

KASB Premier Fund Limited

Annual Report 2001

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COMPANY INFORMATION

Board of Directors	Ahmed Kamran, Chairman Qazi Mazharul Haque, Chief Executive Javaid B. Sheikh Akhtar Ali Khan Nadir Rahman Rizwan Khalid Butt Nadeem Naqvi
Company Secretary	Zulfiqar Hyder Khan
Investment Adviser	Khadim Ali Shah Bukhari & Co. Ltd.
Auditors	Taseer Hadi Khalid & Co.
Legal Adviser	Mohsin Tayebaly & Co.
Custodian	Deutsche Bank A.G.
Bankers	Deutsche Bank A.G. Metropolitan Bank Ltd.
Registered Office	6th Floor, Trade Centre I.I. Chundrigar Road Karachi-74200, Pakistan
Registrar and Share Transfer Office	THK Associates (Pvt.) Ltd. Sheikh Sultan Trust Building No. 2 Beaumont Road

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Seventh Annual General Meeting of KASB Premier Fund Ltd. will be held on Monday, December 03, 2001 at 11:00 a.m. at the Karachi Sheraton Hotel and Towers, Dr. Ziauddin Ahmed Road, Karachi to transact the following business:-

1. To confirm the minutes of the Sixth Annual General Meeting of the Company held on November 02, 2000.
2. To receive, consider and adopt the audited accounts of the Company together with the Directors' and Auditors' report thereon for the year ended June 30, 2001.
3. To appoint auditors of the Company for the year ending June 30, 2002 and to fix their remuneration. The present auditors, Messrs Taseer Hadi Khalid & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.
4. To elect seven directors of the Company, as fixed by the Board of Directors, in accordance with the provision of Section 178 (1) of the Companies Ordinance, 1984 for a term of three years commencing on December 14, 2001. The directors retiring on December 13, 2001 are as under:-

- | | |
|-------------------------|----------------------------|
| 1) Mr. Ahmed Kamran | 2) Mr. Qazi Mazharul Haque |
| 3) Mr. Javaid B. Sheikh | 4) Mr. Akhtar Ali Khan |
| 5) Mr. Nadir Rahman | 6) Mr. Rizwan Khalid Butt |
| 7) Mr. Nadeem Naqvi | |

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

By order of the Board

Karachi:
September 20, 2001

ZULFIQAR HYDER KHAN
Company Secretary

Notes:

1. The share transfer books of the Company will remain closed from November 23, 2001 to December 03, 2001 (both days inclusive) to determine the names of the members entitled to attend the meeting.
2. Any person who, seeks to contest election to the office of director shall, whether he is retiring or otherwise, file with the Company not later than 14 (fourteen) days before the date of the meeting, a notice of his/her intention to offer himself/herself for election as director together with his/her consent to act as a director as required under Section 178(3) of the Companies Ordinance, 1984.
3. 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.
4. Proxy forms in order to be effective must be received at the Company's registered office,

duly stamped and signed not later than 48 hours before the meeting.

5. Accountholders/sub-accountholders holding book entry securities of the Company in Central Depository System (CDS) of Central Depository System of Pakistan Limited (CDC) who wish to attend the Annual General Meeting are requested to please bring their original ID Card/original passport with a photocopy duly attested by their bankers for identification purposes. In case of Corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

6. Members are requested to notify any change in their registered addresses immediately.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Performance of the Fund's Investment Portfolio

For the twelve months ended June 30, 2001, KASB Premier Fund (the Fund) out-performed the KSE-100 Index (the Index) by 16%. During this period, the Index declined by 10% from 1520 on June 30, 2000 to 1366 on June 29, 2001, while the Net Asset Value (NAV) of the Fund increased by 6% from Rs. 7.73 per share to Rs. 8.19 per share.

As on June 30, 2001, the top 15 holdings of the Fund's portfolio constituted 73.1% of total portfolio value. During the last twelve months, there has been a significant restructuring of the Fund's investment portfolio whereby many small capitalization, and illiquid holdings were liquidated and effort was made to position the Fund's asset allocations into large capitalization, blue chip, liquid stocks. Of course, the above decision led to booking of capital losses on several illiquid holdings. The directors however, felt that by generating liquidity from such holdings and putting the money into potentially better performing stocks, the longer term returns to shareholders would be optimized.

