

ARIF HABIB SECURITIES LIMITED.

Annual Reports 2002

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COMPANY INFORMATION

Board of directors

Mr. Arif Habib Chairman and Chief Executive
Mr. Sirajuddin A. Cassim
Mr. Muhammad Yousuf
Mr. Abdul Majid M. Siddique
Mr. Muhammad Rafiq Jangda
Mr. Samad A. Habib
Mr. KashifA. Habib

Company secretary

Mr. Samad A. Habib

Auditors

Khalid Majid Rahman Sarfaraz
Rahim Iqbal Rafiq
Chartered Accountants

Legal advisors

Bawaney & Partners

Bankers

Bank Al Habib Ltd.
Habib Bank A. G Zurich.
Habib Bank Ltd.
Metropolitan Bank Ltd.
Muslim Commercial Bank Ltd.

Registered office

60-63, Karachi Stock Exchange Building,
Stock Exchange Road, Karachi - 74000
Phones: 2415213-15
Fax No; 2416072-2429653

Audit Committee

Mr. Anf Habib
Mr. Sirajuddin A. Cassim
Mr. Abdul Majid M. Siddique
Mr. KashifA. Habib

Chief Financial Officer

Mr. Muhammad Rafiq Jangda

MISSION

To be a significant participant in developing Pakistan's capital market for it to become the engine of industrial and economic growth and in integrating it into the world markets.

VISSION

To be a leading financial services Company excelling in every aspect of its business and in delivering its obligations as a good corporate citizen to all the stakeholders.

SEVEN YEARS AT A GLANCE

Rs. in millions

Income statement	FY96	FY97	FY98	FY99	FY00	FY01	FY02
Revenues	11.19	15.84	31.56	61.82	268.48	180.11	296.00
Expenses	1.11	2.18	6.22	15.22	41.09	38.80	35.79
Profit before tax	6.63	15.18	15.93	54.65	230.69	140.87	265.40
Profit after tax	6.63	14.93	14.89	53.08	228.47	132.56	253.59
Balance sheet	FY96	FY97	FY98	FY99	FY00	FY01	FY02
Paid up capital	20.00	40.00	40.00	50.00	50.00	50.00	50.00
Shareholders' equity	24.63	58.35	72.04	163.63	387.09	494.65	723.24
Liabilities	0.56	0.84	1.49	105.32	113.97	596.47	79.65
Total assets	25.18	59.20	73.54	268.94	501.06	1,091.12	803.20
Investment value at cost	18.37	50.21	78.74	62.45	293.63	386.90	508.62
Investment value at mkt	22.04	48.28	67.40	59.16	304.42	386.48	513.38
Ratios	FY96	FY97	FY98	FY99	FY00	FY01	FY02
Earning per share (Rs.)	3.31	3.73	3.72	10.62	45.69	26.51	50.72
Break-up value (Rs.)	12.31	14.59	18.01	32.73	77.42	98.93	144.65
Return on Equity (%)	44.88	60.62	25.52	73.68	139.63	34.25	51.27
Payout (%)							
Cash	10.00	3.00	3.00	3.00	10.00	50.00	50.00
Bonus	-	-	-	-	-	-	20.00

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Eight Annual General Meeting of Arif Habib Securities Limited will be held at 11:30 a.m on 28th September, 2002 at Regent Plaza Hotel, Shahrah-e-Faisal, Karachi to transact the following business:

A. Ordinary Business

1. To confirm the minutes of the Seventh Annual General Meeting held on 29th September, 2001

2. To receive and adopt the audited accounts of the Company for the year ended 30th June 2002 together with the Directors' and Auditors' Reports thereon.

3. To consider and approve dividend as recommended by the Directors of the Company as follows:

- Cash dividend at Rs. 5.00 per share i.e. 50% for the year ended 30 June 2002.
- One bonus share for every five shares i.e. 20%.

4. To appoint auditors for the year ending 30 June 2003 and to fix their remuneration, Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq & Company, Chartered Accountants, being eligible to offer themselves for reappointment.

5. To consider any other business of the Company with the permission of the Chair.

B. Special Business

To pass with or without modification, the following resolution:

Resolved

That the article 90 of Article of Association of the Company be replaced with the following:

"The remuneration of Directors for attending meetings of the Board or any Committee of the Board shall from time to time be determined by the Directors provided that neither the Chief Executive nor any other Director in whole time remunerated service with the Company shall be entitled to any payment for attending meeting of the Board. A Director may also be paid all traveling, hotel and other expenses properly incurring by him in attending and returning from meetings of Directors or any Committee of Directors or General meetings of the Company or in connection with business of the Company." The remuneration for extra services performed by Directors shall be determine by the Board of Directors.

Statement under section 160 of The Companies Ordinance, 1984 regarding the special business

Article 90 of Article of Association is proposed to be ammended to give the Directors the power to determine from time to time the remuneration of directors for attending meeting of the board or any committee and also to reimburse incidental expenses properly incurred. Accordingly, the above special resolution is placed before the meeting.

g_ The Directors of the Company have no interest in the special resolution except to the extent, 81' of their respective shareholdings and remuneration in the Company, j

**By the order of the Board
Samad A. Habib**

Company Secretary

Karachi
20 August 2002

Notes:

persons his/her proxy to attend, speak and vote instead of him /her, and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the meeting as are available to a member. Proxy, in order to be effective must be received by the Company at the Registered Office located at 60-63 Karachi Stock Exchange Building, Stock Exchange Road, Karachi duly stamped and signed not less than 48 hours before the meeting. A proxy need to be a member of the Company.

