

## **Security Stock Fund Limited**

### **Annual Report 2001**

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#### **COMPANY INFORMATION**

<b>Board of Directors</b> (from October 18, 2001)	Mr. Abid Hussain Zuberi - Chairman Mr. Iqbal Usman - Chief Executive Mr. Abdul Hamid Dagia Mr. Aftab Q. Munshi Mr. Ali H. Hamdani Mr. Anis Wahab Zuberi Mr. Basir Shamsie Mr. Mohammad Sajid Mr. Munaf Ibrahim Mr. M. Habib-ur-Rahman
<b>Company Secretary</b>	Syed Owais Wasti
<b>Investment Adviser</b>	Security Fund Management Limited
<b>Auditors</b>	M. Yusuf Adil Saleem & Co.
<b>Legal Adviser</b>	Mohsin Tayebaly & Co.
<b>Custodian</b>	Muslim Commercial Bank Ltd.
<b>Registered Office</b>	1306-1307, Chapal Plaza, Hasrat Mohani Road, Karachi-74000. Tel: 021-2441311-4 Fax: 021-2425652
<b>Shares Department</b>	404 Trade Tower, Abdullah Haroon Road, Near Metropole Hotel, Karachi-75530 Tel: 021-5687839 - 021-5685930

## **NOTICE OF THE ANNUAL GENERAL MEETING**

Notice is hereby given that the Seventh Annual General Meeting of the Company will be held at 12.00 noon on Saturday, December 22, 2001 at Beach Luxury Hotel, Karachi, to transact the following business:

1. To confirm the Minutes of the Sixth Annual General Meeting held on December 14, 2000.
2. To receive, consider and adopt the Audited Accounts of the Company together with the report of Directors and Auditors for the year ended June 30, 2001.
3. To approve the payment of cash dividend @ 4% i.e., Rs. 0.40 per share of Rs. 10/- each for the year ended June 30, 2001.
4. To appoint Auditors and fix their remuneration for the year 2001-2002. The present Auditors Messrs. M. Yousuf Adil Saleem & Co. Chartered Accountants retire and being eligible, offer themselves for re-appointment.
5. To elect seven (7) directors, as fixed by the Board of Directors, pursuant to section 178(1) of the Companies Ordinance, 1984, for a period of three years.
6. To transact any other business with the permission of the Chair.

**By order of the Board**

**Syed Owais Wasti  
Company Secretary**

Karachi: November 10, 2001

### **Notes:**

1. The share transfer books of the Company will be closed from Saturday, December 15, 2001 to Saturday December 22, 2001 (both days inclusive) to determine the entitlement of cash dividend. Transfers received at the Share Department of the Company at 404 Trade Tower, I. I. Chundrigar Road, Karachi at the close of the business on Friday December 14, 2001 will be treated in time for the entitlement of dividend.
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. A corporation may appoint a person, who is not a member, as proxy.
3. Proxy forms in order to be effective must be received at the Company's Registered Office at 1306-1307, Chapal Plaza, Hasrat Mohani Road, Karachi-74000, duly completed and signed not later than 48 hours before the meeting.
4. Account holders/sub-account holders holding book entry securities of the Company in Central Depository System (CDS) of Central Depository Company of Pakistan Limited (CDC) who wish to attend the AGM are requested to please bring their original National Identity Card or 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 is required (unless it has been provided earlier) at the time of the meeting.
5. Members are requested to promptly communicate to the Company any change in their address to ensure prompt delivery of mail.

## **DIRECTORS' REPORT**

The Board of Directors of the Security Stock Fund Limited presents the Annual Report for the year ended June 30, 2001.

### **1. Change in Shareholding of Security Fund Management Limited**

ABAMCO Limited and its subsidiary Confidence Financial Service Limited acquired the entire shareholding of your investment adviser from BMA Capital Management Limited, Security Investment Bank Limited and

Saudi Pak Industrial and Agricultural Investment Company (Pvt.) Limited. ABAMCO, is a subsidiary of Jahangir Siddiqui & Co. Limited, country's leading corporate brokerage house. Other share holders of ABAMCO include International Finance Corporation, AMVESCAP plc., a leading global asset management company and Muslim Commercial Bank Limited, Pakistan's leading commercial bank in the private sector. ABAMCO is registered as an investment adviser and asset management company with the Securities and Exchange Commission of Pakistan (SECP) and is managing a closed end mutual fund, BSJS balanced Fund Limited (BBF) and an open-ended mutual fund, Unit Trust of Pakistan (UTP). BBF was offered to public in January 1996, with a paid up capital of Rupees one hundred fifty million. In September 2000, ABAMCO acquired the controlling shares of Confidence Financial Services Limited, an investment advisor managing Confidence Mutual Fund Limited (CMF), having a paid up capital of Rupees one hundred million. Subsequently CMF was merged with BBF and the paid up capital of BBF was raised to Rupees two hundred fifty million. This was the first merger of mutual funds in Pakistan. The open-ended mutual fund, UTP has a net assets of Rupees seven hundred fifty million. Both UTP and BBF have been assigned AA(f) by PACRA, which denotes "funds' ability to consistently outperform its peers with strong capacity to respond to future opportunities and stress situation". The assets under management of ABAMCO are over Rupees one billion, which makes it the biggest asset management company in the private sector in Pakistan.