It has been observed that investment strategy focusing on sectors rather than specific stocks pays off better over the longer term. In the case of the KASB Premier Fund there is a move towards adopting a more sector - driven investment strategy. In view of a sluggish economy and business environment for the present, however, the overall investment approach of Fund has become cautious and defensive with emphasis on capital preservation along with sustainable income generation. In this context, the major sectors with portfolio weights of 10% or more are currently: Power, Banking, Paper and Packaging and Telecom. In a turbulent market environment, utilities have traditionally provided investors with relatively lower downside risk as well as income potential. The Directors believe that Hubco, Kohinoor Energy and PTCL are appropriate holdings in this respect. The Paper & Packaging sector is basically a proxy for consumer non-durables as pure consumer plays such as Lever Brothers and Nestle are very illiquid in this market. For the Financial Year ended June 30, 2001, the holdings in Packages and Tri-Pack Films provided a solid defensive quality to the Fund and contributed to its relative out-performance against the bench mark KSE-100 Index. Finally, the Banking sector makes up another large chunk of the Funds portfolio with MCB, Askari, A1-Faysal Bank and Trust Bank being the key investments. With the banking sector in the middle of a major restructuring, mergers and acquisitions as well as a cut in tax rates, this sector is likely to provide significant potential for out-performance going forward.

The management reduced exposure in textile, cement, insurance and chemical sectors during 2001 in view of weak earning expectations. In the future, selected exposure may be considered as sector outlook improves and particularly in stocks which show promise. All in all, the Directors believe that

the Fund is now well positioned to enjoy the benefits of any market upside while also having a defensive posture in case a significant downside occurs.

Although despite best efforts the Net Asset Value of the Fund had remained below par, Fund's net after tax profits for the year had worked to Rs. 18.58 million. Looking forward to a better performance in the future, the Directors were pleased to declare an interim cash dividend of Re. 0.35 per share. Given the final results and financial position, no final dividend will be declared and thus total payout for the year is Re. 0.35 per share.

Macro Economic and Market Outlook

During the last twelve months ended June 30, 2001, the economy continued to remain under severe strain of low growth, low investment and external debt servicing pressures. At the same time, as part of the economic restructuring program the government and the central bank were forced to follow tight fiscal and monetary policies. Thus, on the one hand there was limited fiscal stimulus caused by development spending and on the other, tight monetary conditions along with a sharp increase in interest rates contributed to nominal private investment. Although private sector loan demand showed improvement over the previous fiscal year, it was insufficient to fill in the slack created by a negative growth in the agricultural sector in Fiscal Year 2001, due to severe drought conditions. The result was a sharp deceleration in Fiscal Year 2001 GDP growth to 2.55% as against 3.89% during the previous year.

Looking ahead, after the recent rains having broken a two year drought spell, the chances of agricultural growth picking up in Fiscal Year 2002, have improved. This, along with increased outlay on development spending and a higher private sector credit plan, should lead to higher GDP growth next year. Conservative forecasts are for GDP growth between 3.7% to 4.0% in Fiscal Year 2002.

After the successful (first time ever) completion of an IMF program by Pakistan the chances of the country qualifying for the longer term (3-year) Poverty Reduction and Growth Program have increased. Once Pakistan gets into this program it can receive up to US\$2.5 bn over a three-year period. This would auger well to help the government reschedule part of the external debt falling due over the next two years. If this occurs, external sector risk would decline and there may develop a potential for the return of foreign portfolio investment in the country after constant outflow over the past 3 years.

In the light of the above economic scenario the Directors have been cautiously optimistic about the equity markets showing improvement during the coming twelve months. The recent unfortunate terrorist attacks on World Trade Centre in New York and the Pentagon in Washington on 11th September, 2001 and Pakistan's commitment to the international community and to the US Government to fully support the latter's declaration of war against terror has, however, made the prospect of an early improvement in the equity market conditions uncertain. It is, however, expected that Pakistan would emerge from this involvement as a net economic gainer. With international community's support to Pakistan and IMF program on track, the possibility of Pakistan's economy and its equity markets receiving an eventual boost may not, therefore, be ruled out as a consequence.

