

AL-MAL SECURITIES AND SERVICES LIMITED

Annual Reports 2003

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr S.Irdat Hussain	Chairman
Mr.Maqbool Hussain	Vice Chairman
Mr.Noor Qadir	Chief Executive
Mr Anf Maqsood Hamidi	Director
Mr.Nasim Ahmed	Director
Mr. Abdul Qadir Ashrafi	Director
Mr. Noman Majeed Adam	Director

SECRETARY

Mr M Ahsan Hashmi

CHIEF FINANCIAL OFFICER

Mr Anwer Iqbal

AUDIT COMMITTEE

Mr.Nasim Ahmed	Chairman
Mr.Maqbool Hussain	Member
Mr. Noman Majeed Adam	Member

BANKERS

Muslim Commercial Bank Limited

Askari Commercial Bank Limited

Bank Al- Habib Limited

REGISTERED OFFICE

10th Floor, Progressive Square

Opposite Nursery, Sharah-e-Faisal Karachi

AUDITORS

Ford, Rhodes.Sidat Hyder & Co.

Chartered Accountants

DIRECTORS' REPORT

The directors have pleasure in submitting herewith their Report and, Audited Annual Accounts together with Auditors' Report of the Company for the year ended June 30, 2003.

Operating Performance:

The company achieved an exceptional operating performance during the current financial year. The company has earned a gross operating revenue of Rs.18,806 thousands as compared to last year's Rs.9,976 thousands i.e. an increase of about 88% over last year. The company earned an amount of

Rs.6,955 thousands through quoted securities whereas during last year this figure was Rs.3,629 thousands which is an increase of 91 % over last year.

The company showed profit before tax of Rs.10,150 thousands as compared to last year's Rs.1,174 thousands which is an increase of 764%, as expenses were remained in controllable limits.

The main reason behind this achievement along-with the help of Almighty Allah was the extra-ordinary performance of the stock exchange during the year. The KSE 100 index which was at 1785 points as on June 30, 2002 was closed at 3402 points as on June 30, 2003.

Operating Results:

	(000' Rupees)						
	2003	2002	2001	2000	1999	1998	1997
Total Revenues	18,805	9,976	9,780	13,560	7,914	7,061	5,383
Less: Total expenses	-8,647	-8,066	-8,331	-7,926	-7,215	-7,480	-6,721
Operating profit/(loss)	10,158	1,910	1,449	5,634	699	-419	-1,338

Chief Executive's Review:

The Chief Executive's Review deals with the business activities and operating results of the Company during the year and future outlook.

The directors endorse the contents of the report.

Corporate Governance:

The Securities & Exchange Commission of Pakistan for the purpose of establishing a framework of good corporate governance and directed all stock exchanges to insert it, in their listing regulations.

We, herein, Al-Mal Securities & Services Limited believe in good governance and had already taken a number of steps in its fulfillment.

The company has adopted IAS-19 (Retirement Benefit Costs), details in this regard have been explained in Note 3.9 to the Accounts.

There has been no material payment outstanding on account of taxes, duties, levies and charges. The statement showing the company's shares bought and sold by directors, CEO and CFO and Company Secretary and their spouses and minor family members is stated as Annex-A, statement showing attendance of Board meetings is disclosed as Annex-B (number of meetings held during the year were seven), whereas, the pattern of shareholding is placed as Annex-C.

Dividend for the current year has not been declared as the profit earned has been retained to reduce the past losses. However, the directors hope that the company will, Insha Allah perform better in the next financial year and come up with better results.

The gratuity fund was established during the last quarter of the year and no investments were made in this regard except the bank account, this amount was Rs. 1,138,201 as at June 30, 2003.

Compliance with Code of Corporate Governance:

As required under the Code of Corporate Governance, we as, Board of Directors, state that:

- The financial statements prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows, and changes in equity.
- Proper books of accounts of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements except for the change as stated in note 3.9 to the financial statement with which auditors have expressed their concurrence. Accounting estimates are based on reasonable and prudent judgment.

- International Accounting Standards as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as a going concern .
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Board of Directors:

During the year an extra-ordinary meeting of shareholders was called for election of seven directors for a term of three years. As a result of this election, Mr. S. Iradat Husain, Mr. Maqbool Hussain, Mr. Ahmad H. I. Dada, Mr. Tariq Dada, Mr. Faisal Husain, Mr. Arif Maqsood Hamidi and Mr. Nasim Ahmed were elected to the Board. Lately Mr. Ahmad H. I. Dada, Mr. Tariq Dada and Mr. Faisal Hussain resigned from the Board, subsequently, Mr. Noor Qadir, Mr. Abdul Qadir Ashrafi and Mr. Nauman Majeed Adam filled-in these positions.

On April 18, 2003, the Chief Executive Mr. M. Azeem Khan left the company on his own and Miss Farhat Yasmin was appointed as Chief Executive in his place. Subsequently on June 16, 2003, Miss Farhat Yasmin relinquished the office of Chief Executive and in her place Mr. Noor Qadir was appointed as Chief Executive of the company.

The Board of Directors wishes to record its appreciation for the valuable services rendered by the outgoing directors and chief executives and extends warm welcome to the newly appointed Chief Executive and the Directors.

Future Outlook:

During the month of September 2003, an agreement has been signed between Al-Mal Securities & Services Limited and His Royal Highness Prince Turki Bin Bander Bin Muhammad Bin Abdur Rehman Al-Saud, nephew of King Fahad Bin Abdul Aziz. Wherein His Royal Highness and his business group, Al-Bander International Group (BIG) shall be partners with Al-Mal Securities & Services Limited in their business ventures within & outside Pakistan. We are hopeful that this will be a milestone in further progress of the company.

Auditors:

The present auditors, Ford Rhodes Sidat Hyder retire and being eligible, offer themselves for reappointment. The Audit Committee of the Board has recommended their reappointment.

Acknowledgement:

The directors wish to place on record their appreciation and thanks to share holders and customers for their continued confidence in the Company, the Securities & Exchange Commission of Pakistan and the Stock Exchanges for their guidance and to all the members of the management and staff for their dedication and hard work.

On behalf of the Board.

ARIF MAQSOOD HAMIDI

Karachi: 30th September, 2003

Chairman

Statement showing shares bought and sold by directors, CEO, CFO, Company Secretary, their spouses and their minor family members

For the year ended June 30, 2003

S.No.	Name	Designation	Shares bought	Shares sold
1	Mr. S. Iradat Husain	Chairman		
2	Mr. Maqbool Hussain	Vice Chairman	3,500	-
3	Mr. Mohammad Azeem Khan	Director	-	-
4	Mr. Ahmad H. I. Dada	Director	-	-
5	Mr. Amanullah Suleman	Director	-	250,000
6	Mr. Mohammad Shoaib	Director	-	-
7	Mr. Tariq Jamil Khan	Director	-	-
8	Mr. Arif Maqsood Hamidi	Director	-	-
9	Mr. Nasim Ahmed	Director	200,000	-
10	Mr. Tariq Dada	Director	97,500	-
11	Mr Faisal Hussain	Director	-	-
12	Mr. Noor Qadir	Director & Chief Executive	10,500	-
13	Mr. Abdul Qadir Ashrafi	Director	-	-
14	Mr. Noman Majeed Adam	Director	-	-
15	Mr. M. Ahsan Hashmi	Company Secretary	.	-
16	Mr. Anwer Iqbal	Chief Financial Officer	-	-
17	Spouses	-	-	-
18	Minor family members	-	-	-

