

Security Stock Fund Limited

Annual Report 1997

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Company Information

Board of Directors

Mr. A. K. M. Sayeed

Mr. Asim Iftikhar

Mr. Farrukh H. Khan

Mr. Iqbal Usman

Mr. Imran Iqbal

Mr. Jan Mohammad

Mr. Mohammad Rashid Zahir

Mr. Salim Rathod

Mr. Shahid A. Khan

Mr. Sikander Gulzar

Mr. Zulfiqar Hussain

Chief Executive

Mr. Iqbal Usman

Company Secretary

Mr. Anwar Zafar

Investment Advisor

Security Fund Management Limited

Auditors

M. Yousuf Adil & Co.

Legal Advisor

Mohsin Tayebaley

Custodian

Muslim Commercial Bank Ltd.

Registered Office

& Shares Department

220, 2nd Floor, Uni Tower,

I. I. Chundrigar Road,

Karachi.

Notice of 3rd Annual General Meeting

Notice is hereby given that the third Annual General Meeting of the Security Stock Fund Limited will be held on Friday, the 19th December, 1997, at 10:30 A.M. at the Best Western Plaza Hotel, Karachi, to conduct following business.

1. To receive, consider, and adopt Audited Accounts of the Company for the period ended 30th June, 1997.
2. To appoint Auditors of the Company for the year ending 30th June, 1998.
3. To transact any other business that may be placed before the meeting.

Notes:.

1. The share transfer books of the Company will remain closed from 11 December, 1997 to 18 December, 1997 (both days inclusive).
2. A member entitled to attend and vote at the meeting is entitled to appoint another member of the Company as a Proxy to attend and vote on his/her behalf. Proxies in order to be effective must reach the registered office of the Company duly stamped not later than 48 hours before the meeting.

Directors' Report

We are pleased to present the results for the financial year ended 30th June 1997. In this period the Net Asset Value of your Fund rose substantially - from Rs.8.73 to Rs. 10.2. This increase of 16.8% was managed in a market that fell by 8% (based on KSE 100). Even this decrease of the stock market does not give the whole picture because it takes some highly capitalized stock into account which have seen substantial activity in this period.

As you are aware that ever since the-launch of the fund the market had been sliding continuously downward and it is only in the last quarter of the year that it has stabilized. The provision for the diminution in the market value of securities in previous years overshadowed the positive cash flow of your fund. If not for this highly negative impact of the initial two years - the effect of which was restricted due to the cautioned exposure in equities- your fund would have been in a

position to offer markedly better results. Following graph captures the performance of your fund against the market.

The performance of the stock market in the period under review remained dismal. The KSE Index started its downward movement from the level of 1703 in June last year and hovered below 1400 mark in September 1996. Subsequent events

culminating in elections and expectations of change in government gave a boost to the activity on the market but the effect remained salutary. Finally the installation of a new government though welcomed by the market but was unable to have immediate effect owing to unresolved issues with IMF and intense speculation about the budget. In last quarter of the year market showed signs of stability and moved around 200 points plus than its lowest level in September last year.

Throughout the year the trading activity remained restricted to a limited segment of the market, however. That is whatever the trail blazer foreign portfolio investment favoured. Broader outlook still remained bleak pending the translation of the optimism in genuine growth and corporate profitability. Market capitalization of almost all the sectors save four, declined. Few companies dared to offer shares for subscription. Total amount offered for subscription was less than 50% of the figure for previous year and less than 11% of the year before that. Even for that offering the subscription was not forthcoming and only about a quarter of the amount offered was subscribed.

The new government announced several incentive packages aimed at reviving the economy. The financial sector also benefited from this. The issue of double taxation was finally resolved and mutual funds distributing 90% of their income were exempted from income tax. The withholding tax on Term Finance Certificates was also withdrawn to generate interest of the investors in such securities which give breadth to the market. These incentives

and several others are expected to increase the scope of mutual fund activities.