Auditors and Pattern of Shareholding

The members are requested to appoint auditors for 2001-2002 and fix their remuneration. The present auditors, Messrs Taseer Hadi Khalid & Co., Chartered Accountants, retire and offer themselves for re-appointment.

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

On behalf of the Board of Directors

Karachi:
September 20, 2001

QAZI MAZHARUL HAQUE
Chief Executive

Auditors' Report to the Members

We have audited the annexed balance sheet of **KASB Premier Fund Limited** as at 30 June 2001 and the related profit and loss account, cash flow statement, distribution statement and statement of changes in equity and reserves together with the notes forming part thereof (here-in-after referred to as the "financial statements"), 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 financial statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984 and rule 16 of the Investment Companies and Investment Adviser's Rules, 1971. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial 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 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 Second Schedule to the Investment Companies and Investment Adviser's Rules, 1971, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

iii) the business conducted, investments 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, cash flow statement, distribution statement and statement of changes in equity and reserves 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 and the 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 2001 and of the profit, its cash flows, its distributions and changes in equity and reserves for the year then ended; and

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

Karachi: 20 September, 2001

Taseer Hadi Khalid & Co.
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 2001

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees in thousand)</i>	
ASSETS			
Marketable Securities - net	3	307,860	261,798
Other Assets			
Trade debts		10,948	--
Deposit and other receivables	4	3,526	2,484
Taxation		1,130	1,473
Bank balances - on deposit account		11,071	48,912
		-----	-----
		26,675	52,869
		-----	-----
Total Assets		334,535	314,667
LIABILITIES			
Current Liabilities			
Due to the Investment Adviser	5	3,139	4,529
Trade creditors		3,109	226
Accrued expenses	6	369	576
		-----	-----
Total Liabilities		6,617	5,331
		-----	-----
NET ASSETS		327,918	309,336
		=====	=====
SHAREHOLDERS' EQUITY			
Authorised capital			
80,000,000 ordinary shares of Rs. 10 each		800,000	800,000
		=====	=====
Issued, subscribed and paid-up capital			
40,000,000 ordinary shares of Rs. 10 each issued as fully paid in cash		400,000	400,000
Accumulated loss		(86,082)	(90,664)
		-----	-----
		313,918	309,336
Interim dividend	12	14,000	--
		-----	-----

327,918	309,336
=====	=====

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

QAZI MAZHARUL HAQUE
Chief Executive

JAVAI B. SHEIKH
Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2001**

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees in thousand)</i>	
Income			
Capital (loss)/gain on marketable securities		(31,467)	17,794
Dividend income		22,323	11,789
Profit on term finance certificates		2,558	3,096
Profit on bank deposits		1,951	2,368
		-----	-----
		(4,635)	35,047
Operating Expenses			
Administrative	7	(1,588)	(2,654)
Financial	8	(7)	(42)
Creditors no longer payable written back		226	--
Remuneration to the Investment Adviser	5.1	(3,139)	(4,500)
		-----	-----
		(4,508)	(7,196)
		-----	-----
		(9,143)	27,851
Reversal of diminution in value of marketable securities		28,687	39,479
		-----	-----
Profit before taxation		19,544	67,330
Taxation - Current		(962)	(589)
		-----	-----
Profit for the year		18,582	66,741
		=====	=====