Statement showing attendance of board meetings

For the year ended June 30, 2003

S.No.	Name	Designation	Attended	Leave granted
1	Mr. S. Iradat Husain	Chairman	6	1
2	Mr. Maqbool Hussain	Vice Chairman	7	-
3	Mr. Mohammad Azeem Khan	Director	2	.
4	Mr. Ahmad H. I. Dada	Director	6	-
5	Mr. Amanullah Suleman	Director	1	1
6	Mr. Mohammad Shoaib	Director	-	1
7	Mr. Tariq Jamil Khan	Director	2	-
8	Mr. Arif Maqsood Hamidi	Director	4	1
9	Mr. Nasim Ahmed	Director	5	-
10	Mr. Tariq Dada	Director	4	2
11	Mr. Faisal Hussain	Director	5	-
12	Mr. Noor Qadir	Director & Chief Executive	2	.
13	Mr. Abdul Qadir Ashrafi	Director	1	-
14	Mr. Noman Majeed Adam	Director	1	-

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2003

No. of shareholders	Having Shares		Shares Held	Percentage %
	From	To		
81	1	100	8,050	0.16%
717	101	500	344,950	6.90%
56	501	1,000	54,800	1.10%
47	1,001	5,000	123,400	2.47%
14	5,001	10,000	112,400	2.25%
1	10,001	15,000	11,400	0.23%
2	15,001	20,000	40,000	0.80%
1	25,001	30,000	30,000	0.60%
1	30,001	35,000	30,500	0.61%
1	55,001	60,000	55,550	1.11%
1	65,001	70,000	70,000	1.40%
1	70,001	75,000	70,050	1.40%
1	95,001	100,000	100,000	2.00%
1	115,001	120,000	119,426	2.39%
1	130,001	135,000	135,000	2.70%
1	145,001	150,000	150,000	3.00%
1	150,001	155,000	154,000	3.08%

1	220,001	225,000	224	4.48%
1	245,001	250,000	250,000	5.00%
1	440,001	445,000	441,000	8.82%
1	1,225,001	1,230,000	1,228,500	24.57%
1	1,245,001	1,250,000	1,246,974	24.94%
933			5,000,000	100.00%

Categories of Shareholders
As at June 30, 2003

Categories	Number	Shares Held	Percentage
Related Parties & Modarabas			
<i>Modaraba Al-Mali</i>	1	314,500	6.29%
<i>Investec Securities Limited</i>	1	1,246,974	24.94%
<i>H . M . /dress H. Adam</i>	1	1,228,500	24.57%
Investment Corporation of Pakistan	1	1,000	0.02%
Directors/Chief Executive, their spouses & minor children	7		
<i>Mr. S. Iradat Husain</i>		70,000	1.40%
<i>Mr. Maqbool Hussain</i>		31,500	0.63%
<i>Mr. Arif Maqsood Hamidi</i>		500	0.01%
<i>Mr. Nasim Ahmed</i>		1,500	0.03%
<i>Mr. Noor Qadir</i>		40,500	0.81%
<i>Mr. Abdul Qadir Ashrafi</i>		500	0.01%
<i>Mr. Woman Majeed Adam</i>		500	0.01%
Banks/DFIs/NBFIs/Modarabas/Mutual Funds	6	763,600	15.27%
Joint Stock Companies	17	169,100	3.38%
Individuals	899	1,131,326	22.63%
TOTAL	933	5,000,000	100.00%

CHIEF EXECUTIVE'S REVIEW

I am pleased to present the 10¹ annual report of Al-Mal Securities & Services Limited as public limited listed company, together with audited accounts for the year ended June 30, 2003. The company is listed at all three stock exchanges of the country for the convenience of its shareholders.

We bow our heads in all humility to Allah for the exceptional results achieved in this year. May Allah bless us in future also, Aameen. The increasing availability of consumer financing due to high liquidity in the banking systems and low interest rates, sustained growth in home remittances, record foreign exchange reserves and rescheduling of foreign loans have resulted in making of new records in stock market during the reporting period.

Operating Performance

The Almighty Allah enabled us to achieve an exceptional operating performance during the current financial year. The company has earned a gross operating revenue of Rs.18,806 thousands as compared to last year's Rs.9,976 thousands i.e. an increase of about 88% over last year. The company earned an amount of Rs.6,955 thousands through quoted securities whereas during last year this figure was Rs.3,629 thousands which is an increase of 91 % over last year.

The company showed profit before tax of Rs.10,150 thousands as compared to last year's Rs.1,174 thousands which is an increase of 764%, as expenses were remained in controllable limits.

Future Outlook

The easy availability of consumer financing due to high liquidity in banks thus resulting in low interest rates is creating enhanced demand for automobiles, electronics & construction and allied industries. The economic fundamentals are still improving, as a

result of the reform policies by the government. The prospects of privatization in the

large state owned companies and entrance of Oil & Gas Development Corporation's shares in the stock market is expected to give the further boost to the market. But, the sustenance of the market and the stability of the market at this high level depend upon the internal political stability and peace in the region.

NOOR QADIR

Chief Executive

Karachi

September 30, 2003

STATEMENT OF COMPLIANCE WITH THE
CODE OF CORPORATE GOVERNANCE

This statement of compliance is being presented to comply with the Code of Corporate Governance (the Code) contained in the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present, the Board includes six non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. The Company is in the process of obtaining confirmations from the resident directors that all of them are registered as tax payers. The directors have confirmed that none of them has defaulted in payment of any loan to a banking company, a DPI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancies occurring in the Board of Directors on September 17, 2002, May 26, 2003 and June 16, 2003 were filled by the Directors within 30 days thereof.
5. The Company has adopted the 'Statement of Ethics and Business Practices', which is in the process of being signed by the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended is in the process of being updated.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings and the minutes of the meetings were appropriately recorded and signed by the Chairman.
9. The Directors are fully aware of the relevant laws applicable to the Company, its policies and procedures and provisions of the Memorandum and Articles of Association to manage the affairs of the Company on behalf of the shareholders.

10. The Board has approved appointment of CFO, including his remuneration and terms and conditions of employment, as determined by the CEO. However, the Company Secretary and Internal Auditors were appointed prior to implementation of the Code of Corporate Governance. Further appointment if any, on these positions including remuneration and terms and conditions as determined by the CEO will be referred to the Board for approval.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board formed an audit committee. It comprised of three members, of whom all were non-executive directors including the chairman of the committee. However, the Chairman and a member of the Audit Committee resigned on May 26, 2003 and June 16, 2003 respectively. However, causal vacancy in the audit committee were not filled till the year end. The audit committee will meet the external auditors in the ensuing year.

16. Except for the first quarter ended September 30, 2002, meetings of the audit committee were held at least once every quarter prior to approval of interim results of the Company and as required by the Code, and before and after completion of external audit. The terms of reference of the committee have been formed and advised to the committee for compliance, and will be approved by the Board of Directors in due course.

17. The Board has outsourced the internal audit function to S.M. Rehan & Co., Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all other material principles contained in the Code have been complied with as stated above, except for Serial Nos. 3,5,6,15 and 16 above. The Company seeks to comply with all the material requirements of the Code by the end of next financial year.

Arif Maqsood Hamidi
Chairman

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 for the year ended June 30, 2003 prepared by the Board of Directors of Al-Mal Securities and Services Limited (the Company) to comply with the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges respectively, where the Company is listed.

The responsibility for 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 our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, except for non-compliances stated in serial No. 20 of the Statement of Compliance with the Code of Corporate Governance, 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, 2003.

Karachi: Ford Rhodes Sidat Hyder & Co.
September 30, 2003 Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of AL-MAL SECURITIES AND SERVICES LIMITED as at June 30, 2003 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. 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;

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 are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as stated in note

3.9 to the financial statements 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 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, 2003 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVI11 of 1980).