Under the new management your investment adviser, Security Fund Management Limited (SFM), would like to assure the valued shareholders of Security Stock Fund Limited that they will relentlessly work with the objective of providing them value in terms of investment performance. Towards this objective, they stand fully committed.

## **2. Change in Directorship**

Consequent upon the change in the management, the Board of your company was re-constituted. Messrs. Imran Iqbal, Farrukh H. Khan, Mudassar Malik, Abdul Sattar Raja, Abdul Samad Khan, Muhammad Saeed Akhtar, Noman Ahmad Qureshi and Saleem Rathod resigned and in their place Messrs Abid Hussain Zuberi, Mohammad Habib ur Rahman, Munaf Ibrahim, Basir Shamsie, Abdul Hamid Dagia, Mohammad Sajid, Ali H. Hamdani and Aftab Q. Munshi have been co-opted as directors to serve the remaining term of the Board. Mr. Iqbal Usman, your Chief Executive Officer and Mr. Anis Wahab Zuberi, who served the previous Board continue on the reconstituted Board.

Mr. Abid Hussain Zuberi, who has served as a banker in very senior positions and is very well respected in the banking and financial community has been elected as the new chairman of the Board of Directors. Mr. Zuberi is also the Chairman on the Boards of BBF and SFM and a director of ABAMCO.

We thank the outgoing directors for their valuable service and also thank those directors who have kindly agreed to Serve on the newly constituted Board. Their experience and cooperation has helped in smooth management transition. We also welcome the new directors and hope that the new Board will give a direction to the Company for its profitable operations.

## **3. Operating Results:**

### **a) Profit for the year and distribution.**

Your Company earned a net profit of Rupees 3,672,098 after adjustment of prior year over provision of income tax. Your management proposed to pay a dividend of 4% for the year, which will involve Rupees 4,000,000. A sum of Rupees 327,902 will be utilized from brought forward profit. Rupees 579,360 will be carried forward.

### **b) Composition of assets**

53.44% of the assets of your Company at lower of cost or market value was invested in equity. The investment was in 41 companies. The restructuring of equity portfolio has been undertaken with the objective of maintaining the investment in selected key companies only, which have good track record, maintained dividend pay out and growth prospects. 14.35% of investment was in term finance certificate. 29.78% of the assets was in profit and loss sharing account with bank and 2.43% constituted as other receivables. Your management will continue with the "balanced fund" approach and the four constituent of investments will be equity, Government Securities, term finance certificates and short term money market or capital market instruments.

#### **4. Auditors**

Messrs M. Yousuf Adil Saleem & Co. retire and being eligible, offer themselves for re-appointment.

#### **5. Shareholders**

A statement showing pattern of shareholding is given on page 22.

#### **6. Election of Directors**

Election to constitute the new Board of Directors will be held on December 22, 2001 as per the requirement of the Companies Ordinance, 1984, as the term of the re-constituted Board will then expire. The new directors to the Board were co-opted to serve the remaining term of the Board. The Board of Directors has fixed the number of directors to seven, as against the present number of ten.

#### **7. Thanks**

The Board of Directors of the Company thanks the Securities and Exchange Commission of Pakistan for their valuable support, understanding and guidance.

**For and on behalf of the Board**

**Iqbal Usman  
Chief Executive**

### **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of **SECURITY STOCK FUND LIMITED** as at June 30, 2001 and the related profit and loss account, 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 standards and the requirements of the Companies Ordinance, 1984 and Investment Companies and Investment Advisers Rules, 1971. 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 account have been kept by the Company as required by the Companies Ordinance, 1984 and Rule 16 of the Investment Companies and Investment Advisers 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 Investment Companies and Investment Advisers Rules, 1971 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 2.4 with which we concur;

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 objectives 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 and statement of changes in equity together with the notes forming part thereof confirm with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 and Investment Companies and Investment Advisers Rules, 1971 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2001 and of the profit, its cash flows and changes in equity for the year then ended; and

d. in our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Karachi:  
Dated: November 10, 2001

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

## BALANCE SHEET AS AT JUNE 30, 2001

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
<b>ASSETS</b>			
<b>Current Assets</b>			
Marketable securities	3	78,656,701	114,423,489
Trade debts, advances and other receivables	4	2,818,708	1,548,722
Bank balances	5	34,554,452	17,931,621
<b>TOTAL ASSETS</b>		116,029,861	133,903,832
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Due to investment adviser	6	9,262,019	12,206,462
Accounts payable and accrued expenses	7	86,489	586,520
Provision for taxation		--	1,131,246
Dividend payable	8	6,101,993	19,072,342
<b>TOTAL LIABILITIES</b>		15,450,501	32,996,570
<b>NET ASSETS</b>		100,579,360	100,907,262
<b>SHAREHOLDERS' EQUITY</b>	9	100,579,360	100,907,262

The annexed notes form an integral part of these accounts.

