordinance, 1984 and has been registered with the Corporate Law Authority as an Investment Company under the Investment Companies and Investment Adviser's Rules, 1971 to carry on the business of a closed end investment company. The company has entered into an agreement with Khadim All Shah Bukhari & Co. Ltd. to act as its "Investment Adviser". The company commenced its business on July 11, 1995 and is listed on all Stock Exchanges in Pakistan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**2.1 Accounting convention**

These accounts have been prepared under the historical cost convention.

2.2 Deferred expenditure

Expenditure incurred on the incorporation and on the issue of shares of the company to the public, borne by Investment Adviser, Khadim Ali Shah Bukhari & Co, Ltd., has been deferred and is being amortised over a period of five years from the date of commencement of business.

2.3 Marketable securities

Investments in quoted securities are valued at lower of cost and market value. Cost is determined on moving average basis and market value is determined on an aggregate portfolio basis. The market value has been taken from Karachi Stock Exchange closing rate summary sheet on last working day of the income period.

2.4 Revenue recognition

(i) Sales and purchases of securities are recognised on the date of contract. Capital gains and losses on sale of securities are taken to income in the period in which it arises.

(ii) Dividend income is recorded at the time of the closure of share transfer book of the company declaring the dividend.

(iii) Income on term finance certificates is recorded on time proportion basis taking into account the principal outstanding and the yield applicable.

2.5 Taxation

The charge for current taxation is based on taxable income at the current rate of taxation. The company provides for deferred tax liability under the liability method but does not account for deferred tax debits.

3. DEFERRED EXPENDITURE PAYABLE

	1996	1995
	(Rupees in thousand)	
Balance as on July 01	10,933	--
Add: Expenditure incurred on public issue of shares	4,367	10,933
	15,300	10,933
Less : paid during the period	3,060	-
Transferred to current maturity	3,060	2,187
	6,120	2,187
	9,180	8,746

Expenditure incurred on the incorporation and on the issue of shares of the company to the public has been borne by Investment Adviser, Khadim All Shah Bukhari & Co. Ltd. These expenses are payable to the Investment Adviser over a period of five years in equal annual instalments as per Investment Companies and Investment Adviser's Rules, 1971. Mark-up is being charged at the prevailing rate, ranging from 15% per annum to 17% per annum during the period.

4. DUE TO THE INVESTMENT ADVISER

	1996	1995
	(Rupees in thousand)	
Remuneration @ 2 percent of net assets - note 4.1	7,221	-
Mark-up on deferred expenditure payable	2,172	442
	-----	-----
	9,393	442
	=====	=====

4.1 The remuneration of the Investment Adviser, @ two per cent of the net assets value of the company at the end of its year, in terms of rule 11 (a) of the Investment Companies and Investment Adviser's Rules, 1971, has been determined as follows:

	1996	1995
	(Rupees in thousand)	
Assets		
Deferred expenditure	5,951	--
Marketable securities - net	327,612	--
Trade debts unsecured - considered good	39,887	--
Advances and other receivables	3,665	--
Taxation	965	--
Bank balances - on deposit account	6,115	--
	-----	-----
	384,195	--
Liabilities		
Deferred expenditure payable	9,180	--
Current maturity of deferred expenditure payable	3,060	--
Due to the Investment Adviser	9,393	--
Creditors and accrued expenses	1,531	--
	-----	-----
	23,164	--
	-----	-----
Net assets as per rules	361,031	--
	=====	=====
Remuneration @ two per cent of net assets	7,221	--
	=====	=====

5. CREDITORS AND ACCRUED EXPENSES

Creditors for purchase of marketable securities	1,108	--
Accrued expenses	423	25
	-----	-----
	1,531	25
	=====	=====

6. DEFERRED EXPENDITURE

	1996	1995
	(Rupees in thousand)	
Balance as on July 01	3,051	-
Expenditure incurred		
On incorporation	-	1,301
On issue of shares	4,367	9,632
	-----	-----
	4,367	10,933
	-----	-----
	7,418	10,933
Adjusted against mark-up income - note 6.1	-	(7,882)
Less: Amortised during the period	1,467	-
	-----	-----
Balance as on June 30	5,951	3,051
	=====	=====

6.1 Mark-up income (net) comprises of following:

Mark-up income	--	8,353
Less: Mark-up expense on deferred expenditure payable to the investment adviser	--	(442)
Audit fee	--	(25)
Bank charges	--	(4)

	--	7,882
	=====	=====

7. MARKETABLE SECURITIES

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

(Rupees in thousand)

