

**PAKISTAN  
STRATEGIC ALLOCATION FUND**

# CONTENTS

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<b>Fund's Information</b>	<b>172</b>
<b>Report of the Directors of the Management Company</b>	<b>173</b>
<b>Trustee Report to the Unit Holders</b>	<b>174</b>
<b>Auditors' Report to the Unit Holders on Review of Condensed Interim Financial Information</b>	<b>175</b>
<b>Condensed Interim Statement of Assets and Liabilities</b>	<b>176</b>
<b>Condensed Interim Income Statement (Un-audited)</b>	<b>177</b>
<b>Condensed Interim Distribution Statement (Un-audited)</b>	<b>178</b>
<b>Condensed Interim Statement of Movement in Unit Holders' Funds (Un-audited)</b>	<b>179</b>
<b>Condensed Interim Cash Flow Statement (Un-audited)</b>	<b>180</b>
<b>Notes to and forming part of the Condensed Interim Financial Information (Un-audited)</b>	<b>181</b>

## FUND'S INFORMATION

<b>Management Company</b>	Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Board of Directors of the Management Company</b>	Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman(subject to the approval of SECP) Executive Vice Chairman Chief Executive (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director Director (subject to the approval of SECP)
<b>Chief Financial Officer &amp; Company Secretary of the Management Company</b>	Mr. Muhammad Saqib Saleem	
<b>Audit Committee</b>	Mr. Nasim Beg Mr. Haroun Rashid Mr. Samad A. Habib Mr. Ali Munir	
<b>Trustee</b>	Central Depository Company of Pakistan Limited CDC House, 990B, Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
<b>Bankers</b>	MCB Bank Limited Habib Metropolitan Bank Limited Bank Alfalah Limited Bank Al-Habib Limited Standard Chartered Bank (Pakistan) Limited	
<b>Auditors</b>	M. Yousuf Adil Saleem & Co. Chartered Accountants Cavish Court, A-35, Block 7 & 8, KCHSU, Shahrah-e-Faisal, Karachi.	
<b>Legal Advisor</b>	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
<b>Transfer Agent</b>	Arif Habib Investments Limited 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.	
<b>Rating</b>	AM2 (Positive Outlook) Management Quality Rating assigned by PACRA	

# **REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011**

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Dear Investor,

On behalf of the Board of Directors, I am pleased to present Pakistan Strategic Allocation Fund's accounts review for the first half ended December 31, 2011.

## **EQUITIES MARKET OVERVIEW**

Bearish trend continued at the local bourses with the KSE-100 index went down by 9.2% during the period under review with abysmally low volumes. Attractive valuations were marred by the dearth of liquidity, extremely volatile global markets and fragile domestic economic and geo-political conditions. Deteriorating macroeconomic balances coupled with rising tension in the political arena restrained local investors from taking counter positions against foreigners, which remained net seller during the period with a net FIPI outflow of over US\$ 151 million. Even a cumulative reduction in DR of 200 bps by the SBP during early part of the period failed to generate strong momentum among equity investors due to fear of aggressive sell off by foreign investors as well as lack of clarity on political and macro fronts. Sector-wise, Chemicals and Oil & Gas sectors remained centre of major activity although interest was also seen in few other stocks related to various sectors based on their respective fundamentals and valuations.

## **FUND PERFORMANCE**

During the period under review, the fund outperformed KSE100 index by delivering -5.7% return as compared to KSE100 index return of -9.2%. Substantial changes were made in sector and company allocations during the quarter on the back of changing fundamentals. Overall equity exposure of the fund was declined to 77.3% from 91.3% at the beginning. On sector level, allocations were increased in Oil & Gas and Fixed Line Telecom while allocations of Banks, Personal Goods, Construction Materials and Chemicals were reduced.

## **FUTURE OUTLOOK**

Although the external environment may remain challenging in the near term, the stock market may find support from the December earnings season with a focus on dividend laden results including Banking, Electricity and Chemicals Sectors and could redraw attention to the fundamental strength in the listed companies. Strong earnings growth, high dividend yield and relatively cheaper valuations offer decent returns for long term investors in our opinion.

## **ACKNOWLEDGMENT**

The Board is thankful to the Fund's valued investors, the Securities and Exchange Commission of Pakistan and the Trustees of the Fund for their continued cooperation and support. The Directors also appreciate the efforts put in by the management team.