**IQBAL USMAN**  
Chief Executive

**M. HABIB-UR-RAHMAN**  
Director

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

<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
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**INCOME**

Capital (loss)/gain on marketable securities	10	(9,037,790)	14,426,328
Dividend income - net of zakat		8,868,488	7,034,776
Return on other investments and bank deposits	11	5,270,760	14,718,469
		-----	-----
		5,101,458	36,179,573
<b>OPERATING EXPENSES</b>			
Remuneration to investment adviser		2,239,725	6,009,073
Financial charges	12	5,059	5,299
Other expenses	13	660,059	387,240
		-----	-----
		2,904,843	6,401,612
		-----	-----
		2,196,615	29,777,961
Reversal of provision for diminution in value of marketable securities	14	392,348	2,968,273
		-----	-----
		2,588,963	32,746,234
Provision for prior years' taxation written back		1,083,135	--
		-----	-----
<b>PROFIT FOR THE YEAR</b>		3,672,098	32,746,234
		=====	=====
Earning per share	16	0.37	3.27

The annexed notes form an integral part of these accounts.

**IQBAL USMAN**  
Chief Executive

**M. HABIB-UR-RAHMAN**  
Director

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

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	2,588,963	32,746,234
Adjustment for items not involving movement of funds		
Amortization of deferred expenditure	--	66,851
Reversal of provision for diminution in value of marketable securities	(392,348)	(2,968,273)
	-----	-----
	(392,348)	(2,901,422)
	-----	-----
Operating profit before working capital changes	2,196,615	29,844,812
(Increase)/decrease in current assets		
Marketable securities	36,159,133	(9,808,150)
Dividend/Profit receivable	(1,269,984)	(1,131,733)
	-----	-----
	34,889,149	(10,939,883)
Increase in current liabilities		
Due to investment adviser	2,239,725	6,009,073

Creditor and accrued expenses	(500,031)	444,061
	-----	-----
	1,739,694	6,453,134
	-----	-----
Cash generated from operations	38,825,458	25,358,063
Paid to investment advisor	(5,184,168)	(3,700,000)
Income tax refund / (paid)	(48,111)	481,750
Dividend paid	(16,970,348)	(13,427,658)
	-----	-----
Net cash from operating activities	16,622,831	8,712,155
	-----	-----
Net increase in cash and cash equivalents	16,622,831	8,712,155
Bank balances at the beginning of the year	17,931,621	9,219,466
	-----	-----
Bank balances at the end of the year	34,554,452	17,931,621
	=====	=====

**IQBAL USMAN**  
Chief Executive

**M. HABIB-UR-RAHMAN**  
Director

**STATEMENT OF CHANGE IN EQUITY  
INCORPORATING DISTRIBUTION OF PROFIT  
FOR THE YEAR ENDED JUNE 30, 2001**

	<i>Issued subscribed and paidup capital Rupees</i>	<i>Accumulated Profit/(Loss) Rupees</i>	<i>Total Rupees</i>
Balance at July 1, 1999	100,000,000	661,028	100,661,028
Profit for the year	--	32,746,234	32,746,234
Interim cash dividend @ 15%	--	(15,000,000)	(15,000,000)
Final cash dividend @ 17.5%	--	(17,500,000)	(17,500,000)
	-----	-----	-----
Balance at June 30, 2000	100,000,000	907,262	100,907,262
Profit for the year	--	3,672,098	3,672,098
Proposed final cash dividend @ 4%	--	(4,000,000)	(4,000,000)
	-----	-----	-----
	100,000,000	579,360	100,579,360
	=====	=====	=====

**IQBAL USMAN**  
Chief Executive

**M. HABIB-UR-RAHMAN**  
Director

**NOTES TO THE ACCOUNTS JUNE 30, 2001**

**1. STATUS AND NATURE OF BUSINESS**

1.1 The Company was incorporated on January 29, 1994, as a public limited company under the Companies Ordinance, 1984 and is registered as an investment company under the Investment Companies and Investment Adviser Rules, 1971. The Company is listed on the Karachi, Lahore and Islamabad stock exchanges. The object of the Company is to carry on the business of a close-end mutual fund and to invest its assets in securities.

1.2 The Company has an agreement with the Security Fund Management Limited (an approved investment adviser) to provide investment advisory services. Muslim Commercial Bank Limited is the custodian of Fund's securities.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Accounting Convention

These accounts have been prepared under the 'historical cost convention'.

### 2.2 Basis for preparation

These accounts have been prepared in accordance with International Accounting Standards as applicable in Pakistan.