	NUMBER OF SHARES/CERTIFICATES			BALANCE AS AT JUNE 30, 1996			PERCENTAGE IN RELATION TO	
	Purchase	Bonus	Sales	No. of Shares certificates	At cost	At market	Own net assets (with cost of investment) company (with face value of investment)	Paid-up capital of investee (with face value of investment)
MODARABA								
B.R.R. Capital Modaraba	29,900	-	400	29,500	347	159	0.10	0.15
First Interfund Modaraba	176,092	-	-	176,092	1,761	440	0.49	2.20
LEASING COMPANIES								
Crescent Leasing Corporation Ltd.	100,000	-	-	100,000	1,143	775	0.32	0.67
National Development Leasing Corp. Ltd. (Shares of Rs. 5 each)	45,143	-	45,143	--	--	--	--	--
Pakistan Industrial Leasing Corporation Ltd.	240,020	--	40,000	200,020	6,567	2,900	1.82	1.10
INVESTMENT COMPANIES AND BANKS								
Al-Towfeek Investment Bank Ltd.	140,400	--	140,400	--	--	--	--	--
Al-Faysal Investment Bank Ltd.	394,000	--	18,500	375,500	15,968	6,196	4.42	0.48
Askari Commercial Bank Ltd.	217,500	20,000	17,500	220,000	8,740	7,205	2.42	0.27
Bankers Equity Ltd.	139,000	--	29,000	110,000	1,763	1,210	0.49	0.17
Bank of Punjab Ltd.	198,430	--	198,430	--	--	--	--	--
Crescent Investment Bank Ltd.	310,000	--	10,000	300,000	12,617	5,100	3.49	0.70
Faysal Bank Ltd.	1,450,000	91,400	1,541,400	--	--	--	--	--
Khadim Ali Shah Bukhari & Co. Ltd.	585,500	58,550	644,050	--	--	--	--	--
Soneri Bank Ltd.	17,503	--	17,503	--	--	--	--	--
INSURANCE								
Adamjee Insurance Co. Ltd.	79,096	--	79,096	--	--	--	--	--
International General Insurance Co. of Pakistan Ltd.	145,450	--	--	145,450	9,962	9,236	2.76	3.17
TEXTILE SPINNING								
Brothers Textile Mills Ltd.	173,450	--	173,450	--	--	--	--	--
Friends Spinning Mills Ltd.	100,000	--	100,000	--	--	--	--	--
Friends Textile Mills Ltd.	289,000	--	--	289,000	2,075	1,185	0.57	2.89
Gadoon Textile Mills Ltd.	115,500	--	--	115,500	4,786	3,580	1.33	0.49
Gulistan Spinning Mills Ltd.	500,000	--	304,500	195,500	1,931	1,173	0.54	1.96
Gulistan Textile Mills Ltd.	90,924	--	90,924	--	--	--	--	--
Khurshid Spinning Mills Ltd.	700,000	--	--	700,000	2,450	1,330	0.68	5.31
Kohinoor Spinning Mills Ltd.	222,400	--	222,400	--	--	--	--	--
Nagina Cotton Mills Ltd.	207,410	--	--	207,410	2,931	1,213	0.81	2.22
Sail Textile Mills Ltd.	13,281	--	13,281	--	--	--	--	--
Sapphire Fibres Ltd.	40,100	--	--	40,100	1,010	1,022	0.28	0.29
Sapphire Textile Mills Ltd.	110,720	--	--	110,720	17,524	15,390	4.85	1.49

(Rupees in thousand)

	NUMBER OF SHARES/CERTIFICATES			BALANCE AS AT JUNE 30, 1996			PERCENTAGE IN RELATION TO	
	Purchase	Bonus	Sales	No. of Shares certificates	At cost	At market	Own net assets (with cost of investment)	Paid-up capital of investee (with face value of investment)