FORD RHODES SIDAT HYDER & CO.
KARACHI: September 29, 2003

CHARTERED ACCOUNTANTS

AL-MAL SECURITIES AND SERVICES LIMITED
BALANCE SHEET AS AT JUNE 30, 2003

	Note	2003 Rupees	2002 Rupees
ASSETS			
NON-CURRENT ASSETS			
Fixed assets-tangible	4	1,945,292	2,488,956
Intangible assets	5	11,932,634	11,658,458
Long term advances and deposits	6	786,500	728,200
Deferred taxation	7	123,703	624,931
		14,788,129	15,500,545
CURRENT ASSETS			
Receivable from customers	8	4,994,380	11,902,769
Due from Karachi Stock Exchange (Guarantee) Limited		8,508,547	-
Due from National Clearing and Settlement System		2,718,516	-
Advances, prepayments and other receivables	9	1,655,405	860,082
Short term investments	10	10,387,928	10,070,374
Fund placements	11	2,435,683	-
Cash and bank balances	12	12,374,857	13,962,414
		43,075,316	36,795,639
TOTAL ASSETS		57,863,445	52,296,184
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital			
Authorised			
5,000,000 ordinary shares of Rs. 10/- each		50,000,000	50,000,000
Issued, subscribed and paid-up	13	50,000,000	50,000,000
Accumulated losses		-6,098,800	-14,848,532
		43,901,200	35,151,468
NON-CURRENT LIABILITIES			
Deferred liability - staff gratuity		-	1,891,275
CURRENT LIABILITIES			
Creditors, accrued and other liabilities	14	13,962,245	15,253,441
COMMITMENTS			
	15	-	-
TOTAL EQUITY AND LIABILITIES		57,863,445	52,296,184

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

Chief Executive

Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2003

	Note	2003 Rupees	2002 Rupees
OPERATING INCOME			
Brokerage income - net	16	10,132,093	5,372,710
Income from quoted securities	17	6,955,787	3,629,741
Income from registrar services		720,000	720,000
Other income	18	998,044	253,977
		18,805,924	9,976,428
OPERATING AND ADMINISTRATIVE EXPENSES			
	19	-8,647,462	-8,066,226
		10,158,462	1,910,202
PROVISION MADE			
	20	-7,750	-736,279
PROFIT BEFORE TAXATION			
		10,150,712	1,173,923
Taxation	21	-1,400,980	504,792
PROFIT AFTER TAXATION			
		8,749,732	1,678,715
Accumulated loss brought forward		-14,848,532	-16,527,247
Accumulated Toss carried forward		-6,098,800	-14,848,532
Basic earnings per share	22	1.75	0.34

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

Chief Executive Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2003

	Note	2003 Rupees	2002 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		10,150,712	1,173,923
Adjustments for:			
Depreciation		580,017	548,512
Amortisation		16,904	-
Loss/(gain) on sale of fixed assets		-9,922	11,108
Loss realised on disposal of securities		-2,894,504	-3,036,166
Unrealised gain on quoted securities		-1,035,825	-587,621
Provision for impairment in value of investments		7,750	400
Provision for gratuity		274,026	339,762
Bad debts written-off / provision for doubtful debts		18,000	735,879
		-3,043,554	-1,988,126
Operating profit before working capital changes		7,107,158	-814,203
(Increase)/decrease in operating assets:			
Investments		-130,650	-698,872
Receivable from customers		6,908,389	-6,061,311
Advances, prepayments and other receivables excluding taxation		-8,154,502	147,147
		-1,376,763	-6,613,036
Increase/(decrease) in operating liabilities:			
Creditors and accrued liabilities		5,730,395	-7,427,239
		-1,791,071	9,225,775
Cash generated from operations		3,939,324	1,798,536
Taxes paid		-216,171	-81,591
Gratuity paid		-2,589,216	-418,437
		-2,805,387	-500,028
Net cash generated from operating activities		1,133,937	1,298,508
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of fixed assets		-201,401	-1,367,925
Intangible assets		(291,080)	-
Long term advances and deposits		-58,300	-172,300
Sale proceeds from disposal of fixed assets		174,970	1,500
Net cash generated from/(used in) investing activities		-375,811	-1,538,725

CASH FLOWS FROM FINANCING ACTIVITIES		
Fund placements	-2,345,683	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	-1,587,557	-240,217
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	13,962,414	14,202,631
CASH AND CASH EQUIVALENTS AT END OF THE YEAR - note 12	12,374,857	13,962,414

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

Chief Executive Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2003

	Issued, subscribed & paid-up capital	Revenue reserve Unappropriated profit / (loss) Rupees	Totals
Balance at July 01, 2001	50,000,000	-16,527,247	33,472,753
Reversal of provision for diminution in value of investments on adoption of IAS 39 on July 1, 2001	-	15,713,388	15,713,388
Unrealised loss on quoted securities on adoption of IAS39 on July 1, 2001	-	-15,713,388	-15,713,388
Adjusted balance at July 1, 2001	50,000,000	-16,527,247	33,472,753
Net profit for the year	-	1,678,715	1,678,715
Balance as at June 30, 2002	50,000,000	-14,848,532	35,151,468
Net profit for the year	-	8,749,732	8,749,732
Balance at June 30, 2003	50,000,000	1,098,800	43,901,200

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

Chief Executive Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Al-Mal Securities and Services Limited is a public limited company, incorporated in Pakistan on 19th May, 1992 under the Companies Ordinance, 1984. The registered office of the Company is situated at 10th Floor, Progressive Square, Nursery, Shara-e-Faisal, Karachi. It is engaged in the business of stock brokerage, investment counselling and registrar services. It is listed at the Karachi, Lahore and Islamabad Stock Exchanges and is a Corporate Member of the Karachi Stock Exchange (Guarantee) Limited.

1.2 On June 16, 2003, Mr. Noor Qadir took the charge of Chief Executive of the Company. Subsequently, the management of Al-Mal Securities & Services Limited is with Investec Group of Companies. By virtue of this change, three directors of the Company prior to the change in management have resigned during the year, whereas, two more directors resigned on July 08, 2003, i.e. subsequent to the year-end.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards (IASs) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for investments which have been recognised at fair value in accordance with the requirements of IAS-39 'Financial Instruments: Recognition and Measurement'.

3.2 **Tangible fixed assets and depreciation**

These are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged to income applying the straight-line method whereby the cost of an asset is written off over its estimated useful life. In respect of additions and disposals during the year, depreciation is charged proportionately for the period of use. The rates used are stated in note 4 to the financial statements.

Normal repairs and maintenance costs are charged to income as and when incurred. Major renewals and improvements are capitalised.

Profit or loss on disposal of assets, if any, is included in income currently.

3.3 Intangible assets

Membership card and Room at Karachi Stock Exchange building are stated at acquisition cost less provision for impairment loss, if any. Other intangible assets are stated at cost less accumulated amortisation and impairment, if any, in accordance with the recognition criteria stated in IAS-38 'Intangible Assets'.

3.4 Investments

The management of the Company determines the appropriate classification of its investments at the time of purchase and classifies these investments as held-to-maturity, available-for-sale or held for trading.

Held-to-maturity

Investments with fixed maturity, where management has both the intent and ability to hold to maturity, are classified as held-to-maturity. These investments are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. Any gain/loss arising on derecognition/impairment in value of such investments, is recognised in the profit and loss account.

Available-for-sale

Investments in quoted securities which are not held for trading but may be sold in response to the need for liquidity or changes in market rates are classified as available-for-sale. These investments are initially recorded at cost and are subsequently remeasured at fair value with the resulting unrealised gain/loss included in the profit and loss account in the period in which it arises.