2. The share transfer books of the Company will remain closed from Wednesday 25 September, 2002 to Saturday 28 September, 2002 (both days inclusive). The Shares Department of the Company is located at 60-63 Karachi Stock Exchange Building, Stock Exchange Road, Karachi.

CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular No I-Reference No 3(5-A) Misc/ARO/LES/96 dated 26 January 2000 issued by Securities & Exchange Commission of Pakistan.

A. For attending the meeting:

1. In case of individuals, the account holder or sub account holder and or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/ her identity by showing his/ her original National Identity Card (NIC) or original passport at the time of attending the meeting.

2. 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.

B. For appointing of proxies:

1. In case of individuals, the account holders or sub-account holders and or the person whose securities are in group account and their registration detail are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

2. The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.

3. Attested copies of NIC or Passport of the beneficial owners and the proxy shall be furnished with the proxy form.

4. The proxy shall produce his/ her original NIC or original passport at the time of the meeting.

5. In case of corporate entity, the Board of Directors' resolution/ power of attorney with

specimen signature shall be submitted (unless it has been provided earlier) along with proxy form of the Company.

Members who desire to stop deduction of Zakat from their dividends may submit a declaration on non-judicial stamp paper duly signed as required under the law.

Members are requested to notify any change in address immediately

DIRECTORS' REPORT

Dear Shareholders,

It gives me great pleasure to present, on behalf of the Board of Directors, the 8th annual report of the Company for the year ended on 30th June 2002 together with audited accounts of the Company and auditors report thereon.

Consistent with the standard set last year, the Company has announced its annual audited financial results within one month of close of the financial year and proposes to hold the Annual General Meeting of its shareholders within three months of the financial year-end.

Market review

The stock market performed well during the year under review. The KSE- 100 Index recorded, an appreciation of 32% on year-on-year basis from 1336 to 1770. However, there was volatility in the market with KSE-100 Index hitting a low of 1069 and a high of 1936. The average daily turnover at KSE remained at almost the last year level of 1 18 million shares. Dividends payout by the listed companies collectively increased from Rs 32.22 billion to Rs 39.39 billion. However brokerage rates and CoT charges declined further during the year under review. Listings of new companies were insignificant but there was an increase in the listings of TFCs (Debt instruments).

During the period under review, the situation on Pakistan's North-Western and North-Eastern borders remained tense due to events of 11th September, 6th October, 13th December and 8th May putting pressure on shares prices. At the same time, prudent handling of these situations by the Government of Pakistan not only saved the country from any major loss but in fact created some opportunities for the nation. Due to grants in aid, rescheduling of loans and financial assistance from the IMF, World Bank and ADB foreign currency reserves improved, the value of rupee increased and stabilized, encouraging more inflow of foreign exchange remittance from expatriates and residents. The CBR's tax revenue collection was short of target mainly because of lower dutiable imports but due to an increase in non tax revenue the total revenue target of the Government was achieved. Similarly inflow of grants in aid compensated increase in defence expenditure. However absorption of KESC losses by the Government increased the deficit above the target of 4.9 per cent.

Financial results

By the grace of Allah your Company benefited from favorable market conditions and has earned an after tax profit of Rs 253,59 1, 1 83 as compared to Rs 1 32,560,07 1 last year, recording an earning per share of Rs 50.72 as compared to Rs 26.51. There was an improvement in all areas of business namely brokerage, corporate finance, dividends and capital gains. As required by the SECP, the Company has adopted IAS 39 for valuation of marketable securities which has resulted in a positive impact on our profitability of Rs 5,1 87,253 as compared to previous method of valuation of " cost or market value whichever is lower". There has been another change in the accounting policy in the cash flow statement. Cash flow from dividend income has been included in operating activities as against previous policy of treating it as a cash flow from investing activities.

ArifHabib Investment Management Limited, an associated undertaking of the Company, successfully launched two open-end funds, namely, Pakistan Stock Market Fund and Pakistan Income Fund in the month of March this year resulting in the beginning of a revenue stream for the management company. Efforts are being made to make the management company profitable that may take couple of years.

The Board of Directors is pleased to recommend a cash dividend of 50% i.e., Ps.5/- per share and also an issue of bonus shares out of share premium reserve at the rate of 20% i.e., one share for every five shares held by the shareholders of the Company.

The summary of financial results and the appropriation are as follow:

	Rupees	
	2002	2001
Profit before taxation	265,395,582	140,870,004
Provision for taxation	(11,804,399)	(8,309,933)
Profit after taxation	253,591,183	132,560,071
Un-appropriated profit brought forward	14,651,488	307,091,417
	268,242,671	439,651,488
Appropriations		
Transferred to general reserve	200,000,000	400,000,000
Cash dividend @ 50% (2001 @ 50%)	25,000,000	25,000,000
Unappropriated profit carried forward	43,242,671	14,651,488
Earning Per Share-.Basic	50.72	26.51

Future Outlook

The financial year 2002-03 has started with very low average daily turnover and low CoT charges. However KSE-100 Index is stable around the 1800 level due to the announcement of an investment friendly budget for the year 2002-03 exempting tax on bonus shares, reducing corporate tax on the banking sector and announcing further tax incentives for mutual funds; and expectations of better corporate announcements by listed companies for the accounting period ended on June 30 2002 particularly from fertilizer, fuel & energy, banks, paper and auto & allied sectors. At the same time, the market is under pressure due to fear of border clashes, terrorism incidents and uncertainties of forthcoming October elections.