### 2.3 Taxation

#### Current

The charge for current taxation is based on taxable income at the current tax rates after taking into account tax credits and rebates available. There is an exemption of income tax under clause 102D of the Second Schedule to the Income Tax Ordinance, 1979, subject to the condition that not less than 90% of income of that year is distributed amongst the shareholders.

#### 2.4 Marketable securities

The Company has changed its accounting policy with respect to valuation of investment as the management consider it more appropriate to value its investments at lower of moving average cost and middle market price on an individual investment basis. The provision, if any, required to bring marketable securities to market value is charged to profit and loss account.

Middle market price means the average of highest and lowest quotation for the balance sheet date. Had the accounting policy not been changed the profit before taxation for the year would have been higher by Rs. 10,410,683/- (including effect of decrease in profit relating to current year amounting to Rs. 78,056/-). The effect of this change has been charged to current year's profit.

The benchmark treatment in International Accounting Standard (IAS)-8 "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies" requires that change in accounting policy should be applied retrospectively and the restatement of the opening balance of retained earning of the earliest period presented. The restatement was not practicable as the change in value of investment would have affected the amount of net assets and remuneration to the investment adviser of last year, the allowed alternative treatment of IAS-8 has been adopted. Had the benchmark treatment been followed, the effect would have been as follows:

	<b>PROFORMA</b>	
	<b>2001</b>	<b>2000</b>
	<b>Rupees</b>	<b>Rupees</b>
	<b>Restated</b>	<b>Restated</b>
Unappropriated profit as at July 1	907,262	661,028
Cumulative effect of change in accounting policy with respect to valuation of investment-provision for diminution in value of marketable securities	(10,608,890)	(8,281,896)
Opening retained earning as restated	(9,701,628)	(7,620,868)
Profit for the year	14,280,988	30,419,240
Profit available for appropriation	4,579,360	22,798,372



**APPROPRIATION**

Interim cash dividend Nil (2000 - @ 15%)	--	(15,000,000)
Final cash dividend @4% (2000 - @ 17.5%)	(4,000,000)	(17,500,000)
	-----	-----
	579,360	(9,701,628)
	=====	=====

**2.5 Revenue recognition**

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

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

Profit on investment securities and bank deposits are recognized on accrual basis.

**3. MARKETABLE SECURITIES**

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

	<i>NO. OF SHARES</i>				<i>BALANCE AT JUNE 30, 2001</i>				<i>% in Relation to</i>			
	<i>Opening Balance July 01, 2000</i>	<i>Purchases</i>	<i>Bonus</i>	<i>Sales</i>	<i>No. of Shares/ Certificates</i>	<i>At cost Rupees</i>	<i>At market value Rupees</i>	<i>Lower of cost and market value</i>	<i>Own net assets</i>	<i>Investee Companies Paidup capital</i>	<i>Cost of Investment</i>	
<b>EQUITY SECURITIES</b>												
<b>MODARABAS</b>												
B.R.R. International Modaraba	25,000	--	--	--	25,000	214,250	166,250	166,250	0.17	0.05	0.23	
First Habib Bank Modaraba	41,900	--	--	11,500	30,400	205,833	311,600	205,833	0.20	0.08	0.22	
First Professional Modaraba	21,000	--	--	--	21,000	171,480	42,630	42,630	0.04	0.27	0.18	
First Punjab Modaraba	75,000	--	--	3,000	72,000	448,992	295,200	295,200	0.29	0.21	0.48	
Modaraba Al-Mali	25,000	--	--	25,000	--	--	--	--	--	--	--	
Trust Modaraba	344,500	--	--	--	344,500	2,491,325	1,102,400	1,102,400	1.10	1.26	2.68	
<b>LEASING</b>												
Dawood Leasing Co. Ltd.	20,000	--	--	--	20,000	225,600	104,000	104,000	0.10	0.08	0.24	
Ibrahim Leasing Ltd.	6,000	--	--	--	6,000	51,180	61,180	51,180	0.05	0.03	0.06	
Pakistan Industrial Leasing Corporation Ltd.	120,000	--	--	--	120,000	1,155,000	522,000	522,000	0.52	0.55	1.24	
<b>INVESTMENT COMPANIES / BANKS</b>												
Askari Commercial Bank Ltd.	193,250	250,000	20,912	25,000	439,162	6,399,046	5,722,281	5,722,281	5.69	0.42	6.88	
Bank Al-Habib Ltd.	365,120	--	73,023	267,500	170,643	2,407,267	2,650,086	2,407,267	2.39	0.24	2.59	
First International Investment Ban	19,100	--	2,122	--	21,222	428,340	246,175	246,175	0.24	0.11	0.46	
Pakistan Industrial Credit & Investment Corporation Ltd.	97,800	--	14,670	112,470	--	--	--	--	--	--	--	
Prime Commercial Bank Ltd.	48,668	50,000	29,600	--	128,268	1,549,848	545,139	545,139	0.54	0.15	1.67	
<b>INSURANCE</b>												
Adamjee Insurance Co. Ltd.	--	281,700	--	281,700	--	--	--	--	--	--	--	
Askari General Insurance Co. Ltd.	106,375	20,000	--	--	126,375	1,359,890	1,162,650	1,162,650	1.16	1.66	1.46	
International General Insurance Co. of Pakistan Ltd.	124,277	--	--	13,500	110,777	4,185,757	7,754,390	4,185,757	4.16	1.14	4.50	
<b>TEXTILE SPINNING</b>												
Ahmed Hasan Textile Mills Ltd.	25,000	--	--	3,000	22,000	199,283	218,900	199,283	0.20	0.26	0.21	