Investments in delisted securities are recorded at cost less provision for impairment loss, if any.
Held for trading

Investments which are acquired principally for the purposes of generating a profit from short term fluctuations in price or dealer's margin are classified as held for trading. These investments are initially recorded at cost and are subsequently remeasured at fair value with the resulting unrealised gain/loss included in the profit and loss account in the period in which it arises.

3.5 Securities under reverse repurchase agreements

Quoted securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the balance sheet. Amounts paid under these agreements are recorded as fund placements. The difference between the purchase and resale price is treated as income from reverse repurchase transactions of quoted securities and is accrued over the tenure of

the reverse repo agreements.

3.6 Derivatives

Derivative instruments held by the Company comprise of future contracts in the capital market.

'Derivatives are stated at fair value at the balance sheet date, if any. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates. Derivatives with positive market values (unrealised gains) are included in other assets

and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet. The resultant gains and losses are included in the income currently.

3.7 Receivable from customers

Debts originated by the Company are recognised and carried at original invoice amount less provision made for debts considered doubtful. Bad debts are written-off when identified.

3.8 Taxation

Current

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax credits and tax rebates available, if any, or 0.5% of the turnover, whichever is higher.

Deferred

Deferred tax is provided using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilised.

3.9 Staff retirement benefits

Defined benefit gratuity fund

Uptil last year, the Company had unfunded staff gratuity scheme and provision was made to cover obligations under the scheme on full termination basis. During the year, the said scheme, has been converted into a defined benefit gratuity fund with effect from April 04, 2003 for all permanent employees who have completed the minimum qualifying period of service as on the balance sheet date. The Fund is administered by the trustees nominated under the trust deed. The contributions to the Fund are made in accordance with independent actuarial valuation carried out as of June 30, 2003 using Projected Unit Credit method.

Under this method, the cost of providing gratuity is charged to the income statement so as to spread the regular cost over the service lives of the employees in accordance with the advice of qualified actuaries who carried out a full valuation at year end.

Actuarial gains are recognised and spread forward over average remaining service lives of employees in excess of the following corridor limits, whichever is higher:

- 10% of the present value of defined benefit obligations; and
- 10% of the fair value of plan assets

Had the policy not been changed, the profit before taxation for the year would be lower by Rs.110,9007- and accumulated loss would have been higher by the same amount.

Employees compensated absences

The Company provides for unavailed compensated absences to the extent of 30 days per annum subject to a maximum of 90 days for all its permanent employees. Provision for liabilities towards vested compensated absences is made on the basis of last drawn gross pay.

3.10 Cash and cash equivalents

Cash in hand and at banks is carried at cost. For the purposes of cash flow statement, cash and cash equivalents consist of cash in hand and bank balances.

3.11 Revenue recognition

- a) Brokerage and other income is accrued as and when due.
- b) Sales and purchases of securities are recognised on the date of contract. Capital gain or loss on disposal of securities is taken to income in the period in which it arises.
- c) Dividend income is recognized when the right to receive the dividend is established.
- d) Income from reverse repurchase transactions of quoted securities is recognised on a time proportion basis.

3.12 Trade date accounting

All "regular way" purchases and sales of quoted securities are recognised on the "trade date", i.e., the date that the Company commits to purchase/sell the security. Regular way purchases or sales of quoted securities require delivery within three days after the transaction date as per Stock Exchange Regulations.

3.13 Financial instruments

All financial assets and liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instruments. Any gain or loss on the recognition and derecognition of the financial assets and liabilities is included in the net profit and loss for the period in which it arises.

3.14 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set-off the recognised amounts and the company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.15 Provisions

Provisions are recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that outflow of economic benefits will be required to settle the obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.16 Impairment

The carrying amount of Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and impairment losses are recognised in the profit and loss account.

4. FIXED ASSETS-TANGIBLE

	COST			DEPRECIATION			Written down value as at June 30, 2003	Rate of depreciation per annum %
	As at July 1, 2002	Additions/ (disposals) during the year	As at June 30, 2003	As at July 1, 2002 Rupees	Depreciation/ (adjustment) for the year	As at June 30, 2003		
Leasehold improvements	152,228	6,650	158,878	90,091	11,618	101,709	57,169	10
Furniture and fixtures	461,808		365,930	259,910	42,452	224,104	141,826	10
		-95,878			-78,258			
Office equipment	2,085,628	194,751	1,972,854	992,516	214,737	1,047,156	925,698	10

		-307,525			-160,097			
Motor vehicles	1,556,075		1,556,075	424,266	311,210	735,476	820,599	20
2003	4,255,739	201,401	4,053,737	1,766,783	580,017	2,108,445	1,945,292	
		-403,403			-238,355			
2002	2,905,464	1,367,925	4,255,739	1,223,313	548,512	1,766,783	2,488,956	
		-17,650			-5,042			

4.1 Disposal of fixed assets - tangible

	Cost	Accumulated preciation	Written down p value	Sale iroceeds	Gain/ (loss)	Mode of disposal	Particulars of purchaser
Office equipment							
C/Phone	2,500	958	1,542	1,840	298	By Negotiation	Syed Haider Ameer Abbas
Computer	25,000	20,417	4,583	5,208	625	By Negotiation	Modaraba Al-Mali (Associated undertaking)
Computer card 8-port smart	1 1,500	9,967	1,533	1,821	288	By Negotiation	Modaraba Al-Mali (Associated undertaking)
Electronic Typewriter	18,000	15,000	3,000	3,450	450	By Negotiation	Modaraba Al-Mali (Associated undertaking)
Tape Cartridges	2,850	2,280	570	641	71	By Negotiation	Modaraba Al-Mali (Associated undertaking)
Computer Super I/D Card	700	583	117	134	17	By Negotiation	Modaraba Al-Mali (Associated undertaking)
Shares Managt & Float. System	3.75	2,750	1,000	1,094	94	By Negotiation	Modaraba Al-Mali (Associated undertaking)
Oracle	9,500	6,967	2,533	2,771	238	By Negotiation	Modaraba Al-Mali (Associated undertaking)
Computer Acer 486 with accessories	22,500	15,000	7,500	8,063	563	By Negotiation	Modaraba Al-Mali (Associated undertaking)
Printer MT	5,000	3,333	1,667	1,792	125	By Negotiation	Modaraba Al-Mali (Associated undertaking)
Power Bank UPS (600 VA)	1 1,000	4,308	6,692	6,967	275	By Negotiation	Modaraba Al-Mali (Associated undertaking)
Epson Printer 122 column, ALQ-2080	29,800	7,946	21,854	22,598	744	By Negotiation	Modaraba Al-Mali (Associated undertaking)
Computer Acer Power 4000	68,500	31,396	37,104	38,817	1,713	By Negotiation	Modaraba Al-Mali (Associated undertaking)
Computer Acer Power 6100	76,000	27,867	48,133	49,709	1,576	By Negotiation	Modaraba Al-Mali (Associated undertaking)
8.6 GB Hard Disk, Seagate	7,400	2,898	4,502	4,687	185	By Negotiation	Modaraba Al-Mali (Associated undertaking)
FANS	1,525	127	1,398	1,436	38	By Negotiation	Modaraba Al-Mali (Associated undertaking)
Chordless Phone	12,000	8,300	3,700	4,000	300	By Negotiation	Modaraba Al-Mali (Associated undertaking)
Furniture and Fixtures							
Ceiling Fans	1,768	1,532	236	300	64	By Negotiation	Syed Haider Ameer Abbas
Door Closer	800	693	107	110	3	By Negotiation	Syed Haider Ameer Abbas
Sofa Chairs	7,000	5,542	1,458	1,500	42	By Negotiation	Syed Haider Ameer Abbas
Sofa Chairs	2,423	1,837	586	600	14	By Negotiation	Syed Haider Ameer Abbas
Side Table	550	417	133	150	17	By Negotiation	Syed Haider Ameer Abbas
Steel Cabinet (FP)	28,300	24,704	3,596	4,303	707	By Negotiation	Modaraba Al-Mali (Associated undertaking)
Steel Almirah	13,700	12,038	1,662	2,005	343	By Negotiation	Modaraba Al-Mali (Associated undertaking)
Wooden Filing Cabinet	181	139	42	47	5	By Negotiation	Modaraba Al-Mali (Associated undertaking)
Wall Mounted Cabinets	17,806	12,167	5,639	6,246	607	By Negotiation	Modaraba Al-Mali (Associated undertaking)
Steel Cabinet	2,550	2,549	1	1		By Negotiation	Modaraba Al-Mali (Associated undertaking)
Office Table with Racks	8,200	6,560	1,640	1,845	205	By Negotiation	Modaraba Al-Mali (Associated undertaking)
Executive Table with Drawers	12,600	10,080	2,520	2,835	315	By Negotiation	Modaraba Al-Mali (Associated undertaking)
2003	403,403	238,355	165,048	174,970	9,922		
2002	17,650	5,042	12,608	1,500	-11,108		