The management is of the view that the market has potential to rise from the current level, which is already 30 percent up from pervious year with a limited downside risk due to prospects of better performance of the listed sector in a low interest rate environment, with stable rupee and rising foreign exchange reserves of the country, along with investment friendly government policies, increased pace of privatization and a better regulatory environment.

In view of the above, the Company is expected to remain profitable during the current year. However the Company is unlikely to achieve last year's level of exceptional profitability. The management will continue to seek opportunities to expand into additional areas of activity within the financial services sector. The management seeks Allah's blessings for yet another fruitful year of business.

Corporate Governance

Arif Habib Securities Limited is listed on Karachi, Lahore and Islamabad stock exchanges and the management is committed to observe code of corporate governance prescribed for listed companies. Appropriate accounting policies have been consistently applied in preparation of accounts and accounting estimates are based on reasonable and prudent judgment. International Accounting Standards are followed. The system of internal control is sound in design and has been effectively implemented. There is no doubt upon the Company's ability to continue as going concern. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

There has been no material payment outstanding on account of taxes, duties, levies and charges. The Company has no obligations under gratuity, provident or pension funds.

The statement showing the Company's shares bought and sold by directors, CEO, CFO, Company Secretary and minor family members is annexed as Annexure I, Statement showing attendance of Board meetings is annexed as Annexure II, the pattern of Shareholding as required by the Companies Ordinance, 1984 is enclosed as Annexure III.

Change of director

During the year Mrs. Zetun Arif resigned from the directorship of the Company and Mr. Kashif A. Habib was co-opted as director in her place. The Board records its appreciation for Mrs. Zetun Arif's contribution for the Company

Auditors

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

Acknowledgment

We thank our clients for their continuing confidence and patronage. We record our gratitude to the Ministry of Finance, the Securities & Exchange Commission of Pakistan and the managements of Karachi, Lahore, and Islamabad stock exchanges for their support and guidance. We acknowledge and appreciate the hard work put in by the employees of the Company during the year.

On behalf of Board of Directors

Karachi
5-Aug-02

Arif Habib
Chairman & Chief Executive

Statement showing shares bought and sold by directors, CEO, CFO,
Company secretary and the minor family members
from 01 July 2001 to 30 June 2002.

S.No	Name	Designation	Shares bought	Shares sold
1	Mr.ArifHabib	Chairman & Chief Executive	-	-
2	Mr. Sirajuddin A. Cassim	Director	-	-
3	Mr. Muhammad Yousuf	Director	-	-
4	Mr. Abdul Majid M. Siddique	Director	-	-
5	Mr. Muhammad Rafiq Jangda	Director & Chief Financial Officer	-	-
6	Mr. Samad A. Habib	Director & Company Secretary	-	-
7	Mr. KashifA. Habib	Director	5,000	-
8	Minor family members	-	-	-

(Annexure II)

Statement showing attendance of board meetings

from 01 - July 2001 to 30 June 2002

S.No	Name	Designation	Attended	Leave Granted
1	Mr. Arif Habib	Chairman & Chief Executive	4	-
2	Mr. Sirajuddin A. Cassim	Director	2	1
3	Mr. Muhammad Yousuf	Director	4	-
4	Mr. Abdul Majid M. Siddique	Director	4	-
5	Mr. Muhammad Rafiq Jangda	Director	4	-
6	Mrs. ZetunArif/ Mr. Kashif A. Habib	Director	1	3
7	Mr. Samad A. Habib	Director & Company Secretary	4	-

(Annexure III)

Pattern of Shareholding

as at June 30, 2002

No of shareholders	Share holding		Total shares held
	From	To	
519	1	5000	1,245,000
1	5,001	10,000	10,000
1	10,001	800,000	800,000
1	800,001	2,945,000	2,945,000
522			5,000,000

Categories of Shareholders

as at June 30, 2002

Categories of shareholders	Numbers	Shares held	Percentage (%)
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Associated companies, Undertakings and Related Parties	-	-	-
NITandICP	-	-	-
Directors, Chief Executive & their spouse and minor Children	8	3,755,000	75.10
Mr. Arif Habib, Chief Executive		2,945,000	
Zetun ArifW/o Mr. Arif Habib		800,000	
Mr. Sirajuddin A. Cassim, Director		1,000	
Mr. Abdul Majid M. Siddiq, Director		1,000	
Mr. Muhammad Yousuf, Director		1,000	
Mr. Muhammad Rafiq Jangda, Director		1,000	
Mr. KashifA. Habib, Director		5,000	
Mr. Samad A. Habib, Director		1,000	
Executives	-	-	-
Public Sector Companies and Corporations	-	-	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions,			1.00
Insurance Companies, Modaraba and Mutual Funds	-	-	-
Individuals	508	1,210,000	24.20
Others	6	35,000	0.70
Total	522	5,000,000	100.00

Arif Habib Securities Limited & Capital Markets of Pakistan

Arif Habib Securities Limited (AHSL) is a prominent Pakistani company, which is very much committed to the development of the capital market in Pakistan. It is an active and successful participant of the securities markets in the country being member of the Karachi, Lahore and Islamabad stock exchanges. Some of its recent contributions are highlighted below:

Listing at all 3 stock exchanges of Pakistan

In line with its mission to strengthen the capital market of Pakistan and being committed to

good corporate governance AHSL got listed at all three stock exchanges of Pakistan.

Chairman and Chief Executive Mr. Arif Habib offered 1.25 million of his shares i.e. 25% of the total paid up capital of the Company, to the general public at a premium of Rs. 70 per share.