The presence of substantial discount in the market prices to their net asset Value of the mutual funds

has continued to persist. This is a worrying trend. It not only effects the shareholders but the

growth of the sector as well. There are several factors responsible for this, performance being one of them but not the sole cause. The performance of the close end mutual fund sector is a mix bag anyway and even the funds which have performed well do not witness this gap between NAV and market value narrowing. It appears that the major reason is the fact that the appetite for stock market investment so vigorously displayed by the general public until 1994 has subsided. The trading activity in the stock market has become restricted to a very small number of scrips leaving the broader market in the general depression which was set in three years ago. So the continued disparity between the performance of the funds and their market value is not peculiar to them and mutual funds too are victim of the disillusionment of the general public from the stock market. To remedy the situation at its level the Mutual Fund Association of Pakistan has started to collect NAVs of its members and to make it public regularly. At present these NAVs are being published in national press quarterly. Hopefully the disclosure will become more frequent, and as the stock market shakes off the lethargy of last couple of years the present discount inherent in the market prices of the close-end mutual fund will reduce.

The Saudi Pak has nominated Mr. Zulfiqar Hussain to replace Mr. Zaigham M. Rizvi on the Board of the fund. We welcome Mr. Zulfiqar Hussain and thank Mr. Zaigham M. Rizvi for his tremendous contribution towards the management of the fund.

During the year your fund earned Rs. 3,976,523 as dividend income - income form deposit and fixed income securities amounted to Rs. 5,637,205. In addition to that the value of marketable securities held by the fund also increased by Rs. 10,780,273.

	Rupees
Profit before taxes	16,782,902
Provision for taxes	2,078,129
Profit after taxes	14,704,773

M/s M. Yousuf Adil & Co., Chartered Accountants, retire and being eligible offer themselves for reappointment.

A statement showing pattern of share holding in the Company as at 30th June 1997 is attached. For and on behalf of the Board.

**Pattern of Holding of the Shares held by the Shareholders 1
As at June 30, 1997**

No. of Shares Holders		Share Holdings			Total Shares Held
111	From	1	to	100 Shares	11,100
14,441	From	101	to	500 Shares	7,183,000
15	From	501	to	1,000 Shares	15,000
18	From	1,001	to	5,000 Shares	46,000
9	From	5,001	to	10,000 Shares	82,000
1	From	10,001	to	15,000 Shares	11,300
2	From	40,001	to	45,000 Shares	84,000
1	From	995,001	to	1,000,000 Shares	1,000,000
1	From	1,565,001	to	1,570,000 Shares	1,566,900
-----					-----
14,599					10,000,000
=====					=====

Categories of Shareholders	Shares		
	Number	Held	Percentage
INDIVIDUALS	14,596	7,392,100	73.92 %
INVESTMENT COMPANIES	1	41,000	0.41%
JOINT STOCK COMPANIES	1	1,000,000	10.00 %
FINANCIAL INSTITUTIONS	1	1,566,900	15.67 %

	14,599	10,000,000	100.00 %
=====			

Auditors' Report to the Members

We have audited the annexed balance sheet of **SECURITY STOCK FUND LIMITED** as at June 30, 1997 and the related profit and loss account and statement of changes in financial position (Cash Flow Statement), 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 and, after due verification thereof, we report that:

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984 and Rule 16 of the Investment Companies and Investment

Adviser's Rules, 1971;

(b) in our opinion:

(i) been drawn up in conformity with the Companies Ordinance, 1984 and in accordance with the provisions of the Investment Companies and Investment Adviser's Rules, 1971 and are in agreement with the books of account and are further in accordance with accounting policies consistently by applied;

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

(iii) the business conducted, investments made and expenditure incurred during the period were in accordance with the investment policy of the company and Investment Companies and Investment Adviser's Rules, 1971; and

(iv) the company has not contravened the provisions of Rule 8 of the Investment Companies and Investment Adviser's Rules, 1971

(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 and the statement of changes in financial position (cash flow statement) together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 and Investment Companies and Investment Adviser's Rules, 1971, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 1997 and of the Profit and the changes in financial position for the year then ended; and

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

M. Yousuf Adil & Co.

Karachi: 13 November, 1997

Chartered Accountants

Balance Sheet as at June 30, 1997

Note	1997 Rupees	1996 Rupees
SHARE CAPITAL		
Authorised		
10,000,000 ordinary shares of Rs. 10/- each	100,000,000	100,000,000
	=====	=====
Issued, subscribed and paid-up		
10,000,000 ordinary shares of Rs. 10/- each fully paid in cash	100,000,000	100,000,000
Unallocated profit / (loss)	2,099,980	(12,604,793)
	-----	-----