5. INTANGIBLE ASSETS

At cost

Membership card				10,500,000	10,500,000
Room at Karachi Stock Exchange building				1,158,458	1,158,458
Software licence		5.1	141,080		-
KATS Terminal		5.2	150,000		-
				11,949,538	11,658,458
Less: Amortisation during the year					
Software licence				9,404	-
KATS Terminal				7,500	-
		19	16,904		-
				11,932,634	11,658,458

Note

2003
Rupees

2002
Rupees

5.1 Represents cost of Microsoft Open Licence purchased during the year. The cost has been amortised over a period of five years as the management is of the view that the future economic benefits will be available to the Company for the said period.

5.2 Represents cost of Remote Karachi Automated Trading System (KATS) Terminal provided by Karachi Stock Exchange (Guarantee) Limited. The cost has been amortised over a period of five years as the management is of the view that the future economic benefits will be available to the Company for the said period.

	Note	2003 Rupees	2002 Rupees
6. LONG TERM ADVANCES AND DEPOSITS			
Advances - unsecured, considered good:			
To employees		146,370	47,300
Less: current maturity	9	111,370	30,000
	6.1	35,000	17,300
Deposits			
Lease key money		240,100	147,500
Karachi Stock Exchange (Guarantee) Limited		450,000	450,000
Central Depository Company of Pakistan Limited		50,000	100,000
Others		11,400	13,400
		751,500	710,900
		786,500	728,200
6.1 Outstanding for less than three years.		35,000	17,300

	Note	2003 Rupees	2002 Rupees
7. DEFERRED TAXATION			
Deferred taxation is composed of:			
Deferred tax asset:			
Provision for gratuity		-	661,946
Provision for compensated absences		131,771	-
Deferred tax liability:			
Differences in tax and accounting bases of owned assets		-8,068	-37,015
		123,703	624,931

8. RECEIVABLE FROM CUSTOMERS			
Secured			
Considered good			
Associated undertakings	8.1		
- Modaraba Al-Tijarah		1,603	221,250
- Al-Mal Corporation Limited		110	162,300
- Al-Mal Group-Staff Provident Fund		231	765
- Modaraba Al-Mali		-	356,572
Others		4,992,436	11,161,882
	8.2	4,994,380	11,902,769
Unsecured			
Considered doubtful		1,479,118	1,479,118
		6,473,498	13,381,887
Less: Provision for doubtful debts	8.3	1,479,118	1,479,118
		4,994,380	11,902,769

8.1 Maximum amount due from associated undertakings calculated with reference to month-end balance was as follows:

	Note	2003 Rupees	2002 Rupees
Modaraba Al-Tijarah		472,883	221,250
Al-Mal Corporation Limited		50,186	162,300
Al-Mal Group-Staff Provident Fund		1,045	765
Modaraba Al-Mali		-	356,572
		524,114	740,887

8.2 These are secured against the delivery of shares from the Karachi Stock Exchange (Guarantee) Limited

having a fair value of Rs. 80,577,871/- (2002: Rs. 70,498,7807-).

8.3 The movement of provision for doubtful debts is as follows:

Balance at the beginning of the year		1,479,118	743,239
Provided during the year	20	-	735,879
Balance at the end of the year		1,479,118	1,479.12

	Note	2003 Rupees	2002 Rupees
9. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Advances - unsecured, considered good:			
To executives	9.1	-	22,500
employees		-	46,500
For capital expenditure		50,000	50,000
Current maturity of long term advances to staff	6	111,370	30,000
Taxation - net		-	183,706
		161,370	332,706
Prepayments		133,769	130,352
Accrued income on fund placements		20,000	-
Other receivables, considered good:			
Dividend		14,750	20,750
Brokerage		-	161,862
Associated undertakings	9.2		
- Al-Mal Corporation Limited		741,500	142,000
- Modaraba Al-Mali		49,964	1,400
- Modaraba Al-Tijarah		10,788	-
Employees gratuity fund	9.3	423,915	-
Others		99,349	70,012
		1,340,266	397,024
		1,655,405	860,082

9.1 'Maximum amount due from executives calculated with reference to month-end balance was

Rs. 122,5007- (2002 : Rs.45,000/-).

9.2 Maximum amount due from associated undertakings calculated with reference to month-end balance was as follows:

	Note	2003 Rupees	2002 Rupees
Al-Mal Corporation Limited		741,500	125,000
Modaraba Al-Mali		122,547	119,659
Modaraba Al-Tijarah		53,714	4,804
		917,761	249,463

9.3 Receivable from employees gratuity fund

9.3.1 Amount recognized in the balance sheet

Present value of the defined benefit obligation		913,024	-
Fair value of plan assets		-1,138,201	-
(Surplus) / deficit		-225,177	-
Unrecognized actuarial loss		-198,738	-
		-423,915	-

	Note	2003 Rupees	2002 Rupees
9.3.2 Amount recognized in profit and loss account			
Current service cost		242,496	-
Interest cost		142,430	-
Expected return on plan assets		-	-
Effect of change in accounting policy	3.9	-110,900	-
		274,026	-

9.3.3 Movement in net liability is as follows:

Balance at July 01	1,891,275	-
Charge for the year	274,026	-
Contributions / payments during the year	-2,589,216	-
Balance at June 30	_(423,915)	-

The principal actuarial assumptions used for the purpose of the valuation were as follows:

Rate of salary increase	7%
Rate of return	-
Discount rate	8%

1.0. SHORT TERM INVESTMENTS

Quoted securities			
Available-for-sale	10.1	692,475	4,429,274
Held for trading	10.2	9,695,453	5,633,350
		10,387,928	10,062,624
Delisted securities *			
Available-for-sale	10.3	-	7,750
		10,387,928	10,070,374

* These have been delisted subsequent to their acquisition by the Company.