The Offer received an overwhelming response. Against total value of the offer for sale of

Rs. 100,000,000 subscriptions of Rs. 434, 640, 000 were received i.e.4.3 times. The Company has declared 50% cash dividend and 20% bonus shares for the year ended 30 June 2002.

AHSL has net worth of over Rs 720 million; Present book value of the share is over Rs 145.

AHSL's role as a Consultant to the Issue, Lead Manager Pre-IPO investor and Underwriters for Equity and TFC Issues:

Launching of Two Open-end Mutual Funds b/AHIM

Two Open-end mutual funds i.e Pakistan Income Fund (PIF) and Pakistan Stock Market Fund (PSM) were launched b/ArifHabib Investment Management Limited, an associated company ofAHSL.

Core-Investors of

Pakistan Income Fund & Pakistan Stock Market Fund
contributed Seed Capital of Rs. 500 million

Finance Minister & Chairman SECP with heads of Bank Al Falah, Bank Al Habib, Habib Bank, Faysal Bank, PICIC Bank, Metropolitan Bank, Union Bank, Pak Kuwait, BRR International Modaraba, Dewan Salman Fibre, Ibrahim Agencies, Din Leather, Lakson Tobacco, Sapphire Fibres, Siddiqsons Group, Atlas Investment Bank, Crescent Investment Bank, Orix Investment Bank, Salim Chamdia Securities, Akbarally Cassim & Sons, AKD Securities and Javed Omer Vohra & Company at the launching ceremony of Pakistan Stock Market Fund & Pakistan Income Fund.

Finance Minister
Mr. Shaukat Aziz

&

Chairman SECP
Mr. Khalid Mirza

Pakistan's Capital Markets introduced Overseas

A Capital Market group representing SEC? SBR Faysal Bank, HBL, NBR NIT and members of Karachi Stock Exchange visited Dubai, Jeddah, London, Edinburgh & Manchester in January, 2002 to make presentation to non-residents on latest developments in the Capital Markets of Pakistan. Arif Habib Securities were one of the sponsors of the group and were represented by its Chairman Mr. Arif Habib.

Capital Market Group Headed by Chairman SECP Mr. Khalid Mirza is addressing press conference at Jeddah. Sitting from left to right are Mr. Mohsan Parvez, Secretary General Pakistan Executive Group - Jeddah, Mr. Aijaz Rahim, DGM Faysal Bank, Mr. Khalid Mirza, Mr. Arif Habib, Mr. M. R. Mehkri, SBP and Mr. Mohsin Aziz, HBL.

Role in Privatization Activities

AHSL was appointed as the Lead Manager to the Privatization Commission for the divestment **of the GOP owned shares in Bank Alfalah Ltd. and Pak Saudi Fertilizers Ltd.**

AHSL is an approved broker for the sale of COP owned shares in listed entities through the stock exchanges.

AHSL has been pre qualified by the Privatization Commission for bidding for acquiring management rights of NITL and ICP Mutual Funds Lot A.

Statement of Compliance with Best Practices of Code of Corporate Governance

The Company is in the process of implementing all facets of the Code of Corporate Governance issued by the Karachi Stock Exchange and the Board feels pleasure in stating that provisions of the code, relevant for the year ended June 30, 2002, have been duly complied with.

Chief Executive on behalf of Board of Directors

Review Report to the Members on Statement of Compliance with best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2002 prepared by the Board of Directors of Arif Habib Securities Limited, to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited where the Company is listed.

The responsibility for the compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of the audit of financial statements we are required to obtain an understanding of the accounting and internal control System sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2002.

Khalid Majid Rahman Sarfaraz

Rahim Iqbal Rafiq

Chartered Accountants

Karachi

24 July 2002

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of ARIF HABIB SECURITIES LIMITED as at June 30, 2002, 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 standard and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

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

b) in our opinion -

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

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

business; and

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2002, and

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

Khalid Majid Rahman Sarfaraz

Rahim Iqbal Rafiq

Chartered Accountants

R Karachi

,24 July 2002

BALANCE SHEET AS AT JUNE 30, 2002

Note

2002
Rupees

2001
Rupees

SHARE CAPITAL AND RESERVES

Authorised capital 25,000,000 Ordinary shares of Rs. 10/-each		250,000,000	250,000,000
Issued, subscribed and paid-up capital 5,000,000 Ordinary shares of Rs. 10/-each	3	50,000,000	50,000,000
Share premium reserve		20,000,000	30,000,000
General reserve		600,000,000	400,000,000
Reserve for issue of bonus shares	4	10,000,000	-
Unappropriated profits		43,242,671	14,651,488
		723,242,671	494,651,488

CURRENT LIABILITIES

Short term running finance	5	20,216,632	557,789,690
Creditors, accrued & other liabilities	6	23,236,042	6,455,043
Taxation	7	11,500,000	7,220,529
Proposed dividend		25,000,000	25,000,000
		79,952,674	596,465,262

COMMITMENTS

	8	803,195,345	1,091,116,750
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	Note	2002 Rupees	2001 Rupees
OPERATING FIXED ASSETS	9	3,951,247	3,213,284
STOCK EXCHANGE - MEMBERSHIPS AND LICENCES	10	40,000,000	48,000,000
INVESTMENT IN ASSOCIATED UNDERTAKING	11	16,000,000	16,000,000
LONG TERM DEPOSITS	12	1,290,000	740,000
CURRENT ASSETS			
Investment in marketable securities held for trading	13	513,383,532	386,479,629
Trade debts	14	9,765,048	9,401,516
Sale proceeds receivable	15	193,829,213	605,125,060
Advances, deposits, prepayments & other receivables	16	21,349,381	6,073,773
Cash & bank balances	17	3,626,924	16,083,488
		741,954,098	1,023,163,466
		803,195,345	1,091,116,750