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

QAZI MAZHARUL HAQUE
Chief Executive

JAVAI B. SHEIKH
Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2001**

<i>2001</i>	<i>2000</i>
<i>(Rupees in thousand)</i>	

CASH FLOW FROM OPERATING ACTIVITIES

Profit before taxation	19,544	67,330
Adjustment for non-cash charges:		
Amortisation of deferred expenditure	--	1,488
Reversal of diminution in value of marketable securities	(28,687)	(39,479)
	-----	-----
	(28,687)	(37,991)
	-----	-----
Operating (loss)/profit before working capital changes	(9,143)	29,339
(Increase)/decrease in current assets:		
Marketable securities	(17,376)	(59,416)
Trade debts	(10,948)	--
Deposit and other receivables	(1,042)	1,430
	-----	-----
	(29,366)	(57,986)
Increase / (decrease) in current liabilities:		
Due to the Investment adviser	(1,390)	1,906
Trade creditors	2,883	(6,183)
Accrued expenses	(207)	289
	-----	-----
	1,286	(3,988)
	-----	-----
Cash used in operations	(37,223)	(32,635)
Income tax paid	(618)	(502)
	-----	-----
Net cash (outflow) from operating activities	(37,841)	(33,137)
CASH FLOW FROM FINANCING ACTIVITIES		
Deferred expenditure paid	--	(3,060)
	-----	-----
Decrease in bank balances	(37,841)	(36,197)
Bank balances at beginning of the year	48,912	85,109
	-----	-----
Bank balances at end of the year	11,071	48,912
	=====	=====

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

QAZI MAZHARUL HAQUE
Chief Executive

JAVOID B. SHEIKH
Director

DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2001

2001 **2000**
(Rupees in thousand)

Accumulated loss brought forward	(90,664)	(157,405)
Profit for the year	18,582	66,741
Interim dividend @ 3.5% (2000: Nil)	(14,000)	--
	-----	-----
Accumulated loss carried forward	(86,082)	(90,664)
	=====	=====

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

QAZI MAZHARUL HAQUE
Chief Executive

JAVOID B. SHEIKH
Director

STATEMENT OF MOVEMENT IN EQUITY AND RESERVES FOR THE YEAR ENDED JUNE 30, 2001

	<i>2001</i>	<i>2000</i>
	<i>(Rupees in thousand)</i>	
Net assets per share as at July 01	7.73	6.07
(Loss)/gain on sale of marketable securities	(0.79)	0.44
Reversal of diminution in value of marketable securities	0.72	0.98
Net income for the year excluding capital (loss)/gain	0.53	0.24
	-----	-----
Profit for the year - per share	0.46	1.66
	-----	-----
Net assets per share as at June 30	8.19	7.73
	=====	=====

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

QAZI MAZHARUL HAQUE
Chief Executive

JAVOID B. SHEIKH
Director

NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2001

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 Ali 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 Statement of compliance

These accounts have been prepared in accordance with Accounting Standards, issued by the International Accounting Standards Committee (IASC), interpretations issued by the Standing Interpretations Committee (SIC) of the IASC and the requirements of the Investment Companies and Investment Adviser's Rules, 1971.

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. Middle market price has been used for calculating market value and it means the average of the highest and the lowest quotation prevailing on the balance sheet date.

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 year 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.

3. MARKETABLE SECURITIES

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

NAME OF COMPANIES	NUMBER OF SHARES/CERTIFICATES					BALANCE AS AT JUNE 30, 2001			PERCENTAGE IN RELATION TO		
	Opening	Purchases	Bonus	Sales/ Redeemed	No. of shares/ certificates	At cost (Rupees in thousand)	At market	Own net assets (with cost of investment)	Paid-up capital of investee company (with face value of investment)	Total cost of investment	
MODARABA COMPANIES											
First Grindlays Modaraba	--	12,500	--	--	12,500	225	239	0.07	0.03	0.05	
First Habib Modaraba	--	76,500	--	--	76,500	393	393	0.12	0.30	0.10	
First HBL Modaraba	--	77,000	--	--	77,000	745	789	0.23	0.19	0.18	
LEASING COMPANIES											
Dawood Leasing Co. Ltd.	--	1,000	--	1,000	--	--	--	--	--	--	
National Development Leasing Co	--	3,500	--	3,500	--	--	--	--	--	--	
INVESTMENT COMPANIES AND BANKS											
Al Faysal Investment Bank Ltd.	601,250	224,500	--	--	825,750	17,571	8,778	5.36	0.84	4.25	
Al Meezan Investment Bank Ltd.	--	39,000	--	--	39,000	372	449	0.11	0.04	0.09	