								investment) company (with face value of investment)	
TEXTILE COMPOSITE									
Artistic Denim Mills Ltd.	791,000	--	--	--	19,300	13,052	5.35	5.65	
Kohinoor Textile Mills Ltd.	210,000	--	--	--	3,787	1,071	1.05	0.77	
Nishat Mills Ltd.	140,831	--	140,831	--	--	--	--	--	
SYNTHETIC AND RAYON									
Dhan Fibres Ltd.	2,385,000		2,385,000						
Ibrahim Fibres Ltd.	700,000	--	--	700,000	7,000	4,550	1.94	0.35	
Liberty Mills Ltd.	182,000	--	82,000	100,000	1,813	890	0.50	0.67	
CEMENT									
Chakwal Cement Ltd.	999,100	--	999,100	--	--	--	--	--	
Dandot Cement Co. Ltd.	150,000	--	150,000	--	--	--	--	--	
Maple Leaf Cement Factory Ltd.	135,320	16,915	--	152,235	4,767	1,903	1.32	0.16	
Mustehkam Cement Ltd.	62,800	--	2,300	60,500	12,556	3,978	3.48	0.49	
Pakland Cement Ltd.	453,593	--	453,593	--	--	--	--	--	
FUEL AND ENERGY									
Genertech Pak. Ltd.	15,500	--	15,500	--	--	--	--	--	
Hub Power Co. Ltd.	305,500	--	305,500	--	--	--	--	--	
Karachi Electric Supply Corporation Ltd.	164,500	--	164,500	--	--	--	--	--	
National Refinery Ltd.	85,000	--	85,000	--	--	--	--	--	
Kohinoor Energy Ltd.	2,750,000	--	1,150,000	1,600,000	27,339	30,000	7.57	1.23	
Pakistan Refinery Ltd.	20,000	--	10,500	9,500	1,002	770	0.28	0.06	
Pakistan State Oil Co. Ltd.	161,340	23,952	132,792	52,500	15,622	21,683	4.33	0.08	
Sitara Energy Ltd.	150,000	--	--	150,000	4,500	3,863	1.25	0.79	
Sui Southern Gas Co. Ltd.	400,000	60,000	--	460,000	16,284	14,835	4.51	0.13	
Sui Northern Gas Pipelines Ltd.	661,300	43,700	205,000	500,000	18,207	20,250	5.04	0.20	
ENGINEERING									
Crescent Steel and Allied Products Ltd.	27,375	--	27,375	--	--	--	--	--	
AUTO AND ALLIED ENGINEERING									
Atlas Honda Ltd.	6,000	--	6,000	--	--	--	--	--	
Millat Tractors Ltd.	17,200	--	17,200	--	--	--	--	--	
Pak Suzuki Motor Co. Ltd.	296,460	--	96,000	200,460	8,154	8,419	2.26	0.41	
CABLES AND ELECTRICAL GOODS									
PEL Appliances Ltd.	240,735	35,487	--	276,222	21,874	20,648	6.06	4.72	
Pak Elektron Ltd.	704,000	--	704,000	--	--	--	--	--	
(Rupees in thousand)									
	NUMBER OF SHARES/CERTIFICATES			BALANCE AS AT JUNE 30, 1996			PERCENTAGE IN RELATION TO		
	Purchase	Bonus	Sales	No. of Shares certificates	At cost	At market	Own net assets (with cost of investment)	Paid-up capital of investee company (with face value of investment)	
TRANSPORT AND COMMUNICATION									
Pakistan International Airlines Corporation (A)	772,500	--	737,200	35,300	398	335	0.11	0.01	
PTC Vouchers	26,630	--	17,380	9,250	36,999	36,908	10.25	0.15	
CHEMICAL AND PHARMACEUTICAL									
Engro Chemicals Ltd.	445,000	--	345,000	120,000	17,469	18,840	4.84	0.17	
Fauji Fertilizer Co. Ltd.	263,000	--	263,000						
ICI Pakistan Ltd. (R)	45,000	--	45,000						
R.R.P. Ltd.	41,195	4,119		45,314	868	385	0.24	2.54	
Searle Pakistan Ltd.	44,000	--	44,000						

PAPER AND BOARD

Century Paper & Board Mills Ltd.	165,880	--	49,500	116,380	3,828	3,928	1.06	0.45
Packages Ltd.	165,255	--	--	165,255	21,012	14,873	5.82	0.59

VANASPATI AND ALLIED INDUSTRIES

Sarhad Ghee Mills Ltd.	125,000	--		125,000	1,860	938	0.52	4.73
------------------------	---------	----	--	---------	-------	-----	------	------

FOOD AND ALLIED

Lever Brothers (Pakistan) Ltd. (Shares of Rs.50 each)	9,300	--	--	9,300	7,271	7,022	2.01	0.09
Quice Food Industries Ltd.	1,024,036	--	--	1,024,036	10,283	8,504	2.85	9.58
Sunflo Cit-Russ Ltd.	1,780,268	--	--	1,780,268	20,732	7,566	5.74	6.71

Total equity securities

374,500 303,325

TERM FINANCE**CERTIFICATES**

(Rs. 5,000 each)

Nishat TEK Ltd.	4,800	--	--	4,800	24,000	24,043	6.65	9.60
Packages Ltd.	1,380	--	1,380	--	--	--	--	--
Sui Southern Gas Co. Ltd.	3,000	--	2,951	49	228	224	0.06	0.05

Total term finance certificates

24,228 24,287

Grand Total

398,728 327,612

Less: Provision for diminution in value of marketable securities

71,116 --

327,612 327,612
=====

8. ADVANCES AND OTHER RECEIVABLES

	1996	1995
	(Rupees in thousand)	
Mark-up receivable on bank deposit	499	958
Profit receivable on term finance certificates	1,982	--
Dividend receivable	1,184	--
Deferred expenditure receivable	--	366
	-----	-----
	3,665	1,324
	=====	=====