102,099,980 87,395,207

DEFERRED EXPENDITURE	3	1,427,203	2,412,891
CURRENT LIABILITIES			
Current maturity of deferred expenditure		985,688	985,688
Due to Investment Adviser	4	5,507,088	3,652,631
Creditors and accrued expenses	5	41,219	216,735
Income Tax		2,384,287	759,658
		8,918,282	5,614,712

CONTINGENCIES	6	-----	-----
		112,445,465	95,422,810
		=====	=====

The annexed notes from I to 18 form an integral part of these accounts.

DEFERRED EXPENDITURE	7	2,038,228	3,023,916
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CURRENT ASSETS

Marketable Securities	8	91,793,947	48,901,565
Short term investment	9	4,000,000	26,000,000
Advances and other receivables	10	1,246,959	36,000
Cash and bank balances	11	13,366,331	17,461,329
		-----	-----
		110,407,237	92,398,894
		-----	-----
		112,445,465	95,422,810
		=====	=====

Profit and Loss Account

For the Year Ended June 30, 1997

	Note	1997 Rupees	1996 Rupees
REVENUE			
Capital (Loss)/Gain	12	(158,779)	1,621,503
Dividend income		3,976,523	934,207
Return on investment and bank deposits	13	5,637,205	7,660,719
		-----	-----
		9,454,949	10,216,429
EXPENDITURE			
Operating expenses	14	120,308	64,869
Amortization of deferred expenditure		985,688	985,688
Financial charges	15	304,324	402,725

Remuneration of investment advisor	2,042,000	1,747,904
	-----	-----
	3,452,320	3,201,186
Profit for the year	6,002,629	7,015,243
Reversal/(Provision) of diminution in value of marketable securities	10,780,273	(5,960,302)
	-----	-----
Profit before taxation	16,782,902	1,504,941
Provision for taxation		
Current year	1,245,115	1,652,143
Prior years'	833,014	--
	-----	-----
	(2,078,129)	(1,652,143)
	-----	-----
Profit/(Loss) for the year after taxation	14,704,773	(597,202)
Accumulated loss brought forward	(12,604,793)	(12,007,591)
	-----	-----
Unallocated profit/(loss) carried forward	2,099,980	(12,604,793)
	=====	=====

The annexed notes from 1 to 18 form an integral part of these accounts

Statement of Changes in Financial Position .

(Cash Flow Statement)

For the Year Ended June 30, 1997

	1997	1996
	Rupees	Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	16,782,902	1,054,941
Adjustment for items not involving movement of funds		
Amortization of deferred expenditure	985,688	985,688
Reversal/(Provision) of diminution in value of marketable securities	(10,780,273)	5,960,302
	-----	-----
	(9,794,585)	6,945,990
	-----	-----
Operating profit before working capital changes	6,988,317	8,000,931
EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES		
(Increase)/decrease in current assets		
Advances and other receivables	(651,500)	165,575
	-----	-----
	6,336,817	8,166,506
Increase/(decrease) in current liabilities		
Due to Investment Adviser	868,769	1,454,704

Creditors and accrued expenses	(175,516)	175,235
	-----	-----
	693,253	1,629,939
	-----	-----
Cash used in operations	7,030,070	9,796,445
Deferred expenditure paid	--	(1,013,308)
Income tax paid	(1,012,959)	(736,260)
	-----	-----
Net cash from operating activities	6,017,111	8,046,877
B. CASH USED IN INVESTING ACTIVITIES		
Marketable securities	(32,112,109)	(27,373,667)
Short term investment	22,000,000	(15,008,904)
	-----	-----
Net cash used in investing activities	(10,112,109)	(42,382,571)
	-----	-----
Net decrease in cash and cash equivalents	(4,094,998)	(34,335,694)
Cash and cash equivalent at the beginning of the year	17,461,329	51,797,023
	-----	-----
Cash and cash equivalents at the end of the year	13,366,331	17,461,329
	=====	=====

Notes to the Accounts

For the Year Ended June 30, 1997

1. STATUS AND NATURE OF BUSINESS

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These accounts has been prepared under the historical cost convention.