Quoted Securities				
10.1 Available-for-sale			2003	2002
			Rupees	Rupees
2002	2003			
Number of units/ shares/certificates of Rs. 10 each		Name of fund/company/modaraba	Market value	Market value
MUTUAL FUNDS				
27,200	-	ICP Mutual Fund XXI	-	65,280
33,500	-	ICP Mutual Fund XXII	-	125,625
34,000	-	ICP Mutual Fund XXIII	-	66,300
2,500	-	ICP Mutual Fund XXIV	-	4,500
MODARABAS				
Associated				
108,000	2,500	Modaraba Al-Mali [Managed by Al-Mal Corporation Limited]	22,375	637,200
216,040	216,000	Modaraba Al-Tijarah [Managed by Al-Mal Corporation Limited]	669,600	378,070
			2003	2002
		Note	Rupees	Rupees
2002	2003			
Number of units/ shares/certificates of Rs. 10 each		Name of fund/company/modaraba	Market value	Market value
Others				
2,275	-	First Habib Bank Modaraba [Managed by Habib Bank Financial Services (Private) Limited]	~	21,726
400	*	First Habib Modaraba [Managed by Habib Modaraba Management (Private) Limited]	-	2,760
12,352	-	Schon Modaraba [Managed by Schon Management (Private) Limited]	-	9,882
LEASING COMPANIES				
	4,000	Paramount Leasing Limited	-	10,800
1,200	-	Natover Lease and Refinance Limited	-	0,300
	14,215	Union Leasing Company Limited	-	79,604
	1,762	Capital Asset Leasing Corporation Limited	-	4,053

		BANK		
401	-	Faysal Bank Limited	-	4,511
		INSURANCE		
463	-	EFU General Insurance Company Limited	-	11,344
		TEXTILE SPINNING		
1,500	-	Ishtiaq Textile Mills Limited	-	7,650
1,500	-	Saritow Spinning Mills Limited	-	2,100
2,500	-	Service Textile Industries Limited	-	7,500
		SYNTHETIC AND RAYON		
3,600	-	Liberty Mills Limited	-	89,100
50,000	-	Polyron Limited	-	120,000
26,400	-	Tri-star Polyester Limited	-	3-5,000
		CEMENT COMPANIES		
17,500	-	Lucky Cement Limited	-	143,500
4,000	-	Pakistan Slag Cement Industries Limited	-	6,800
4,204	-	Essa Cement Limited	-	38,677
4,112	-	Maple Leaf Cement Factory Limited	-	27,345
15,000	-	Pioneer Cement Limited	-	43,750

2003
Rupees

2002
Rupees

2002	2003			
	Number of units/ shares/certificates of Rs. 10 each	Name of fund/company/modaraba	Carried at market value	Carried at market value
		FUEL AND ENERGY		
	18,300	- The Karachi Electric Supply Corporation	-	95,160
	2,500	- Kohinoor Energy Limited	-	33,750
	22,440	- Kohinoor Power Company Limited	-	93,126
		AUTO AND ALLIED ENGINEERING		
383,858*		- Agri Autos Industries Limited	-	1,880,904
	500	- Allied Motors Limited	-	4,350
	1,500	- Baluchistan Wheels Limited	-	31,650
	480	- Hinopak Motors Limited	-	13,200
		CHEMICAL AND PHARMACEUTICALS		
	1,200	- 1C I Pakistan Limited	-	48,240
	3,200	- Pakistan PTA Limited	-	17,120
	5,700	- Otsuka Pakistan Limited	-	68,400
	2,011	- Searle Pakistan Limited	-	26,344
	1,000	- Kausar Paints Limited	-	1,750
	300	- Wan Noble Chemicals Limited	-	7,350
	300	- Wah Noble Chemicals Limited (RAL)	-	7,200
		VANASPATI AND ALLIED INDUSTRIES		
	34300	- Kashmir Edible Oils Mills Limited	-	53,165
		GLASS AND CERAMICS		
	9,492	- Medi Glass Limited	-	8,068
		MISCELLANEOUS		
	48,400	- Mandviwala Mauser and Plastic Industries Limited	-	87,120
			692,475	4,429,274

*Face value of certificates/shares is of Rs. 5 each.

		INVESTMENT / SECURITIES COMPANY		
		Related party		
-	789,000	Investec Securities Limited	7,771,650	-
		CEMENT COMPANIES		
	10,000	- Chakwal Cement Limited	-	21,000
		FUEL AND ENERGY		
	114,000	- The Hub Power Company Limited	-	2,644,800
	-	- Japan Power Generation Limited	-	

12,000			-	39,600
5,000	-	Kohinoor Energy Limited	-	67,500
2,500	112,833	Southern Electric Pakistan Limited	1,923,803	26,000
24,500	-	Sui Southern Gas Company Limited	-	294,000
TRANSPORT AND COMMUNICATION				
73,000	-	Pakistan Telecommunication Company Limited (A)-	-	1,251,950
CHEMICAL AND PHARMACEUTICAL				
4,000	-	Biafo Industries Limited	-	14,800
2,000	-	FFC Jordan Fertilizers Limited	-	12,600
27,500	-	ICI Pakistan Limited	-	1,105,500
SECURITIES SOLD UNDER FUTURES CONTRACT				
FUEL AND ENERGY				
5,000	-	The Hub Power Company Limited	-	116,000
1,500	-	Sui Northern Gas Company Limited	-	20,700
CHEMICAL AND PHARMACEUTICAL				
3,000	-	FFC Jordan Fertilizers Limited	-	18,900
			-	155,600
			9,695,453	5,633,350

Delisted Securities
10.3 Available for Sale

2003 2002

2002 2003
Number of units/
shares/certificates
of Rs. 10 each

		Name of company	Cost	Market value	Cost	Market value
TEXTILE COMPOSITE						
1,000	1,000	Mar Fabrics Limited	6,500	-	6,500	-
4,200	4,200	Tawakkal Garments Limited	131,715	-	131,715	-
SYNTHETIC AND RAYON						
1,500	1,500	Sunshine Cloth Limited	15,000	-	15,000	-
CEMENT						
45,500*	45,500*	Punjab Buildings Product Limited	433,875	-	433,875	-
VENASPATI						
3,500	3,500	Muslim, Ghee Industries Limited	28,375	-	28,375	-
MISCELLANEOUS						
15,500	15,500	Turbo Tec Limited	88,000	-	88,000	7,750
			703,465	-	703,465	7,750
		Less: Provision for impairment / unrealised gain	703,465	-	695,715	-
			-	-	7,750	7,750

*Face value of certificates/shares is of Rs. 5 each.

		Note	2003 Rupees	2002 Rupees
11.	FUND PLACEMENTS			
	Securities purchased under resale agreements		2,435,683	-

11.1 The market value of the securities purchased under resale agreements aggregates to Rs.2,359,500/- (2002: Rs. Nil).

		Note	2003 Rupees	2002 Rupees
12.	CASH AND BANK BALANCES			
	Cash at banks - current accounts		12,374,572	13,957,434
	Stamps on hand		285	4,980
			12,374,857	13,962,414
13.	ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
	5,000,000 (2002: 5,000,000) Ordinary shares of Rs.10 each fully paid in cash		50,000,000	50,000,000

13.1 The following share certificates are held by associated undertakings / related parties:

		Associated undertakings / related parties		
2002	2003			
	1,246,974	Investec Securities Limited	12,469,740	
-	1,228,500	H. M. Idrees H. Adam	12,285,000	-
715,000	-	Al-Mal Corporation Limited	-	7,150,001
314,500	314,500	Modaraba Al-Mali	3,145,000	3,145,001
3,000	-	Modaraba Al-Tijarah	-	30,001
1,032,500	2,789,974		27,899,740	10,325,001

14. CREDITORS, ACCRUED AND OTHER LIABILITIES

Due to customers		11,919,640	7,585,558
Due to Karachi Stock Exchange (Guarantee) Limited		-	6,473,091
Accrued liabilities	14.1	1,421,118	1,018,197
Unclaimed dividend		120,354	176,595
Associated undertaking	14.2	1,258	-
Taxation - net		499,875	-
		13,962,245	15,253,441