Period from
July 11, 1995
to June 30,
1996
(Rupees in thousand)

9. CAPITAL GAIN ON MARKETABLE SECURITIES

Sales	493,839
Less: Cost of sales:	
Purchases of marketable securities	858,985
Closing stock of marketable securities	(398,728)

	460,257

	33,582
	=====

10. ADMINISTRATIVE EXPENSES

Auditors' remuneration - note 10.1	98
Settlement fee	1,216
Custodian fee	698
Zakat deducted at source	233
Amortisation of deferred expenditure	1,467
Share transfer stamp charges	594

	4,306
	=====

10.1 Auditors' remuneration includes the following:

Audit fee	60
Statutory audit fee	35
Out of pocket expenses	3

	98
	=====

11. FINANCIAL EXPENSES

Period from
July 11, 1995
to June 30,
1996
(Rupees in thousand)

Mark-up on deferred expenditure payable	2,172
Bank charges	3

	2,175
	=====

12. PROVISION FOR TAXATION

The company's income tax assessment has been finalised for assessment year 1995-96. The tax authorities, while finalising the assessment, have raised a demand for Rs. 3.8 million, being tax on mark-up earned prior to commencement of business and not allowing the preliminary expenses and the expenses to the issue. The company has filed an appeal against the assessment. No provision has been made in these accounts for the assessed liability as the management is confident that their appeal will be successful.

13. GENERAL

13.1 Previous year's figures have been re-arranged, wherever necessary, to facilitate comparison.

13.2 Figures have been rounded off to the nearest thousand rupee.

**STATEMENT OF INCOME AND EXPENDITURE
IN RELATION TO THE INVESTMENT COMPANY
FOR THE PERIOD ENDED JUNE 30, 1996**

	1996 (Rupees in thousand)
Investment adviser's remuneration from KASB Premier Fund Ltd.	7,221
Mark-up on deferred expenditure receivable	2,172

	9,393
Operating expenses	
Salaries, wages and other benefits	3,769
Staff training	32
Travelling and conveyance	71
Rent and electricity	150
Legal and professional charges	281
Printing, stationery and office supplies	204
Advertisement	150
Telephone and fax charges	226
Repairs and maintenance	117
Insurance	46
Fuel, power and utilities	81
Fees and subscription	15
Depreciation	131
Others	1

	5,274
Financial expenses	
Mark-up on short term financing	2,740

	8,014

Profit for the period	1,379
	=====

Note :Other revenue not relating to investment company has not been included in the above statement.

PATTERN OF SHAREHOLDING AS AT JUNE 30, 1996

Number of shareholders	Shareholding		Total numbe shares held	Percentage
	From	To		
10	1	100	1,000	0.00
3,256	101	500	1,627,800	4.07
57	501	1,000	55,700	0.139
57	1,001	5,000	170,400	0.43
35	5,001	10,000	312,620	0.78
2	10,001	15,000	25,200	0.06
6	15,001	20,000	120,000	0.3
4	20,001	25,000	97,580	0.244
3	25,001	30,000	86,500	0.216
2	35,001	40,000	78,000	0.195
11	45,001	50,000	548,000	1.37
4	95,001	100,000	399,700	1.00
1	115,001	120,000	120,000	0.30
3	145,001	150,000	446,500	1.12
3	195,001	200,000	598,000	1.50
3	245,001	250,000	750,000	1.88
1	295,001	300,000	300,000	0.75
1	325,001	330,000	330,000	0.83
1	335,001	340,000	340,000	0.85
1	405,001	410,000	407,613	1.02
2	495,001	500,000	1,000,000	2.50
4	815,001	820,000	3,260,900	8.15
4	995,001	1,000,000	4,000,000	10.00
1	1,115,001	1,120,000	1,120,000	2.80
1	1,195,001	1,200,000	1,200,000	3.00
1	1,630,001	1,635,000	1,630,450	4.08
1	1,995,001	2,000,000	2,000,000	5.00
1	2,830,001	2,835,000	2,834,287	7.09
2	3,995,001	4,000,000	8,000,000	20.00
1	4,060,001	4,065,000	4,063,625	10.16
1	4,075,001	4,080,000	4,076,125	10.19
-----			-----	
3,480			40,000,000	100.00
=====			=====	=====

CATEGORIES OF SHAREHOLDERS

Particulars	Shareholders	Shareholding	Percentage
Individuals	3,438	4,005,800	10.01
Investment Companies			
Insurance Companies	1	11,000	0.03
Joint Stock Companies	13	8,729,950	21.83
Financial Institutions	23	25,089,800	62.72
Modaraba Companies	5	2,163,450	5.41
	-----	-----	-----
	3,480	40,000,000	100.00
	=====	=====	=====