2.2 . Deferred expenditure

These are amortized over a period of five years from the year of deferment.

2.3 Taxation

The charge for current taxation is based on taxable income at the current tax rates after taking into account tax credits and rebates available, if any. The company accounts for deferred taxation arising on major timing difference, if any, by using the liability method.

2.4 Marketable securities

These are valued at lower of moving average cost and market value on an aggregate portfolio basis. Market value is taken from Karachi Stock Exchange quotations as on the last working day of the income year.

2.5 Revenue recognition

- a. Dividend income is taken as net of zakat and is recognized at the time of closure of share transfer books of the company declaring the dividend.
- b. Profit on short term investment and bank deposits are recognized on receipt basis.
- c. Sales and purchase of securities are recorded on the date of contract. Capital gains and losses on the sale of securities are accounted for in the year in which they arise.

	1997 Rupees	1996 Rupees
3. DEFERRED EXPENDITURE PAYABLE		
Opening balance	3,398,579	4,411,887
Paid during the year/transferred to their current account	985,688	1,013,308
	-----	-----
	2,412,891	3,398,579
Shown under current liabilities		
Installments due within one year	985,688	985,688
	-----	-----
	1,427,203	2,412,891
	=====	=====

The expenditure incurred on the incorporation and floatation of Security Stock Fund Limited has been paid by the Security Fund Management Limited.

As per Investment Companies and Investment Adviser' s Rules, 1971, these expenses are to be repaid by Security Stock Fund Limited over a period of five years in equal installment. Mark up is being charged at the rate of 10% accruing from the month in which the expenditure was incurred.

4. DUE TO INVESTMENT ADVISOR - AN ASSOCIATED COMPANY

Opening balance	3,652,631	2,197,927
2 percent of net assets (note 4.1)	2,042,000	1,747,904
Transfer of deferred expenditure installment	985,688	--
Balance due on account of mark up on deferred expenditure payable	107,413	144,879
	6,787,732	4,090,710
Paid/adjusted during the year + overdue installment	(1,280,644)	(438,079)
	-----	-----

5,507,088 3,652,631
 ===== =====

4.1 The Investment Adviser is entitled to a remuneration of 2 percent of the net assets of the company for the first five years of Investment Company's existence and thereafter @ 1% of net assets of the Company in terms of Rule 11(a) of the Investment Companies and Investment Adviser's Rules, 1971 which is determined as under :-

ASSETS

Deferred expenditure	2,038,228	3,023,916
Marketable securities	91,793,947	48,901,565
Short term investment	4,000,000	26,000,000
Advances and other receivables	1,246,959	36,000
Cash and bank balances	13,366,331	17,461,329
	-----	-----
	112,445,465	95,422,810

LIABILITIES

Deferred expenditure payable	1,427,203	2,412,891
Current maturity of deferred expenditure	985,688	985,688
Due to Investment Adviser	5,507,088	3,652,631
Creditors and accrued expenses	41,219	216,735
Income tax	2,384,287	759,658
	-----	-----
	(10,345,485)	(8,027,603)
	-----	-----
	102,099,980	87,395,207
	=====	=====
2 percent of net assets	2,042,000	1,747,904
	=====	=====

1997 1996
Rupees Rupees

5. CREDITORS AND ACCRUED EXPENSES

Creditors	--	180,000
Accrued expenses	41,219	36,735
	-----	-----
	41,219	216,735
	=====	=====

6. CONTINGENCIES

Tax demand not acknowledged and challenged in appeal assessment years 1995-96 to 1996-97.	--	733,301
	=====	=====

7. DEFERRED EXPENDITURE

Expenses incurred on incorporation and floatation	3,023,916	4,009,604
Amortized during the year	(985,688)	(985,688)
	-----	-----
	2,038,228	3,023,916
	=====	=====