Idrees Textile Mills Ltd.	25,000	--	--	25,000	--	--	--	--	--	--	--
Maqbool Textile Mills Ltd.	21,000	--	--	--	21,000	143,230	199,500	143,230	0.14	0.25	0.15
<b>TEXTILE COMPOSITE</b>											
Kohinoor Industries Ltd.	29,315	--	--	--	29,315	381,628	80,616	80,616	0.08	0.10	0.41
Nishat Mills Ltd.	--	671,000	--	671,000	--	--	--	--	--	--	--
Sapphire Fibres Ltd.	25,000	--	--	--	25,000	521,333	1,013,750	521,333	0.52	0.18	0.56
Suraj Cotton Mills Ltd.	52,000	--	--	--	52,000	471,255	626,600	471,255	0.47	0.29	0.51
Taj Textile Mills Ltd.	8,300	--	--	--	8,300	42,605	24,900	24,900	0.02	0.02	0.05
The Crescent Textile Mills Ltd.	23,103	--	--	--	23,103	421,701	335,687	335,687	0.33	0.06	0.45
<b>SYNTHETIC &amp; RAYON</b>											
Ibrahim Fibres Ltd.	179,000	5,000	--	184,000	--	--	--	--	--	--	--
<b>JUTE</b>											
Thai Jute Mills Ltd. (Rs. 5/- each)	66,500	--	--	--	66,500	526,585	1,022,770	526,585	0.52	0.48	0.57
<b>SUGAR AND ALLIED</b>											
Haseeb Waqas Sugar Mills Ltd.	325,000	--	--	325,000	--	--	--	--	--	--	--
<b>CEMENT</b>											
Maple Leaf Cement Factory Ltd.	450,000	--	--	246,000	204,000	2,040,000	938,400	938,400	0.93	0.11	2.19
<b>TOBACCO</b>											
Pakistan Tobacco Co. Ltd.	20,000	--	--	20,000	--	--	--	--	--	--	--
<b>FUELAND ENERGY</b>											
Genertech Pakistan Ltd.	40,000	--	4,000	--	44,000	900,598	189,200	189,200	0.19	0.22	0.97
Ibrahim Energy Ltd.	56,250	--	11,250	--	67,500	811,050	580,500	580,500	0.58	0.45	0.87
Mari Gas Co. Ltd.	42,000	--	--	--	42,000	1,115,300	917,700	917,700	0.91	0.11	1.20
National Refinery Ltd.	164,000	--	--	--	164,000	4,848,100	6,466,520	4,848,100	4.82	0.25	5.22
Pakistan State Oil Co. Ltd.	--	344,700	--	314,700	30,000	4,525,756	3,976,500	3,976,500	3.95	0.02	4.87
Shell Pakistan Ltd.	30,200	--	--	6,900	23,300	5,196,645	5,730,635	5,196,645	5.17	0.07	5.59
Sitara Energy Ltd.	123,000	--	--	58,000	65,000	1,664,317	1,254,500	1,254,500	1.25	0.34	1.79
Sui Northern Gas Pipelines Ltd.	164	--	--	--	164	1,690	1,653	1,653	0.00	0.00	0.00
The Hub Power Co. Ltd.	200,000	2,530,000	--	2,730,000	--	--	--	--	--	--	--
<b>ENGINEERING</b>											
Crescent Steel & Allied Products L	39,675	--	--	--	39,675	1,116,400	568,543	568,543	0.57	0.20	1.20
<b>AUTO AND ALLIED</b>											
Indus Motors Co. Ltd.	180,500	--	--	65,500	115,000	1,801,273	1,291,450	1,291,450	1.28	0.15	1.94
Pak Suzuki Motor Co. Ltd.	30,000	--	--	--	30,000	1,627,125	258,900	258,900	0.26	0.06	1.75
<b>TRANSPORT &amp; COMMUNICATION</b>											
Pakistan Telecommunication Co. Lt	--	1,982,000	--	1,982,000	--	--	--	--	--	--	--
<b>CHEMICAL AND PHARMACEUTICALS</b>											
Engro Chemical Pakistan Ltd.	120,081	309,072	--	428,600	553	33,753	31,759	31,759	0.03	0.00	0.04
Fauji Fertilizer Co. Ltd.	146,400	125,000	--	85,000	186,400	9,498,680	6,697,352	6,697,352	6.66	0.07	10.22
ICI Pakistan Ltd.	250,000	50,000	--	230,000	70,000	997,690	640,500	640,500	0.64	0.01	1.07
Sitara Chemical Industries Ltd.	137,112	--	--	--	137,112	5,590,757	6,300,296	5,590,757	5.56	0.74	6.01
<b>PAPER AND BOARD</b>											
Packages Ltd.	72,450	--	10,729	10,000	73,179	2,066,057	4,171,203	2,066,057	2.05	0.15	2.22