Askari Commercial Bank Ltd.	1,070,000	92,500	27,850	513,000	677,350	9,372	8,826	2.86	0.65	2.27
Crescent Investment Bank Ltd.	100,700	72,500	--	--	173,200	3,823	2,075	1.17	0.35	0.93
Faysal Bank Ltd.	--	131,000	--	41,000	90,000	701	687	0.21	0.06	0.17
Muslim Commercial Bank Ltd.	30,000	463,000	79,385	113,850	458,535	11,194	11,188	3.41	0.19	2.71
Trust Investment Bank Ltd.	1,000,000	107.50	--	114,000	993,500	10,318	10,929	3.15	9.94	2.50
Union Bank Ltd.	--	15,000	--	15,000	--	--	--	--	--	--

INSURANCE

Adamjee insurance Co. Ltd.	--	102,500	11,325	32,000	81,825	4,659	4,586	1.42	0.15	1.13
Commercial Union Life Assurance	1,614,500	130,000	--	--	1,744,500	26,806	16,102	8.17	5.82	6.49

TEXTILE SPINNING

Mukhtar Textile Mills Ltd.	300,000	--	--	260,000	40,000	283	44	0.09	0.40	0.07
Gadoon Textile Mills Ltd.	26,500	25,000	--	--	51,500	1,876	1,421	0.57	0.22	0.45
Ibrahim Textile Mills Ltd.	142,500	--	--	142,500	--	--	--	--	--	--
Nagina Cotton Mills Ltd.	103,000	51,500	--	154,500	--	--	--	--	--	--
Saif Textile Mills Ltd.	34,550	--	--	34,550	--	--	--	--	--	--
Sapphire Textile Mills Ltd.	110,720	--	110,720	100,000	121,440	9,610	5,343	2.93	0.82	2.33
Umer Fabrics Ltd.	--	77,500	--	--	77,500	1,607	1,085	0.49	0.32	0.39

TEXTILE COMPOSITE

Artistic Denim Mills Ltd.	800,000	--	--	800,000	--	--	--	--	--	--
Kohinoor Textile Mills Ltd.	190,500	--	--	--	190,500	3,436	1,263	1.05	0.36	0.83
Nishat Mills Ltd.	1,000,000	6,765,500	--	7,343,500	422,000	8,796	7,398	2.68	0.38	2.13
Nishat (Chunian) Ltd.	--	100,000	--	--	100,000	2,522	1,788	0.77	0.25	0.61
Zahur Textile Mills Ltd.	100,000	--	--	100,000	--	--	--	--	--	--

SYNTHETIC AND RAYON

Dewan Salman Fibre Ltd.	--	28,225,500	--	28,029,500	196,000	3,614	3,538	1.10	0.06	0.88
Gatron Industries Ltd.	45,100	--	--	45,100	--	--	--	--	--	--
Ibrahim Fibres Ltd.	250,000	276,000	53,000	243,000	336,000	4,917	4,855	1.50	0.13	1.19
Liberty Mills Ltd.	100,000	--	--	100,000	--	--	--	--	--	--

CEMENT

DG Khan Cement Ltd.	--	47,000	--	--	47,000	290	272	0.09	0.03	0.07
Mustehkam Cement Ltd.	60,500	--	--	--	60,500	12,556	787	3.83	0.49	3.04

FUEL AND ENERGY

Hub Power Co. Ltd.	1,090,000	4,038,500	--	3,483,500	1,645,000	32,363	31,584	9.87	0.14	7.84
Karachi Electric Supply Corp. Ltd.	--	30,000	--	--	30,000	246	155	0.08	--	--
Kohinoor Energy Ltd.	1,866,000	1,090,750	552,750	621,250	2,888,250	36,673	33,013	11.18	1.70	8.88
National Refinery Ltd.	45,500	--	--	29,500	16,000	1,204	631	0.37	0.02	0.29
Pakistan State Oil Co. Ltd.	122,549	1,708,800	--	1,733,800	97,549	13,677	12,930	4.17	0.07	3.31
Shell Pakistan Ltd.	13,300	34,800	--	22,000	26,100	7,059	6,419	2.15	0.07	1.71
Southern Electric Co. Ltd.	277,500	25,000	--	302,500	--	--	--	--	--	--
Sui Northern Gas Pipelines Co. Ltd	343,191	218,500	84,254	--	645,945	8,983	6,511	2.74	0.13	2.18
Sui Southern Gas Co. Ltd.	322,500	155,000	51,375	--	528,875	7,856	5,516	2.40	0.08	1.90