8. MARKETABLE SECURITIES

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

	NO. OF SHARES				BALANCE AT JUNE 30, 1997		% IN RELATION TO			Inv. Cos. Paid-up capital	No. of Shares
	Opening Balance July 01, 96		Purchases	Bonus	Sales	No. of Shares	At Cost	At Market Value	Own net assets		
	Rupees	Rupees									
MODARABAS											
Equity International Modaraba	25,000	--	--	--	25,000	214.25	100.00	0.21%	0.07%	0.17%	
First Habib Bank Modaraba	16,900	--	--	--	16,900	119,947	96,330	0.21%	0.02	0.04%	
First Ibrahim Modaraba	6,1100	--	--	--	6,000	51,180	22.50	0.05%	0.02%	0.05%	
Modaraba AI-Mali	25,000	--	--	--	25,000	211,975	86,250	0.21%	0.05%	0.14%	
First Professional Modaraba	21,000	--	--	--	21,000	171,480	73,500	0.17%	0.09%	0.27%	
Punjab Modaraba	500,000	--	--	425,000	75,000	467,700	525.00	0.47%	0.15%	0.22%	
Trust Modaraba	250,000	--	--	--	250,000	2,033,000	1,875,000	1.99%	0.69%	0.92%	
LEASING COMPANY											
Dawood Leasing Limited	20,000	--	--	--	20,000	225,600	140,000	0.22%	0.06%	0.08%	
INVESTMENT COMPANIES/BANKS											
Askari Commercial Bank Ltd.	--	130,000	15,000	30,000	115,000	2,845,800	3,191,250	2.79%	0.34%	0.12%	
Bank AI Habib Ltd.	--	165,500	--	--	165,500	5,166,350	4,716,750	5.06%	1.43%	0.50%	
Bankers Equity Ltd.	13,175	--	--	10,000	3,175	124,504	29,369	0.12%	--	--	
Bank of Punjab Ltd.	52,000	--	2,925	32,500	22,425	467,063	506,805	0.46%	0.07%	0.03%	
First International Investment Bank L	19,100	--	--	--	19,100	428,340	191,000	0.42%	0.11%	0.11%	
Muslim Commercial Bank Ltd.	10,800	55,000	--	29,500	36,300	1,296,318	1,188,825	1.27%	0.07%	0.02%	
Prime Commercial Bank Ltd.	42,320	--	6,348	--	48,668	1,240,673	545,082	1.22%	0.18%	0.16%	
Pakistan Industrial Credit and Inv. Corp.	114,800	--	--	20,000	94,800	2,199,661	876,900	2.15%	0.14%	0.15%	
INSURANCE											
International General Insurance Company of Pakistan Ltd.	--	50,000	10,000	--	60,000	3,912,700	4,095,000	3.83%	7.43%	1.09%	
TEXTILE SPINNING											
Ahmed Hasan Textile Mills Ltd.	25,000	--	--	--	25,000	226,458	202,500	0.23%	0.24%	0.30%	
ldrees Textiles Mills Ltd.	25,000	--	--	--	25,000	140,750	95,000	0.14%	0.06%	0.17%	
Maqbool Textiles Mills Ltd.	21,000	--	--	--	21,000	143,230	126,000	0.14%	0.15%	0.25%	
Suraj Cotton Mills Ltd.	26,000	--	--	--	26,000	211,255	107,900	0.21%	0.12%	0.29%	
Suraj Textiles Mills Ltd.	7,500	--	--	--	7,500	36,225	41,250	0.05%	0.02%	0.03%	
TEXTILE WEAVING											
Elahi Spinning & Weaving Mills Ltd.	1,000	--	--	--	1,000	6,380	2,750	0.01%	--	0.01%	
Kohinoor Weaving Mills Ltd.	--	100,000	--	--	100,000	1,310,000	1,000,000	0.31%	0.71%	0.71%	
Mohib Export Ltd.	25,000	--	--	--	25,000	178,250	56,250	0.17%	0.04%	0.17%	
TEXTILE COMPOSITE											
52,JA7	52,447	--	5,244	--	57,691	1,160,950	1,160,950	1.16%	0.33%	0.21%	
Kohinoor Industries Ltd.	29,315	--	--	--	29315	381,628	102,603	0.38%	0.03%	0.10%	
Nishat Mills Ltd.	5,000	--	--	100,000	40,000	1,277,260	800,000	1.28%	0.08%	0.04%	
Sapphire Fibre Ltd.	25,000	--	--	--	25,000	521,333	850,000	0.53%	0.61%	0.18%	