On behalf of Directors,

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Yasir Qadri  
Chief Executive Officer  
Dated: January 27, 2012

## TRUSTEE REPORT TO THE UNIT HOLDERS

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### Report of the Trustee pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We Central Depository Company of Pakistan Limited, being the Trustee of Pakistan Strategic Allocation Fund (the Fund) are of the opinion that Arif Habib Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2011 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

**Muhammad Hanif Jakhura**

Chief Executive Officer

Central Depository Company of Pakistan Limited

Karachi: February 24, 2012

# AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

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## *Introduction*

We have reviewed the accompanying condensed interim statement of assets and liabilities of Pakistan Strategic Allocation Fund (the Fund) as at December 31, 2011, and the related condensed interim income statement, condensed interim distribution statement, condensed interim cash flow statement, and condensed interim statement of movement in unit holders' fund together with notes forming part thereof (here-in-after referred to as the 'interim financial information') for the six month period ended December 31, 2011. Management Company (Arif Habib Investments Limited) is responsible for the preparation and fair presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim income statement, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in unit holders' fund for the quarters ended December 31, 2011 and 2010 have not been reviewed, as we are required to review only the cumulative figures for the six month period ended December 31, 2011.

## *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the six month period ended December 31, 2011 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

## *Emphasis of matter*

We draw attention to note 8 to the accompanying interim financial information which refers to an uncertainty relating to the future outcome of litigation regarding contribution to the Workers' Welfare Fund, which is currently pending adjudication at the Honorable High Court of Sindh. Our opinion is not qualified in respect of this matter.

Chartered Accountants

Engagement Partner  
Mushtaq Ali Hirani

Karachi  
Dated: January 27, 2012

# CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT 31 DECEMBER 2011

	(Unaudited) December 31 2011	(Audited) June 30 2011
<i>Note</i>	----- (Rupees in '000') -----	
<b>Assets</b>		
Balances with banks	122,995	42,757
Investments	5 434,577	577,894
Advances, deposits and other receivables	2,996	3,122
Dividend and profit receivable	1,862	4,073
Receivable against sale of investments	-	4,872
<b>Total assets</b>	<u>562,430</u>	<u>632,718</u>
<b>Liabilities</b>		
Payable to the Management Company	1,089	1,124
Payable to the Trustee	190	113
Payable to Securities and Exchange Commission of Pakistan	278	1,485
Unclaimed dividend	12,391	12,654
Accrued expenses and other liabilities	6 7,456	9,100
<b>Total liabilities</b>	<u>21,404</u>	<u>24,476</u>
<b>NET ASSETS</b>	<u><u>541,026</u></u>	<u><u>608,242</u></u>
<b>Unit holders funds (as per statement attached)</b>	<u><u>541,026</u></u>	<u><u>608,242</u></u>
	(Number of Units)	
Number of units in issue	<u><u>69,140,664</u></u>	<u><u>70,019,863</u></u>
	----- (Rupees) -----	
Net assets value per unit (Face value per unit Rs. 10/- each)	<u><u>7.83</u></u>	<u><u>8.69</u></u>

The annexed notes form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited  
(Management Company)

Yasir Qadri  
Chief Executive Officer

Nasim Beg  
Director

# CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

		Half year ended		Quarter ended	
		December 31,		December 31,	
Note		2011	2010	2011	2010
----- (Rupees in '000') -----					
<b>Income</b>					
		(5,675)	81,430	(489)	36,689
	Capital (loss) / gain on sale of investments - net				
	Income from government securities	2,800	49,368	1,963	27,662
	Income from placements with financial institutions	-	616	-	-
	Dividend income	16,860	47,646	10,962	19,007
	Profit on bank deposits	3,777	5,586	2,520	4,267
		17,762	184,646	14,956	87,625
	Impairment loss on financial assets classified as 'available for sale'	-	(383)	-	-
	Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	400	(120,476)	34	(120,476)
	Unrealised (diminution) / appreciation in value of investments				
	'at fair value through profit or loss' - net	5.4	(38,939)	129,542	(45,502)
	Total (loss) / income		131,831		98,980
		(20,777)	193,329	(30,512)	98,980
<b>Operating expenses</b>					
	Remuneration of the Management Company	5,846	22,032	2,898	9,559
	Sales tax on remuneration of the Management Company	7	935	-	463
	Remuneration of the Trustee		585	1,207	290
	Annual fee - Securities and Exchange Commission of Pakistan		278	1,047	138
	Securities transaction cost		1,693	4,097	812
	Conversion cost		-	7,600	-
	Custody, settlement and bank charges		152	411	74
	Fees and subscription		200	428	150
	Printing and related cost		285	132	228
	Auditors' remuneration		251	259	158
	<b>Total operating expenses</b>		10,225	37,213	5,211
					21,305
	<b>Net (loss) / income for the period</b>		(31,002)	156,116	(35,723)
					77,675
	Taxation	9	-	-	-
					-
	Net (loss) / income after taxation		(31,002)	156,116	(35,723)
					77,675
<b>Other comprehensive loss for the period</b>					
	Unrealised diminution in value of investments				
	classified as 'available for sale'	5.5	(672)	(16,761)	(1,263)
					(1,237)
	<b>Total comprehensive (loss) / income for the period</b>		(31,674)	139,355	(36,986)
					76,438
	Earnings per unit	10			