AUTO AND ALLIED ENGINEERING

Millat Tractor Ltd.	--	2,500	--	--	2,500	232	232	0.07	0.03	0.06
Pak Suzuki Motor Co. Ltd.	290,000	132,500	--	--	422,500	15,123	3,646	4.61	0.86	3.66

CABLES AND ELECTRICAL GOODS

PEL Appliances Ltd.	325,000	--	--	50,000	275,000	16,420	1,251	5.01	4.70	398
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TRANSPORT AND COMMUNICATION

Pakistan Telecommunication Co. L	560,000	2,342,500	--	1,242,500	1,660,000	36,467	29,963	11.12	0.04	8.83
TeleCard Ltd	--	233,000	--	--	233,000	3,574	2,924	1.09	0.93	0.87
Worldcall Payphones Ltd.	40,000	843,000	--	880,000	3,000	49	48	0.01	0.01	0.01

CHEMICAL AND PHARMACEUTICAL

Engro Chemicals Pakistan Ltd.	145,096	--	17,264	45,000	117,360	7,490	6,740	2.28	0.05	1.81
Fauji Fertilizer Co Ltd.	198,000	319,900	--	71,000	446,900	21,749	16,057	6.63	0.13	5.27
FFC Jordan Ltd.	240.00	240,000	--	210,000	270,000	2,239	1,547	0.68	0.19	0.54
Glaxo Welcome Pakistan Ltd.	6,000	--	--	6,000	--	--	--	--	--	--
ICI Pakistan Ltd.	100,000	712,500	--	295,000	517,500	5,727	4,735	1.75	0.04	1.39
RRP Ltd	41,000	--	--	41,000	--	--	--	--	--	--

PAPER AND BOARD

Century Paper and Board Mills Ltd	241,450	--	--	6,000	235,450	5,045	3,496	1.54	0.75	1.22
Packages Lid.	401,022	60,102	60,883	85,602	436,405	22,747	24,875	6.94	0.92	5.51

VANASPATI AND ALLIED INDUSTRIES

Sarhad Ghee Mills Ltd.	125,000	--	--	10,000	115,000	1,711	63	0.52	4.36	0.41
------------------------	---------	----	----	--------	---------	-------	----	------	------	------

FOODS AND ALLIED

Lever Brothers (Pakistan) Ltd.	--	5,000	--	--	5,000	3,812	3,773	1.16	0.01	0.92
Quice Food Industries Ltd.	1,024,000	173,000	--	158,000	1,039,000	9,325	3,616	2.84	9.72	2.26
Sunflo Cit-Russ Ltd.	315,000	145,000	--	145,000	315,000	1,894	110	0.58	1.19	0.46

MISCELLANEOUS

Al-Khair Gadoon Ltd.	45,000	--	--	45,000	--	--	--	--	--	--
Tri-Pack Films Ltd.	90,000	215,000	--	106,000	199,000	6,534	6,069	1.99	0.66	1.58

Total Equity Securities

403,894	298,739
---------	---------

TERM FINANCE CERTIFICATES (TFC)

(Rs. 5000 each)

Atlas Lease Ltd.	--	627	--	--	627	3,134	3,198	0.96	1.57*	0.76
Dewan Salman Fibre Ltd.	300	42	--	300	42	244	218	0.07	0.01*	0.06
Engro Asahi Polymer and Chemica	--	1,000	--	--	1,000	5,000	5,000	1.52	1.00*	1.21
Sui Southern Gas Co. Ltd.	1,632	4,141	--	5,632	141	705	705	0.21	0.07*	0.17

Total Term Finance Certificates

9,083	9,121
-------	-------

Grand Total

412,977	307,860
---------	---------

Less: Provision for diminution in value
of marketable securities (2000: Rs. 133,803)

(105,117)	--
-----------	----

307,860	307,860
---------	---------

* In relation to the company's total issued term finance certificates.