SYNTHETIC & RAYON

Ibrahim Fibre Ltd.	525,000	200,000	--	200,000	525,000	6,097,250	4,331,250	6.09%	0.22%	0.26%
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SUGAR AND ALLIED

AI-Abbas Sugar Mills Ltd.	25,000	--	--	--	25,000	202,375	143,750	0.20 %	0.08 %	0.14 %
Haseb Waqas Sugar Mills Ltd.	325.00	--	--	--	325,000	2,835,400	1,706,250	2.78 %	0.53 %	1.00 %

CEMENT

Cherat Cement Ltd.	125,000	--	--	--	125,000	7,483,000	2,568,750	7.33 %	0.67 %	0.32 %
D.G.Khan Cement Ltd.	--	11,000	--	11,000	--	--	--	--	--	--
Maple leaf Cement Ltd	248,062	500,000	--	248,062	500,000	5,000,000	4,250,000	5.00 %	0.33 %	0.38%

TOBACCO

Pakistan Tobbaco Ltd	--	20,000	--	--	20,000	831,000	550,000	0.83%	0.17%	0.06%
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FUEL AND ENERGY

Genertech Pak Ltd	40,000	--	--	--	40,000	900,000	414,000	0.90 %	0.23%	0.22%
Ibrahim Energy Ltd.	31,250	25,000	--	--	56,250	811,050	618,750	0.81%	0.50%	0.45%
Marl Gas Company Ltd.	42,000	--	--	--	42,000	1,115,300	892,500	1.11%	0.43%	0.20%
Shell Pakistan Ltd.	--	25,000	--	--	25,000	5,266,333	5,875,000	5.26 %	2.51%	0.11%
Sitara Energy Ltd	--	123,000	--	--	123,000	3,149,400	2,736,750	3.16 %	1.43%	0.64%

ENGINEERING

Crescent Steel Ltd	--	30,000	4,500	-	34,500			1.12 %	0.56 %	0.20 %
						L116,400	983.25			

AUTO AND ALLIED

Indus Motors Ltd.	--	60,000	--	4,500	55,500	827,366	735,375	0.83%	0.09%	0.07%
Pak Suzuki Motor Ltd.	40.00	--	--	10,000	300,130	1,627,125	1,500,000	1.63%	0.61%	0.12%

COMMUNICATION

Pakistan Telecommunication Corp. Ltd	75,000	--	--	75,000	--	--	--	--	--	--
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CHEMICAL AND PHARMACEUTICAL

Engro Chemical (Pakistan) Ltd.	70,656	--	17,664	35,000	53,320	5,389,957	7,642,760	5.39%	0.28%	0.02%
Fauji Fertilizer Company LTD.	20,000	105,000	--	50,000	75,000	5,555,082	5,962,500	5.55%	0.08%	0.01%
I.C.I. Pakistan Ltd.	--	450,000	--	450,000	--	--	--	--	--	--
Sitara Chemical Industries Ltd.	--	75,000	--	--	75,000	2,902,500	2,737,500	2.84%	1.86%	0.51%

PAPER AND BOARD

Packages Ltd.	--	50,000	6,000	--	56,000	2,362,500	3,472,000	2.36%	5.09%	0.82%
---------------	----	--------	-------	----	--------	-----------	-----------	-------	-------	-------

GLASS & CERAMICS

Shabbir Tiles Ltd.	--	300,000	--	--	300,000	4,200,000	4,110,000	4.20%	1.37%	1.28%
--------------------	----	---------	----	----	---------	-----------	-----------	-------	-------	-------

MISCELLANEOUS

Tripack Films Ltd.	--	250,000	--	250,000	--	--	--	--	--	1.00%
--------------------	----	---------	----	---------	----	----	----	----	----	-------

TFC's

Sui Southern Gas Co, Ltd,	1,606	--	--	--	1,606	6,415,246	8,030,000	6.41%	1.61%	--
---------------------------	-------	----	----	----	-------	-----------	-----------	-------	-------	----

(Rs. 5,000 each)

I.C.I. Pakistan Ltd.	--	2,000	--	--	2,000	9,144,947	10,002,000	9.14%	1.00%	--
----------------------	----	-------	----	----	-------	-----------	------------	-------	-------	----