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

Muhammad Rafiqjangdi

Director

ftArifHabib

Chief Executive

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2002**

	Note	2002 Rupees	2001 Rupees
Operating revenue	18	178,008,657	121,070,563
Operating expenses	19	21,224,564	13,022,501

Financial charges	20	14,530,673	25,632,390
		(35,755,237)	(38,654,891)
Operating profit		142,253,420	82,415,672
Capital gains on investment		115,690,806	59,039,411
Gain on sale of other assets		2,000,000	-
Other income	21	296,132	99
Other charges	22	(32,029)	(158,693)
Net gain/(loss) due to change in fair value of marketable securities		5,187,253	(426,485)
		123,142,162	58,454,332
Profit before taxation		265,395,582	140,870,004
Provision for taxation			
Current		11,500,000	5,800,000
Prior		304,399	2,509,933
		(11,804,399)	(8,309,933)
Profit after taxation		253,591,183	132,560,071
Un-appropriated profit brought forward		14,651,488	307,091,417
		268,242,671	439,651,488
APPROPRIATIONS			
Transferred to general reserve		(200,000,000)	(400,000,000)
Final dividend 50% (200 : @ 50%)		(25,000,000)	(25,000,000)
		(225,000,000)	(425,000,000)
Un-appropriated profit carried forward		43,242,671	14,651,488
Earning per share-Basic	25	50.72	26.51

annexed notes form an integral part of these financial statements.

Arif Habib

Chief Executive

Muhammad Rafiq Jangda

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2002

	Note	2002 Rupees	2001 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		265,395,582	140,870,004
Adjustment for :			
Depreciation		1,023,440	808,510
Loss on sale of fixed assets		32,029	58,693
Gain on sale of other assets		(2,000,000)	
Financial charges		14,530,673	25,632,390
		13,586,142	26,599,593
Operating profit before working capital changes		278,981,724	167,469,597
Changes in working capital			
(Increase)/Decrease in current assets			
Advances, deposits and other receivables		(9,851,582)	2,875,004
Trade debts		(363,532)	(437,107)
Increase/(Decrease) in current liabilities			
Due to director		-	(3,960,312)
Creditors, accrued and other liabilities		16,555,999	(5,874,957)
		6,340,885	(43,047,372)
Cash (used)/generated in operating activities		285,322,609	124,422,225
Income tax paid		(12,948,954)	(4,086,617)
Financial charges paid		(14,305,673)	(25,632,390)
Net cash generated from operating activities		258,067,982	94,703,218

CASH FLOWS FROM INVESTING ACTIVITIES

Fixed capital expenditure	(1,858,432)	(8,974,690)
Proceeds from sale of fixed assets	65,000	12,500
Proceeds from sale of other assets	10,000,000	-
Investment in associated undertaking	-	(16,000,000)
Long term deposits	(550,000)	438,000
Net cash from investing activities	7,656,568	(24,524,190)

CASH FLOWS FROM FINANCING ACTIVITIES

Dividend paid	(25,000,000)	(2,500,000)
Net cash used in financing activities	(25,000,000)	(2,500,000)
Increase in cash and cash equivalents	240,724,550	67,679,028
Cash and cash equivalents at beginning of the period	449,898,487	38,229,459
Cash and cash equivalents at end of period	23 690,623,037	449,898,487

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

Muhammad Rafiq Jangda

Director

Arif Habib

Chief Executive

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2002**

	Share Capital (Rupees)	Share Premium Reserve (Rupees)	Accumulated Profit (Rupees)	General Reserve (Rupees)	Reserve for issue of Bonus Shares (Rupees)	Total (Rupees)
Balance as at July 01, 2000	50,000,000	30,000,000	307,091,417	-	-	387,091,417
Profit for the year			132,560,071		-	132,560,071
Appropriations:						
Transferred to general reserve	.		(400,000,000)	400,000,000		.
Final dividend	-	-	(25,000,000)	-	-	(25,000,000)
Balance as at June 30, 2001	50,000,000	30,000,000	14,651,488	400,000,000	-	494,651,488
Profit for the year	-	-	253,591,183	-	-	253,591,183
Appropriations:						
Issue of bonus shares	-	(10,000,000)			10,000,000	
Transferred to general reserve	-	-	(200,000,000)	200,000,000	-	-
Proposed dividend	-	-	(25,000,000)	-	-	(25,000,000)
Balance as at June 30, 2002	50,000,000	20,000,000	43,242,671	600,000,000	10,000,000	723,242,671

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

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2002**
I . STATUS AND NATURE OF BUSINESS

I. I The Company was incorporated on November 14, 1994 as a Public Limited Company under the Companies Ordinance, 1984 and acquired memberships of Stock Exchanges on February 08, 1999 then subsequently listed on Karachi, Lahore and Islamabad Stock Exchanges in June 2001. The Company is principally engaged in the business of investment

advisory, financial consultancy, brokerage, underwriting, portfolio management and securities research.

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of measurement

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

2.2 Statement of compliance

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

2.3 Taxation

Provision for current taxation is based on taxable income at current tax rates after taking into account tax rebates and tax credit available, if any.

2.4 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation on fixed assets is charged to income by applying reducing balance method at the rates specified in fixed assets note. Full year's depreciation is charged on the assets acquired during the year, whereas no depreciation is charged in the year of disposal. Gains and losses on disposal of fixed assets, are taken to profit and loss account currently. Normal repairs and maintenance are charged to income as and when incurred.