2001 **2000**
(Rupees in thousand)

4. DEPOSIT AND OTHER RECEIVABLES

Deposit	400	400
Dividend receivable	2,951	1,329
Profit receivable on term finance certificates	163	62
Profit receivable on bank deposits	12	693
	-----	-----
	3,526	2,484
	=====	=====

5. DUE TO THE INVESTMENT ADVISER

Remuneration payable - note 5.1	3,139	4,500
Mark-up on deferred expenditure payable	--	29
	-----	-----
	3,139	4,529
	=====	=====

5.1 The remuneration of the Investment Adviser, @ 2 percent of the net assets of the company, at the end of its year of accounts in terms of rule 11 (a) of the Investment Companies and Investment Adviser's Rules, 1971, has been determined as follows:

Assets

Marketable securities-net	307,860	261,798
Trade debts	10,948	--
Deposit and other receivables	3,526	2,484
Taxation	1,130	1,473
Bank balances-on deposit account	11,071	48,912
	-----	-----
	334,535	314,667

Liabilities

Due to the Investment Adviser	3,139	4,529
Trade Creditors	3109	226
Accrued expenses	369	576
Interim dividend	14,000	--
	-----	-----
	20,617	5,331

Net assets as per rules	313,918	309,336
	=====	=====

Remuneration ~ two percent of net assets	6,278	6,187
Less: Remuneration waived by the Investment Adviser	(3,139)	(1,687)
	-----	-----

Remuneration payable	3,139	4,500
	=====	=====

6. ACCRUED EXPENSES

Custodian fee	299	511
Audit fee	70	65
	-----	-----
	369	576
	=====	=====

7. ADMINISTRATIVE EXPENSES

Auditors' remuneration - note 7.1	78	72
Amortisation of deferred expenditure	--	1,488
Custodian fee	1,059	803
Fees	257	257
Share transfer stamp charges	194	34
	-----	-----
	1,588	2,654
	=====	=====

7.1 Auditors' remuneration includes the following:

Audit fee	70	65
Out of pocket expenses	8	7
	-----	-----
	78	72
	=====	=====

8. FINANCIAL EXPENSES

Mark-up on deferred expenditure payable	--	29
Bank charges	7	13
	-----	-----
	7	42
	=====	=====

9. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**9.1 Interest rate / Mark-up risk exposure**

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

(Rupees in thousand)

2001	<i>Interest/Mark-up bearing</i>			<i>Non Interest/Mark-up bearing</i>	<i>Total</i>
	<i>Less than one month</i>	<i>Three months to one year</i>	<i>One year to five years</i>		
Financial assets					
Marketable securities-net	--	--	9,121	298,739	307,860
Trade debts	--	--	--	10,948	10,948
Deposit and other receivables	--	--	--	3,526	3,526
Taxation	--	--	--	1,130	1,130
Bank Balances-on deposit account	11,071	--	--	--	11,071
	-----	-----	-----	-----	-----
	11,071	--	9,121	314,343	334,535
	=====	=====	=====	=====	=====

Average interest / mark-up rate	9.70		14.77		
Financial liabilities					
Due to the Investment Adviser	--	--	--	3,139	3,139
Trade Creditors	--	--	--	3,109	3,109
Accrued expenses	--	--	--	369	369
	-----	-----	-----	-----	-----
	--	--	--	6,617	6,617
	=====	=====	=====	=====	=====
Average interest/mark-up rate	--	--	--		

9.2 Concentration of credit risk and credit exposure of the financial instruments.

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

9.3 Fair value

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

10. TAXATION

The income tax assessments of the company have been finalized upto and including accounting year ended June 30, 1998. The Commissioner of Income Tax (Appeals) has decided the appeals in the company's favour for the accounting years 1995-96, 1996-97 and 1997-98 and the Income Tax department has filed appeals to the Income Tax Appellate Tribunal against the decision of CIT (Appeals) for the accounting years 1996-97 and 1997-98. However, no further provision is required to be made.