**GLASS & CERAMICS**

Shabbir Tiles & Ceramics Ltd. (Rs.5/- each)	389,050	--	58,357	--	447,407	4,843,875	5,458,365	4,843,875	4.82	2.59	5.21
--	---------	----	--------	----	---------	-----------	-----------	-----------	------	------	------

**MISCELLENEOUS**

Tri-Pack Films Ltd.	120,000	25,000	--	45,000	100,000	3,622,672	3,050,000	3,050,000	3.03	0.33	3.90
						76,303,165	72,732,580	62,004,041	61.64		82.09

**TERM FINANCE CERTIFICATES (Certificates of Rs. 5,000 each)**

Dewan Salman Fibre Ltd.	2,000	--	--	--	2,000	9,992,000	10,442,000	9,992,000	9.93	--	10.75
Gatron (Industries) Ltd.	1,000	--	--	--	1,000	4,994,000	5,125,000	4,994,000	4.97	--	5.37
ICI Pakistan Ltd.	2,000	--	--	--	2,000	1,666,660	1,764,000	1,666,660	1.66	--	1.79
						16,652,660	17,331,000	16,652,660	16.56		17.91
						92,955,825	90,063,580	78,656,701	78.20		100.00

Less: Provision for diminution in value of marketable securities

Opening balance

14,691,472

Cumulative effect of change in accounting policy for valuation of investment - provision for diminution in value of marketable securities

10,608,890

Reversal during the year

(11,001,238)

(14,299,124)

**2001 Rupees**

78,656,701

**2000 Rupees**

114,423,472

**2001 Rupees**      **2000 Rupees**

**4. TRADE DEBTS, ADVANCES AND OTHER RECEIVABLES**

Trade debts,	1,653,848	--
Dividend receivable	743,223	963,150
Profit accrued on TFC	295,315	568,583
Profit on bank deposit	109,331	--
Advance income tax	16,991	16,989
	2,818,708	1,548,722

**5. BANK BALANCES**

Current account	137,211	2,406
Dividend payment account	8,203	937,824
PLS account	18,315	18,766
Deposit account	34,390,723	16,972,625

	34,554,452	17,931,621
	=====	=====

**6. DUE TO INVESTMENT ADVISER-  
AN ASSOCIATED COMPANY**

**INVESTMENT ADVISER FEE**

Opening balance	10,762,735	6,253,662
2 percent (2000: 1 percent) of net assets (6.1)	2,239,725	1,009,073
Additional remuneration on dividend	--	5,000,000

	-----	-----
	13,002,460	12,262,735
Paid during the year	(3,740,441)	(1,500,000)

Closing balance	9,262,019	10,762,735
-----------------	-----------	------------

**DEFERRED EXPENDITURE**

Opening balance	1,198,579	2,957,064
Current portion of deferred expenditure payable	--	441,515

	-----	-----
	1,198,579	3,398,579
Paid during the year	(1,198,579)	(2,200,000)

Closing balance	--	1,198,579
-----------------	----	-----------

**MARKUP ON DEFERRED EXPENDITURE**

Opening balance	245,148	245,148
Paid during the year	(245,148)	--

Closing balance	--	245,148
-----------------	----	---------

	-----	-----
	9,262,019	12,206,462
	=====	=====

6.1 The remuneration of the investment adviser @2 percent of the net assets of the Company, as at the end of its year of accounts in term of Rule 11(a) of the Investment Companies and Investment Advisers Rules, 1971 has been arrived at as follows:

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>ASSETS</b>		
Marketable securities (on the basis of closing rates)	90,063,580	114,423,489
Trade debts, advances and other receivables	2,818,708	1,548,722
Bank balances	34,554,452	17,931,621
	-----	-----
	127,436,740	133,903,832
<b>LIABILITIES</b>		
Due to investment adviser	9,262,019	12,206,462
Accounts payable and accrued expenses	86,489	586,520
Provision for taxation	--	1,131,246
Dividend payable	6,101,993	19,072,342
	-----	-----
	(15,450,501)	(32,996,570)

	111,986,239	100,907,262
	=====	=====
2 percent (2000: 1 percent) of net assets	2,239,725	1,009,073
Additional remuneration (one half the amount by which dividend distributed exceeds 20%)	--	6,250,000
Less: Remuneration waived by investment adviser	--	(1,250,000)
	-----	-----
	--	5,000,000
	-----	-----
	2,239,725	6,009,073
	=====	=====