14.1 Includes Rs. 376,4907- (2002: Rs.695,348/-) in respect of compensated absences.

14.2 Represents interest free current account balance with Modaraba Al-Mali.

		Note	2003 Rupees	2002 Rupees
15.	COMMITMENTS			
15.1	Reverse repurchase of quoted securities			
	- Purchase		8,591,925	-
	- Resale		2,966,267	-
15.2	For sale of quoted securities under futures contract		-	159,600
15.3	For capital expenditure		630,000	630,000
15.4	For rentals payable under operating lease agreements in respect of vehicles :			
	Payable			
	Not later than one year		390,420	390,420
	Later than one year and not later than five year		488,025	878,445
			878,445	1,268,865
16.	BROKERAGE INCOME - Net			
	Brokerage income		13,559,776	5,824,132
	Less: Fee, commission and brokerage to agents		3,427,683	451,422
			10,132,093	5,372,710
17.	INCOME FROM QUOTED SECURITIES			
	Dividend income	17.1	2,294,520	1,438,284
	Capital gain on disposal of investments		3,576,031	515,011
	Unrealised gain on quoted securities		1,035,825	587,621
	Income from reverse repurchase transactions of quoted securities		49,411	1,088,825
			6,955,787	3,629,741
17.1	Dividend income			
	From modarabas			
	Associated undertakings		156,614	118,800
	Others		800	41,596
	From other companies		2,139,347	1,281,646
			2,296,761	1,442,042
	Zakat deducted		-2,241	-3,758
			2,294,520	1,438,284

Note 2003 Rupees 2002 Rupees

18.	OTHER INCOME			
	Profit/(loss) on disposal of fixed assets	4.1	9,922	-11,108
	Miscellaneous income	18.1	988,122	265,085
			998,044	253,977

18.1 Includes Rs. 750,000 (2002: Nil) being gain tendered to the Company under Section 224(1) of the Companies Ordinance, 1984 on 250,000 shares of the Company purchased and sold by Al-Mal Corporation Limited.

19.	OPERATING AND ADMINISTRATIVE EXPENSES			
	Salaries and allowances		3,589,146	3,790,032
	Gratuity	9.3.2	274,026	339,762
	Compensated absences		78,330	532,472
	Rent		424,020	422,040
	Printing and stationery		476,632	280,762
	Lease rentals		390,420	390,420
	Fuel and car running		317,476	279,499
	Repairs and maintenance		54,706	53,115
	Telephone, fax and telex		468,293	314,910
	Postage/courier		121,791	40,411
	Entertainment		107,707	72,345
	Electricity and utilities		446,583	378,499
	Insurance		160,611	151,021
	Fees and subscription		633,551	234,452
	Auditors' remuneration	19.1	189,900	84,698
	Conveyance		31,705	26,009
	Legal and professional		100,100	16,900
	Advertising and publications		72,902	27,026
	Depreciation	4	580,017	548,512
	Amortization	5	16,904	-
	Bad debt written-off		18,000	-
	Professional tax		-	21,800
	Training		-	8,500
	Miscellaneous		94,642	53,041
			8,647,462	8,066,226
19.1	Auditors' remuneration			
	Audit fee		75,000	75,000
	Fee for limited scope review		80,000	-
	Certification fee		15,000	-
	Out-of-pocket expenses		19,900	9,698
			189,900	84,698

		Note	2003 Rupees	2002 Rupees
20.	PROVISION MADE			
	Provision for impairment in value of investments		7,750	400
	Provision for doubtful debts	8.3	-	735,879
			7,750	736,279

21.	TAXATION			
	Current			
	- for the year	21.1	894,940	106,977
	- for prior year		4,812	13,162
			899,752	120,139
	Deferred	7	501,228	-624,931
			1,400,980	-504,792

21.1	Relationship between income tax expense and accounting profit			
	Profit before taxation		10,150,712	1,173,923
	Tax at the applicable tax rate of 35% (2002: 35%)		3,552,749	410,873
	Tax effect of expenses that are not deductible in determining taxable profit		881,962	1,274,172
	Tax effect of exempt income and expenses that are			

deductible from but are not included in accounting profit	-2,850,743	-1,615,878
Tax effect of income charged at lower tax rate	-689,028	-431,485
Adjusted income tax charge (Negative amounts adjusted to Nil)	894,940	-
Higher of adjusted income tax charge as above and turnover tax under section SOD of Income Tax Ordinance, 2001 amounting to Rs. 191,227(2002: Rs. 106,977).	894,940	106,977

21.2 All tax assessments upto assessment year 2002-2003 corresponding to accounting year ended June 30, 2002 have been finalised.

22. BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year as follows:

	Note	2003 Rupees	2002 Rupees
Profit after taxation		8,749,732	1,678,715
Weighted average number of ordinary shares		5,000,000	5,000,000
Basic earnings per share		1.75	0.34

No figure for diluted earnings per share has been presented as the Company has not issued any instrument which would have an impact on earnings per share when exercised.

23. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief executives		Director		Executives	
	2003(*)	2002	2003	2002	2003	2002
Managerial remuneration	620,790	630,500	-	-	787,470	987,200
House rent	259,179	174,000	-	-	311,968	350,200
Utilities and other allowances	55,191	144,000	166,026	205,966	69,542	99,500
Conveyance	-	-	-	-	3,600	3,600
Retirement benefits	85,717	75,000	-	-	92,383	92,450
	1,020,877	1,023,500	166,026	205,966	1,264,963	1,532,950
Number of persons	2	1	1	1	4	5

Former chief executives, director and three executives of the Company were provided with free use of company maintained cars.

(*) Represents remuneration for the previous chief executive from July 01, 2002 to June 16, 2003.

	Note	2003 Rupees	2002 Rupees
24. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS / RELATED PARTIES			
Aggregate transactions made by the company during the year with the associated undertakings / related parties were :			
Brokerage earned		915,470	220,113
Registrar services fee earned		720,000	720,000
Expenses recovered		42,051	172,581
Rent paid		420,000	420,000
Disposal of fixed assets		160,986	-

25. FINANCIAL INSTRUMENTS

Financial assets and liabilities

Maturity	Mark-up/profit bearing			Maturity	Non-mark-up bearing	
	Maturity	Maturity	Maturity		Maturity	Maturity

	upto one year	after one year upto five years	after five years	Sub-total	upto one year	after one year upto five years	after five years	Sub-total	Total
					Rupees				
Financial assets									
Receivables from customers				.	4,994,380			4,994,380	4,994,380
Due from Karachi Stock Exchange (Guarantee) Limited					8,508,547			8,508,547	8,508,547
Due from National Clearing and Settlement System			-	-	2,718,516	-		2,718,516	2,718,516
Short term investments					10,387,928			10,387,928	10,387,928
Fund placements	2,435,683			2,435,683					2,435,683
Cash and bank balances			-		12,374,857			12,374,857	12,374,857
June 30, 2003	2,435,683		"	2,435,683	38,984,228			38,984,228	41,419,911
Financial liabilities									
Creditors, accrued and other liabilities					13,962,245			13,962,245	13,962,245
June 30, 2003					13,962,245	-		13,962,245	13,962,245

	Maturity upto one year	Mark-up/profit bearing Maturity after one year upto five years	Maturity after five years	Sub-total	Maturity upto one year	Non-mark-up bearing Maturity after one year upto five years	Maturity after five years	Sub-total	Total
					----- Rupees -----				
Financial assets									
Receivables from customers					11,902,769			11,902,769	11,902,769
Short term investments					10,070,374			10,070,374	10,070,374
Cash and bank balances					13,962,414			13,962,414	13,962,414
June 30, 2002				-	35,935,557			35,935,557	35,935,557
Financial liabilities									
Deferred liability - staff gratuity						1,891,275		1,891,275	1,891,275
Creditors, accrued and other liabilities					15,253,441			15,253,441	15,253,441
June 30, 2002			-		15,253,441	1,891,275		17,144,716	17,144,716

The effective interest/mark-up rates for monetary financial assets and liabilities are mentioned in the respective note to the financial statements.