2.5 Membership cards and license

-II

These are stated at acquisition cost, Provision is made for decline, other than temporary

in value of these assets, if required.

2.6 Investment in associated undertaking

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

the cost method.

2.7 Marketable securities

Since 01 January 2002 Company has adopted International Accounting Standard 39 through which investments have been classified as held for trading, held to maturity and available for sale. These investments are now being measured at fair value, being their market value at balance sheet date. The resulting gain or loss is included in profit or loss for the period whereas cost is calculated on moving average basis.

Classification of investments is made based on the intended purpose of holding such investments, which is as follows:

Securities held for trading

These are investments securities, which are acquired principally for the purpose of generating profit, from short - term fluctuations in price.

Securities held to maturity

These are investments securities with fixed or determinable payments and fixed maturity.

Current	11,500,000	5,800,000
Prior	304,399	2,509,933
	11,804,399	8,309,933
* Adjusted during the year	(7,524,928)	(3,314,537)
Closing balance	11,500,000	7,220,529

COMMITMENTS

On behalf of clients due to

Karachi Stock Exchange (Guarantee) Limited

180,457,145	682,895,231
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i<9. OPERATING FIXED ASSETS

Particulars	COST			Rate %	DEPRECIATION			Written down value as at June 30,2002
	As at July 01,2001	Additions/ (Deletions)	As at June 30, 2002		As at July 01,2001	(Adjustment) / For the year	As at June 30, 2002	
Office equipment	1,116,997	81,700 (242,000)	956,697	10	378,733	73,897 (161,009)	291,621	665,076
Furniture and fixtures	992,298	85,125 (22,000)	1,055,423	10	351,689	70,970 (5,962)	416,697	638,726
Computer & allied	2,725,273	522,607	3,247,880	33	1,914,267	440,092	2,354,359	893,521
Vehicles	1,737,000	1,169,000	2,906,000	20	713,595	438,481	1,152,076	1,753,924
Total Rupees-2002	6,571,568	1,858,432 (264,000)	8,166,000		3,358,284	1,023,440 (166,971)	4,214,753	3,951,247
Total Rupees-2001	5,849,170	974,690 (252,292)	6,571,568		2,630,873	856,739 (81,099)	3,358,284	3,213,284

9.1 DETAILS OF DISPOSAL OF FIXED ASSETS

Particulars	Acquisition cost	Accumulated depreciation	Written down value	Sale proceeds	Gain/(Loss) on disposal	Particulars of buyer	Mode of disposal
Office equipment (Photocopiers)	242,000	161,009	80,991	55,000	(25,991)	Pioneer Syndicate 401, Alfalah Market, Saddar, Karachi.	Negotiation
Furniture & fixtures (Chairs)	22,000	5,962	16,038	10,000	(6,038)	Abdul Karim Arambagh, Karachi	Negotiation
Total Rupees-2002	264,000	166,971	97,029	65,000	(32,029)		
Total Rupees-2001	252,292	81,099	171,193	12,500	(158,693)		

10. STOCK EXCHANGE - MEMBERSHIP AND LICENCES

Note

2002
Rupees2001
Rupees

License and membership	40,000,000	48,000,000
This includes:		
a) Membership		
Karachi Stock Exchange	15,000,000	15,000,000
Lahore Stock Exchange	7,000,000	7,000,000
Islamabad Stock Exchange	4,000,000	4,000,000
	26,000,000	26,000,000
b) Offices		
- 5 at Karachi (2001 : 8 offices)	10,500,000	18,500,000
1 at Lahore	2,000,000	2,000,000
	12,500,000	20,500,000
c) Booths		
- 2 at Karachi.	1,500,000	1,500,000
	40,000,000	48,000,000

11. INVESTMENT IN ASSOCIATED UNDERTAKINGS

These shares are of Rs. 10/- each.

No. of 2002	Shares 2001	Name of Company	Activity	Auditors	Holding		Cost		Breakup Value per Share 2002 (Rupees)	2001
					2002 (Percentage)	2001	2002 (Rupees)	2001		
1,600,000	1,600,000	Arif Habib Investment Management Ltd. (Unquoted) Chief Executive: Mr. Nasim Beg	Assets Management	Taseer Hadi Khalid&Co.	40	40	16,000,000	16,000,000	3.31	6.92

The breakup value of shares of the investee company for the year ended June 30, 2002 is based upon unaudited accounts.

11.1 Transactions with Associated Undertakings
Brokerage earned from

	2002 Rupees	2001 Rupees
- Arif Habib Investment Mangement Limited	436,186	-
- Pakistan Income Fund (PIF)	1,575,835	-
- Pakistan Stock Market Fund (PSMF)	1,047,591	-

PIF and PSMF are funds which are managed by Arif Habib Investment Management Limited

12. LONG TERM DEPOSITS

	2002 Rupees	2001 Rupees
Karachi stock exchange (Guarantee) Limited.	460,000	310,000
Lahore stock exchange (Guarantee) Limited.	580,000	180,000
Islamabad stock exchange (Guarantee) Limited.	100	100,000
Karachi Electric Supply Corporation Limited	20,000	20,000
Mobile phones	30,000	30,000
Central Depository Company Limited	100,000	100,000
	1,290,000	740,000