**7. ACCOUNTS PAYABLE AND ACCRUED EXPENSE**

Accounts payable	--	135
Accrued expenses	86,489	70,974
Other liabilities	--	515,411
	-----	-----
	86,489	586,520
	=====	=====

**8. DIVIDEND PAYABLE**

Interim dividend - unpaid	--	1,572,342
Unclaimed dividend	2,101,993	--
Proposed final dividend	4,000,000	17,500,000
	-----	-----
	6,101,993	19,072,342
	=====	=====

**9. SHARE HOLDERS' EQUITY**

Authorized capital		
10,000,000 Ordinary shares of Rs. 10/-each	100,000,000	100,000,000
	-----	-----
Issued, subscribed and paid up capital		
10,000,000 Ordinary of Rs. 10/- each fully paid in cash	100,000,000	100,000,000
Accumulated profit	579,360	907,262
	-----	-----
	100,579,360	100,907,262
	=====	=====

**10. CAPITAL LOSS/GAIN ON MARKETABLE SECURITIES**

Sale of securities	234,608,871	168,743,197
Less: Cost of sales		
Opening stock	129,114,961	119,306,811
Purchases	207,487,525	164,117,869
Stamp duties	--	7,150
Closing stock	(92,955,825)	(129,114,961)
	-----	-----
	(243,646,661)	(154,316,869)
	-----	-----
	(9,037,790)	14,426,328

**11. RETURN ON OTHER INVESTMENTS  
AND BANK DEPOSITS**

Profit on term finance certificates	3,493,013	11,669,986
Profit on deposit accounts with banks	1,592,816	2,964,474
Profit on certificates of investment	184,931	--
Profit on PLS accounts	--	84,009

	5,270,760	14,718,469
--	-----------	------------

**12. FINANCIAL CHARGES**

Bank charges	5,059	5,299
--------------	-------	-------

	5,059	5,299
--	-------	-------

**13. OTHER EXPENSES**

Postage and printing	75,773	--
Professional tax	100,000	--
Custodian charges	298,220	232,889
Listing fee	57,500	57,500
Audit fee	47,000	30,000
Amortization of deferred expenditure	--	66,851
CDC charges	81,096	--
Zakat	470	--

	660,059	387,240
--	---------	---------

**14. REVERSAL OF PROVISION FOR DIMINUTION  
IN VALUE OF MARKETABLE SECURITIES**

Reversal of provision	11,001,238	2,968,273
Cumulative effect of charge in accounting policy for valuation of investment-provision for diminution in value of marketable securities	(10,608,890)	--

	392,348	2,968,273
--	---------	-----------

**15. TAXATION**

The income tax assessment of the Company has been finalised upto and including the assessment year 2000 2001.

**16. BASIC EARNING PER SHARE**

Profit after taxation	3,672,098	32,746,234
Weighted average number of ordinary shares	10,000,000	10,000,000
Basic earning per share	0.37	3.27

**17. STATEMENT OF MOVEMENT IN EQUITY AND  
RESERVE FOR THE YEAR ENDED JUNE 30, 2001**

Net assets per share as at July 01, 2000 (1999)	10.09	10.07
Profit for the year per share	0.37	3.27
Interim cash dividend per share	--	(1.50)
Proposal final cash dividend per share	(0.40)	(1.75)

	10.06	10.09
	=====	=====

## 18. TRANSACTIONS WITH ASSOCIATED UNDERTAKING

Remuneration to investment adviser	2,239,725	6,009,073
------------------------------------	-----------	-----------

## 19. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### 19.1 Markup / interest rate risk exposure

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

	<i>Markup / Interest bearing</i>				<i>Non Markup/ Interest hearing</i>	<i>Total Rupees</i>
	<i>Less than one month</i>	<i>One month to three months</i>	<i>Three months to one year</i>	<i>More than one year</i>		
<b>Financial Assets</b>						
Marketable securities	--	1,666,660	2,501,000	12,485,000	62,004,041	78,656,701
Tax deducted at source	--	--	--	--	16,991	16,991
Account receivable	--	--	--	--	1,653,848	1,653,848
Dividend receivable & accrued inc	--	--	--	--	1,147,869	1,147,869
Bank balances	34,554,452	--	--	--	--	34,554,452
	-----	-----	-----	-----	-----	-----
<b>Rupees</b>	34,554,452	1,666,660	2,501,000	12,485,000	64,822,749	116,029,861
	=====	=====	=====	=====	=====	=====
Average markup rates of financial assets	8% to 12%	18.2% to 18.7%	18.2% to 18.7%	18.2% to 18.7%		
<b>Financial Liabilities</b>						
Due to investment adviser	--	--	--	--	9,262,019	9,262,019
Creditor accrued & other liabilities	--	--	--	--	86,489	86,489
Dividend payable	--	--	--	--	6,101,993	6,101,993
	-----	-----	-----	-----	-----	-----
<b>Rupees</b>	--	--	--	--	15,450,501	15,450,501
	=====	=====	=====	=====	=====	=====

### 19.2 Concentration of credit risk and credit exposure of the financial instruments

The Company believes 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.