	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>	<i>*1996</i>
11. PERFORMANCE TABLE						
Net assets (Rupees in thousand)	327,918	309,336	242,595	209,134	314,262	361,031
Net assets value per share (Rupee)	8.19	7.73	6.07	5.23	7.85	9.02
Earnings per share (Rupees)	0.46	1.66	0.84	(2.63)	(1.16)	(0.97)
Dividend distribution	0.35	--	--	--	--	--

* First year of operations from July 11, 1995 to June 30, 1996

12. INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of Re. 0.35 per share (3.5%) out of the profit for the year ended June 30, 2001.

QAZI MAZHARUL HAQUE
Chief Executive

JAVOID B. SHEIKH
Director

STATEMENT OF INCOME AND EXPENDITURE IN RELATION TO THE INVESTMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2001

	<i>2001</i>	<i>2000</i>
	<i>(Rupees in thousand)</i>	
Investment Adviser's remuneration from KASB Premier Fund Ltd.	3,139	4,500
Mark-up on deferred expenditure receivable	--	29
	-----	-----
	3,139	4,529
Operating expenses		
Salaries, wages and other benefits	4,389	4,214
Staff training	33	44
Travelling and conveyance	137	128
Legal and professional charges	423	726
Printing, stationery and office supplies	81	139
Advertisement	59	57
Communication	205	241
Repairs and maintenance	235	165
Insurance	48	45
Power and utilities	220	145
Fees and subscription	16	74
Depreciation	503	524
	-----	-----
	6,349	6,502
Financial expenses		
Mark-up on short term financing	--	36
	-----	-----
	6,349	6,538
	-----	-----
Loss for the year	(3,210)	(2,009)
	=====	=====

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

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2001

<i>No. of shareholders</i>	<i>Shareholding</i>		<i>Total number of shares held</i>	<i>Percentage</i>
	<i>From</i>	<i>To</i>		
46	1	100	4,600	.0115
836	101	500	410,438	1.0260
93	501	1,000	91,800	.2295
138	1,001	5,000	389,720	.9743
41	5,001	10,000	342,980	.8574
21	10,001	15,000	263,625	.6590
9	15,001	20,000	171,000	.4275
3	20,001	25,000	68,500	.1712
2	25,001	30,000	55,800	.1395
5	30,001	35,000	165,700	.4142
3	35,001	40,000	113,000	.2825
4	45,001	50,000	193,200	.4830
1	65,001	70,000	67,000	.1675

3	85,001	90,000	262,500	.6562
2	100,001	105,000	202,500	.5062
1	110,001	115,000	115,000	.2875
1	120,001	125,000	121,600	.3040
1	185,001	190,000	190,000	.4750
1	195,001	200,000	200,000	.5000
1	245,001	250,000	250,000	.6250
1	275,001	280,000	278,200	.6955
1	300,001	305,000	304,000	.7600
1	375,001	380,000	380,000	.9500
1	400,001	405,000	402,500	1.0062
1	495,001	500,000	500,000	1.2500
1	690,001	695,000	693,000	1.7325
1	815,001	820,000	815,225	2.0380
1	905,001	910,000	906,787	2.2669
1	995,001	1,000,000	1,000,000	2.5000
1	1,085,001	1,090,000	1,089,900	2.7247
1	1,405,001	1,410,000	1,407,000	3.5175
1	1,470,001	1,475,000	1,474,500	3.6862
1	2,630,001	2,635,000	2,630,450	6.5761
1	3,420,001	3,425,000	3,422,125	8.5553
2	3,995,001	4,000,000	8,000,000	20.0000
1	13,015,001	13,020,000	13,017,350	32.5433

1,229			40,000,000	100.0000
=====				

CATEGORIES OF SHAREHOLDERS

<i>Particulars</i>	<i>Shareholders</i>	<i>Shareholding</i>	<i>Percentage</i>
Individuals	1,164	15,331,350	38.33
insurance Companies	1	100	0.00
Joint Stock Companies	28	4,586,000	11.47
Financial Institutions	22	17,425,700	43.56
Modaraba Companies	7	489,450	1.22
Leasing Companies	7	2,167,400	5.42

	1,229	40,000,000	100.00
=====			