13. INVESTMENT IN MARKETABLE SECURITIES HELD FOR TRADING

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

Number of shares/units	Name of Company/ Institution	Average cost per share/Unit	Total Value		Market value per share/Unit		Market Value
			June - 2002	June-2001	June - 2002	June-2001	
June - 2002	June-2001	June - 2002 (Rupees)			June - 2002 (Rupees)	June-2001 (Rupees)	
LISTED							
MUTUAL FUND							
60,500	70,000	14.10	853,050	20.40	1,234,200	1,050,000	
229,500	235,000	11.00	2,524,500	14.50	3,327,750	2,937,500	
-	21,500	-	-	10.20	-	219,300	
104,000	109,000	9.02	938,418	13.00	1,352,000	1,090,000	
82,500	106,000	6.50	536,250	12.90	1,064,250	694,300	
76,500	96,500	14.00	1,071,000	17.25	1,319,625	1,326,875	
1,000,000	-	50.00	50,000,000	50.30	50,310,000	-	
1,000,000	-	50.00	50,000,000	51.94	51,940,000	-	
2,553,000	638,000		105,923,218		110,547,825	7,317,975	
MODARABAS							
2,052,016	2,650,516	6.40	13,130,618	7.75	15,903,124	17,625,931	
LEASING							
426,000	426,000	5.26	2,241,154	4.65	1,980,900		
6,047,500	5,872,000	559.00	33,805,825	4.25	25,701,875	27,892,000	
6,473,500	6,298,000		36,046,979		27,682,775	30,107,200	

Number Of shares/units	Name of Company/ Institution	Average Cost per share/Unit	Total Value	Market Value per share/Unit	Total Value	Market Value
June - 2002	June-2001	Jun-02 (Rupees)		Jun-02 (Rupees)		June-2001 (Rupees)
LISTED						
INVESTMENT COs' & BANKS						
	1,653,825AI-Meezan Investment	-				19,018,988
2,550,000	2,430,550Faysal Bank Limited	10.30	26,265,000	11.25	28,687,500	18,472,180
2,185,000	- National Bank Limited	19.47	42,550,839	20.55	44,901,750	-
4,735,000	4,084,375		68,815,839		73,589,250	37,491,168
TEXTILE SPINNING						
371,000	371,000Ideal Spinning	5.53	2,050,365	6.55	2,430,050	2,578,450
-	50,000Ibrahim Textile	-	-	-	-	550,000
-	184,575Zainab Textile	-	-	-	-	1,679,633
5,000	- Gadoon Textile	28.00	140,000	29.50	147,500	-
376,000	605,575		2,190,365		2,577,550	4,808,083
TEXTILE COMPOSITE						
33,104	152,604Crescent Textile	20.60	681,932	23.20	768,013	2,327,211
222,580	215,080Ishaq Textile	9.95	2,214,300	10.00	2,225,800	1,881,950
345,124	345,124Kohinoor Textile Mills	4.87	1,680,351	6.00	2,070,744	2,346,843
-	246,750Reliance Weaving Mills	-	-	-	-	3,232,425
288,650	286,650Saphire Fibre	42.32	12,215,358	54.50	15,731,425	1,623,658
-	50,000Suraj Cotton	-	-	-	-	600,000
5,000	- Nishat Chunian	25.50	127,500	28.35	141,750	-
894,458	1,296,208		16,919,441		20,937,732	22,012,087
SYNTHETIC & RAYON						
6,016,921	375Dewan Salman Fibres	15.09	90,808,213	13.85	83,334,356	6,788
1,978,500	4,069,000Ibrahim Fibre	13.58	26,873,322	13.95	27,600,075	58,593,600
7,995,421	4,069,375		17,681,535		110,934,431	58,600,388
SUGAR & ALLIED						
-	11,520Dewan Sugar	-	-	-	-	172,800
CEMENT						
-	500,000Lucky Cement Limited	-	-	-	-	3,500,000
189,000	- Cherat Cement	24.98	4,720,825	22.80	4,309,200	-
189,000	500,000		4,720,825		4,309,200	3,500,000
FUEL & ENERGY						
	3,000,000Hubco	-	-	-	-	57,750,000
2,600,500	- Sui Northern	12.93	33,620,371	13.80	35,886,900	-
635,500	Southern Electric	10.72	6,811,766	10.40	6,609,200	-
3,236,000	3,000,000		40,432,137		42,496,100	57,750,000
LISTED						
ENGINEERING						
185,500	242,600Crescent Steel & Allied	33.10	6,140,050	33.00	6,121,500	3,481,310
AUTO & ALLIED ENGG						
-	2,000,000Dewan Farooq Motors	-	-	-	-	11,900,000
557,500	586,500Honda Atlas Cars	25.50	14,216,250	27.55	15,359,125	8,944,250
505,000	684,000Indus Motor	16.85	8,509,250	18.00	9,090,000	7,660,800
59,000	- Pak Suzuki Motors	24.61	1,452,138	24.85	1,466,150	-
1,121,500	3,270,500		24,177,638		25,915,275	28,504,925
COMMUNICATION						
1,207,000	- PTCL	17.34	20,923,934	17.15	20,700,050	-
CHEMICALS & PHARMACEUTICALS						
784,500	- ICI Pakistan Ltd	40.17	31,515,515	40.20	31,536,900	-
333,300	2,000,000Fauji Fertilizer	45.02	15,004,670	45.40	15,131,820	72,100,000
1,117,800	2,000,000		46,520,185		46,668,720	72,100,000
PAPER & BOARD						
-	541,065Century Paper	-	-	-	-	8,007,762
TERM FINANCE CERTIFICATE(TFCs)***						
1,000	- Orix Leasing*	5,000	5,000,000	5,000	5,000,000	-
-	7,000Dewan Sal man	-	-	-	-	35,000,000
1,000	7,000		5,000,000		5,000,000	35,000,000

32,137,195	29,214,734	Grand total	508,622,764	513,383,532	386,479,629
		Gain / (Loss) due to change in fair value of marketable securities			
		Opening Balance	(426,485)		
		Prior year reversal	426,485		
		During the year	4,760,768		
			5,187,253		
			513,383,532		

*The TFCs are in listing process.