### 19.3 Fair value of the financial instruments

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

## 20. PERFORMANCE TABLE - NET ASSET VALUE

	<i>2001 Rupees</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>	<i>1997 Rupees</i>	<i>1996 Rupees</i>	<i>1995 Rupees</i>
Net assets (based on audited accounts)	100,579,360	100,907,262	100,661,028	80,607,081	102,099,980	87,395,207	*87,992,409
Net assets	111,986,239	100,907,262	100,661,028	80,607,081	102,099,980	87,395,207	*87,992,409

(based on market value of investments)

Net assets value per share (based on audited accounts)	10.06	10.09	10.07	8.06	10.21	8.74	8.80
Net assets value per share (based on market value of investments)	11.20	10.09	10.07	8.06	10.21	8.74	8.80
Earning per share	0.37	3.27	2.01	(2.15)	1.47	(0.06)	(1.20)
Interim cash dividend	NIL	15%	NIL	NIL	NIL	NIL	NIL
Proposed final cash dividend	4%	17.50%	NIL	NIL	NIL	NIL	NIL

\*First year of operation was from January 29, 1994 to June 30, 1995.

**21. GENERAL**

Figures have been rounded off to the nearest Rupee.

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

**IQBAL USMAN**  
Chief Executive**M. HABIB-UR-RAHMAN**  
Director**Statement of Income & Expenses of Investment Adviser  
in Relation to Investment Company  
For the year ended June 30, 2001**

	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
<b>Income</b>		
Fee Income - investment adviser	3,740,441	1,500,000
Mark-up income	332,620	19,946
Gain on sale of investments	310,410	--
Dividend income	2,342,375	1,914,750
	-----	-----
	6,725,846	3,434,696
<b>Operating expenses</b>		
Directors' remuneration	2,000,000	--
Staff salary	1,189,650	737,868
Office rent	100,100	92,400
Conveyance and travelling	33,552	3,140
Printing, stationary and postages	106,633	153,638
Listing/membership fee Islamabad, Lahore & Karachi Stock Exchanges	10,000	10,000
Membership Fee MUFAP	12,500	25,000
Newspaper subscription	3,165	10,871
Entertainment	28,887	9,751
Advertising expenses	36,080	27,315
Telephone and electricity	60,048	57,310
Auditors' remuneration	11,500	5,000
Legal and professional fee	20,000	15,000
Insurance	11,370	27,242
Share registrar service	72,000	--
Miscellaneous	27,348	19,881



Repairs and maintenance	28,315	32,389
Bad debts written off	7,448	--
Depreciation	--	61,105
Retainership charges	--	148,264
Financial charges	100	100
Provision for diminution in value of investment	4,195,025	--
	-----	-----
	7,953,721	1,436,274
	-----	-----
Profit/(Loss) for the year	(1,227,875)	1,998,422
	=====	=====

**PATTERN OF SHAREHOLDING FORM "34"**  
**SHAREHOLDERS STATISTICS AS AT JUNE 30, 2001**

<i>NUMBER OF SHARE HOLDERS</i>	<i>FROM</i>	<i>SHARE HOLDINGS</i>	<i>TO</i>	<i>TOTAL SHARES HELD</i>
276	1	--	100	27,600
4602	101	--	500	2,250,200
160	501	--	1000	156,700
215	1001	--	5000	584,600
40	5001	--	10000	308,000
13	10001	--	15000	168,000
6	15001	--	20000	107,700
6	20001	--	25000	144,600
9	25001	--	30000	252,000
4	30001	--	35000	130,500
3	40001	--	45000	124,200
8	45001	--	50000	397,500
2	55001	--	60000	120,000
1	60001	--	65000	65,000
2	65001	--	70000	135,800
5	70001	--	75000	362,700
3	75001	--	80000	234,000
1	80001	--	85000	82,100
3	85001	--	90000	262,400
4	95001	--	100000	400,000
1	800001	--	805000	801,000
1	1335001	--	1340000	1,338,500
1	1545001	--	1550000	1,546,900
	-----			-----
5366				10,000,000
	=====			=====

<i>CATEGORIES OF SHAREHOLDERS</i>	<i>NUMBER OF OF SHARE HOLDERS</i>	<i>SHARES HELD</i>	<i>PERCENTAGE</i>
INDIVIDUALS	5356	7,005,900	70.06
INVESTMENT COMPANIES	3	76,100	0.76
JOINT STOCK COMPANIES	4	1,346,100	13.46
FINANCIAL INSTITUTIONS	1	1,546,900	15.47
OTHERS	2	25,000	0.25

-----	-----	-----
5366	10,000,000	100.00
=====	=====	=====