26. LIQUIDITY RISK

Liquidity risk is the risk that the company will be unable to meet its net funding requirements. To guard against this risk the company's assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents and readily marketable securities. The maturity profile is monitored to ensure that adequate liquidity is maintained.

The table below summarises the maturity profile of Al-Mal Securities and Services Limited's assets and liabilities. The contractual maturities of assets and liabilities at the year-end has been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date. Assets and liabilities not having a contractual maturity are assumed to mature on the expected date on which the assets/liabilities will be realised/settled.

	Total	2003 Upto one year	Over one year to five years	Over five years
ASSETS				
Fixed assets - tangible	1,945,292	.	-	1,945,292
Intangible assets	11,932,634	-	274,176	11,658,458
Long term advances and deposits	786,500	-	286,500	500,000
Deferred taxation	123,703	-	123,703	-

Receivable from customers	4,994,380	4,994,380	-	-
Due from Karachi Stock Exchange (Guarantee) Limited	8,508,547	8,508,547	-	-
Due from National Clearing and Settlement System	2,718,516	2,718,516	-	-
Advances, prepayments and other receivables	1,655,405	1,655,405	-	-
Short term investments	10,387,928	10,387,928	-	-
Fund placements	2,435,683	2,435,683	-	-
Cash and bank balances	12,374,857	12,374,857	-	-
	57,863,445	43,075,316	684,379	14,103,750
LIABILITIES				
Creditors, accrued and other liabilities	13,962,245	13,962,245	-	-
NET ASSETS	43,901,200	29,113,071	684,379	14,103,750
CUMULATIVE LIQUIDITY GAP		29,113,071	29,797,450	43,901,200
REPRESENTED BY:				
Issued, subscribed and paid-up capital	50,000,000			
Accumulated losses	-6,098,800			
	43,901,200			

	Total	2002		Over five years
		Upto one year	Over one year to five years	
ASSETS				
Fixed assets - tangible	2,488,956	.	.	2,488,956
Intangible assets	11,658,458	-	-	11,658,458
Long term advances and deposits	728,200	17,300	147,500	563,400
Deferred taxation	624,931	-	624,931	-
Receivable from customers	11,902,769	11,902,769	-	-
Advances, prepayments and other receivables	860,082	860,082	-	-
Short term investments	10,070,374	10,070,374	-	-
Cash and bank balances	13,962,414	13,962,414	-	-
	52,296,184	36,812,939	772,431	14,710,814
LIABILITIES				
Deferred liability- staff gratuity	1,891,275	-	1,891,275	-
Creditors, accrued and other liabilities	15,253,441	15,253,441	-	-
	17,144,716	15,253,441	1,891,275	-
NET ASSETS	35,151,468	21,559,498	(1,118,844)	14,710,814
CUMULATIVE LIQUIDITY GAP		21,559,498	20,440,654	35,151,468
REPRESENTED BY:				
Issued, subscribed and paid-up capital	50,000,000			
Accumulated losses	-14,848,532			
	35,151,468			

27. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the company's performance to developments affecting a particular industry.

The company is exposed to credit risk on loans, deposits, advances and trade debts. The company seeks to minimise the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. Details of composition of loans, deposits, advances and trade debts portfolios and their concentrations are given in note 28 below.

28. FINANCIAL ASSETS BY CLASS OF BUSINESS

	Investments	2003 Receivable from customers	Others	Investments	2002 Receivable from customers	Others
Mutual funds	-	-	-	261,705	-	-
Modarabas	692,475	1,603	60,751	1,049,638	577,822	1,400
Leasing companies	-	-	-	100,757	-	3,200
Bank/investment companies	7,771,650	-	-	4,511	-	-
Insurance companies	-	-	65,600	11,344	-	67,162
Textile companies	-	-	-	17,250	-	-
Synthetic and rayon	-	-	-	242,100	-	-
Cement companies	-	-	-	286,072	-	-
Fuel and energy	1,923,803	-	-	3,430,636	-	6,000
Auto and allied engineering	-	-	-	1,930,104	-	-
Chemical and Pharmaceuticals	-	-	-	1,328,204	-	11,550
Vanaspati and allied industries	-	-	-	53,165	-	-
Glass and ceramics	-	-	-	8,068	-	-
Transport and communication	-	-	-	1,251,950	-	-
Individuals	-	4,992,436	33,750	-	11,161,882	278,162
Others	-	341	741,500	94,870	163,065	143,000
	10,387,928	4,994,380	901,601	10,070,374	11,902,769	510,474

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying and the fair value estimates.

Underlying the definition of fair value is the presumption that Al-Mal Securities and Services Limited is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

As at June 30, 2003, the net fair value of all financial instruments is estimated to approximate their fair values based on the valuation methodology outlined below:

a) Membership card

The fair value of membership card has been taken as book value since no active market exists for the same.

b) Investments

The fair value of quoted investments is based on market prices as quoted on the stock exchange at the balance sheet date.

c) Long term advances and deposits

For all advances and deposits, the fair value have been taken at book values as these are not considered materially different based on the current market rates of return and rate repricing profiles of similar advances and deposits portfolios.

d) Other financial instruments

The fair value of all other financial instruments are considered to approximate their book values as they are short term in nature.

30. NUMBER OF EMPLOYEES

The number of employees at the balance sheet date was 9 (2002: 18).

31. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue by the Board of Directors of the Company on 29-09-2003

32. GENERAL

32.1 Corresponding figures have been reclassified, wherever necessary, to facilitate comparison.

32.2 Figures have been rounded off to the nearest rupee.

Chief Executive Director

NOTICE OF 11TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 11th Annual General Meeting of the shareholders of Al-Mal Securities and Services Limited will be held at Dr. Abdul Qadeer Khan Auditorium, Haji Abdullah Haroon Muslim Gymkhana, Aiwan-e-Sadar Road, Behind Shaheen Complex, Karachi on 31st October, 2003 (Friday), at 09:00 a.m., to transact the following business.

AGENDA

1. To confirm the minutes of the Extra Ordinary General Meeting held on December 12, 2002.
2. To receive, consider and adopt the Audited Accounts of the Company together with the Directors' and Auditors' Report thereon for the year ended 30th June, 2003
3. To appoint Auditors for the ensuing year and fix their remuneration. Retiring Auditors Ford, Rhodes, Sidat Hyder & Co, Chartered Accountants have offered themselves for reappointment.
4. To transact any other business of the Company with permission of the Chair.

By Order of the Board

Karachi. M AHSAN HASHMI

Dated: October 09, 2003 Company Secretary

NOTE:

1. The share transfer books of the Company will remain closed from 24th October, 2003 to 31st October, 2003 (both days inclusive).
2. A member entitled to attend and vote at this meeting is entitled to appoint any other member as a proxy. Proxies duly stamped with Rs. 5/- revenue stamp in order to be effective must be received at the Registered Office of the Company not later than 48 hours before the time of holding the meeting. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
3. CDC shareholders desiring to attend the meeting are requested to bring their original National Identity Cards, Account and Participant's ID numbers, for identification purpose and in case of proxy, to enclose an attested copy of his/her National Identity Card.
4. Members are requested to notify any change in their addresses immediately.
5. Copy of the minutes of the Extra Ordinary General Meeting will be available to the members on request, free of charge.