(Rs. 5,000 each)

100,003,089 91,793,947

Less: Provision for diminution in value of marketable securities

Opening balance

18,989,415

During the year

(10,780,273)

(8,209,142)

1997 Rupees

91,793,947 91,793,947

=====

1996 Rupees

67,890,980 48,901,565

=====

	1997	1996
	Rupees	Rupees

9. SHORT TERM INVESTMENT

Certificate of Investment	4,000,000	26,000,000
These Certificates of Investment have been obtained from an associated Investment Bank and carry a return of @ 15.5% to 17.50% per annum.	=====	=====

10. ADVANCES AND OTHER RECEIVABLES

Considered good		
Advance income tax	559,459	--
Dividend	687,500	36,000
	-----	-----
	1,246,959	36,000
	=====	=====

11. CASH AND BANK BALANCES

With banks		
In current account	8,501	87,416
In PLS accounts	357,830	4,373,913
In deposit accounts	13,000,000	13,000,000
	-----	-----
	13,366,331	17,461,329
	=====	=====

12. CAPITAL GAINS/(LOSS)

Sale of securities	40,816,257	23,849,563
Less: Cost of sales		
Opening stock	67,890,980	40,517,313
Purchase	72,841,745	49,478,876
Stamp duties	245,400	122,851
Closing stock	(100,003,089)	(67,890,980)
	-----	-----
	(40,975,036)	(22,228,060)

	-----	-----
	(158,779)	1,621,503
	=====	=====

13. RETURN ON DEPOSITS AND CERTIFICATES

Profit on short term investment	2,558,167	1,522,225
Profit on PLS accounts	125,130	181,476
Profit on deposit accounts with banks	2,647,499	5,915,005
Profit on TFCs	306,409	42,013
	-----	-----
	5,637,205	7,660,719
	=====	=====
	1997	1996
	Rupees	Rupees

14. OPERATING EXPENSES

Auditors' Remuneration		
Audit fee	30,000	30.00
Out of pocket expenses	4,784	3,592
	-----	-----
	34,784	33,592
Custodian fee	85,524	31,277
	-----	-----
	120,308	64,869
	=====	=====

15. FINANCIAL CHARGES

Mark up on deferred expenditure	302,392	400,960
Bank charges	1,932	1,765
	-----	-----
	304,324	402,725
	=====	=====

16. TAXATION

Assessment have been finalized upto assessment year 1996-97 accounting year ended on June 30. 1996. Appeal has been filed against the orders for accounting year 1995-96 and 1996-97 challenging the basis of allocation of expenses and calculation. However, Provision has been made for the tax demanded.

17. TRANSACTIONS WITH ASSOCIATED UNDERTAKING

Remuneration of Investment Adviser	2,042,000	1,747,895
Deferred expenditure reimbursed	--	1,013,308
Mark up on deferred expenditure	302,392	400,960
Certificates of Investment	4,000,000	10,000,000
Return received on Certificate of Investment	--	709,850

18. GENERAL

Figures have been rounded off to the nearest Rupee.

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

**Statement of Income and Expenditure
in Relation to the Investment Company
For the Year Ended June 30, 1997**

**1997
Rupees**

INCOME

Remuneration from Security Stock Fund Limited	1,135,765
Mark up on Deferred Expenditure	339,858

	1,475,623

OPERATING EXPENSES

Salary Wages & Other benefits	649,600
Rent Expenses	159,082
Postage	17,231
Telephone and Electricity	22,881
Travelling and Conveyance	17,000
Printing and Stationery	253,301
Fees & Subscription	57,500
Membership Mutual Fund Association	37,500
Computer Supplies	14,510
Audit Fee	4,000
Depreciation	73,773
Miscellaneous Expenses	16,179
Insurance	44,016
Staff Welfare	16,003
News Subscription	11,439
Entertainment	7,500
Advertisement Expense	29,040
Legal & Professional charges	20,000
Treasury Challan	9,625

	1,460,180
Financial Expenses	140

	1,460,320
Profit for the year	15,303
	=====

NOTE: Out of the total amount of remuneration to investment advisor provided by the Investment Company in its accounts only Rs.1,135,765 have been received.