* Nominal value of Rs. 50

** Nominal value of Rs. 5

***Nominal value of Rs. 5,000

Note	2002 Rupees	2001 Rupees
14. TRADE DEBTS		
Due from KSE members- unsecured considered good	593,750	773,750
Due from Customers - considered good - secured	3,530,382	2,230,787
- unsecured	5,640,916	6,396,979
	9,171,298	8,627,766
	9,765,048	9,401,516
15 . SALE PROCEEDS RECEIVABLE		
Due from Karachi Stock Exchange and its members in respect of sale of shares (received subsequent to balance sheet date)	193,829,213	605,125,060
16 . ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Advances - considered good		
- Income Tax	8,780,637	3,356,611
- to staff	642,500	813,520
Prepayments	105,558	41,606
Other receivable		
- Dividend receivable	8,593,500	1,862,036
- Clearing deposits	3,227,186	-
	21,349,381	6,073,773
17. CASH AND BANK BALANCES		
Cash in hand	9,236	33,153
Cash at bank		
Current account	1,480,888	1,016,866
PLS account	2,136,800	15,033,469
	3,617,688	16,050,335
	3,626,924	16,083,488
18. OPERATING REVENUE		
Brokerage income	42,757,715	31,268,153
Underwriting Commission, placement, consultancy	1,040,000	1,081,855
Dividend income	131,367,427	83,120,555
Return on term finance certificates	2,843,515	5,600,000
	178,008,657	21,070,563
19. OPERATING EXPENSES		
Salaries and benefits	4,638,392	4,090,492
Printing and stationery	363,500	231,560
Communication	690,231	812,268
Rent rates and taxes	285,952	746,621
Power	239,608	272,454
Legal and professional charges	314,900	93,600
C.D.C & Clearing house charges	7,158,222	4,147,700
Entertainment	88,889	50,000

Travelling and conveyance		552,953	379,408
Depreciation	9	1,023,440	808,510
Repair and maintenance		112,441	216,442
Audit fee		75,000	75,000
Share transfer expenses		155,474	18,307
Insurance		79,347	61,740
Membership and other subscription		220,600	401,389
Business promotion		1,917,260	397,939
Commission		2,088,889	-
Donation	19.1	1,000,000	-
Others		219,466	219,071
		21,224,564	13,022,501

19.1 None of the directors or their spouses had any interest in donees' fund.

20 . FINANCIAL CHARGES

Mark-up on short term running finance		14,443,040	25,448,769
Bank charges		87,633	183,621
		14,530,673	25,632,390

	Note	2002 Rupees	2001 Rupees
21. OTHER INCOME			
Profit on deposits		296,132	99
		296,132	99
22. OTHER CHARGES			
Loss on sale of fixed assets.		32,029	158,693
23 . CASH AND CASH EQUIVALENTS			
Cash and bank balances		3,626,924	16,083,488
Investment in marketable securities		513,383,532	386,479,629
Sale proceeds receivable		193,829,213	605,125,060
Short term running finance		(20,216,632)	(557,789,690)
		690,623,037	449,898,487

24 . REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

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

Directors			
Managerial remuneration		548,516	465,684
Bonus		155,800	65,600
Commission	24.1	1,235,658	600,000
House rent allowance		246,832	209,550
Conveyance		10,800	10,800
Utilities		54,851	46,566
		2,252,457	1,398,200

Number of Directors 3 (2001 : 3)

24.1 This represents the entitlement of Directors' commission at 10% on account of brokerage earned for the Company through them.

25. EARNINGS PER SHARE - BASIC

Profit for the year	253,591,183	132,560,071
Number of ordinary shares	5,000,000	5,000,000
Earning per share-(Basic) ,	50.72	26.51

26. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

26.1 Interest/mark-up rate risk exposure.

The Company's exposure to interest/mark-up rate risk based on contractual repricing

or maturity dates whichever earlier is as follows.

Financial assets	Interest/mark-up bearing		Non Interest/ mark-up bearing (Rupees)	Total
	One month to one year (Rupees)	Over one year (Rupees)		
Investment in associated undertaking	-	-	16,000,000	16,000,000
Long term deposits	-	-	1,290,000	1,290,000
Investment in marketable securities - net	-	-	513,383,532	513,383,532
Sale proceeds receivable	-	-	193,829,213	193,829,213
Advances, deposits, prepayments and other receivables	-	-	12,463,185	12,463,185
Cash and bank	2,136,800	-	1,490,125	3,626,925
	2,136,800	-	738,456,055	740,592,855
Average interest/mark-up rates	0			
Financial liabilities				
Short term running finance	20,216,632	-	-	20,216,632
Creditors, accrued and other liabilities	-	-	8,517,279	8,517,279
	20,216,632	-	8,517,279	28,733,911
Interest/mark-up rates	10.5% - 13%			

26.2 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, substantial portion of trade debts and whole of sale proceeds receivable has been recovered subsequent to the balance sheet date.

26.3 Fair value

The fair value of all the financial assets and financial liabilities, except for investments

referred to note 13, is estimated to approximate their carrying values.