The annexed notes form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited  
(Management Company)

Yasir Qadri  
Chief Executive Officer

Nasim Beg  
Director



# CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

	Half year ended December 31,		Quarter year ended December 31,	
	2011	2010	2011	2010
	------(Rupees in '000')-----			
Accumulated loss brought forward				
- Realised loss	(132,219)	(307,473)	(151,492)	(154,383)
- Unrealised gain / (loss)	39,590	(198,654)	33,717	(619,323)
	(92,629)	(506,127)	(117,775)	(773,706)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net				
- amount representing unrealised capital (gains) / losses and capital (gains) / losses that form part of the unit holders' fund transferred to distribution statement	1,502	459,265	3,116	459,265
Net (loss) / income after taxation	(31,002)	156,116	(35,723)	77,675
	(29,500)	615,381	(32,607)	536,940
Final bonus dividend @ Rs. 0.4035 per unit (2010: cash dividend @ 1.1534 per certificate)	(28,253)	(346,020)	-	-
Unallocated loss carried forward	(150,382)	(236,766)	(150,382)	(236,766)
Represented by:				
- Realised loss	(137,426)	(298,079)	(137,426)	(298,079)
- Unrealised gain / (loss)	(12,956)	61,313	(12,956)	61,313
	(150,382)	(236,766)	(150,382)	(236,766)

The annexed notes form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited  
(Management Company)

Yasir Qadri  
Chief Executive Officer

Nasim Beg  
Director

# CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

	Half year ended December 31,		Quarter ended December 31,	
	2,011	2010	2,011	2010
	------(Rupees in '000')-----			
Net assets at beginning of the period	608,242	2,531,171	593,166	2,248,068
Issue of 300,000,000 units at the time of conversion	-	3,000,000	-	3,000,000
Cancellation of 300,000,000 certificates at the time of conversion	-	(3,000,000)	-	(3,000,000)
	-	-	-	-
Amount received on issue of 572,589.67 units (2010: 657,917 units)	4,618	5,389	4,428	5,389
Bonus units issued 3,408,083.80 (2010: Nil)	28,253	-	-	-
Amount paid / payable on redemption of 4,859,871.94 units (2010: 165,574,893 units)	(39,760)	(1,315,770)	(19,548)	(1,315,770)
	(6,889)	(1,310,381)	(15,120)	(1,310,381)
	601,353	1,220,790	578,046	937,687
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed :				
- amount representing accrued (income) / loss and capital (gains) / losses - transferred to income statement	(400)	120,476	(34)	120,476
- amount representing unrealised capital (gains) / losses and capital (gains) / losses that form part of the unit holders' fund transferred to distribution statement	(1,502)	(459,265)	(3,116)	(459,265)
	(1,902)	(338,789)	(3,150)	(338,789)
Net (loss) / income for the period transferred from distribution statement	(29,500)	615,381	(32,607)	536,940
Unrealised (diminution) / appreciation in value of investments classified as 'available for sale'	(672)	(16,761)	(1,263)	(1,237)
Final bonus dividend @ Rs. 0.4035 per unit (2010: cash dividend @ 1.1534 per certificate)	(28,253)	(346,020)	-	-
Net assets at the end of the period	541,026	1,134,601	541,026	1,134,601
	-----Rupees-----			
Net assets value per unit (Face value per unit Rs. 10/- each)	7.83	8.40	7.83	8.40

The annexed notes form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited  
(Management Company)

Yasir Qadri  
Chief Executive Officer

Nasim Beg  
Director

# CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

	Half year ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
	----- (Rupees in '000') -----			
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net (loss) / income for the period	(31,002)	156,116	(35,723)	77,675
<b>Adjustments for :</b>				
Impairment loss on financial assets classified as 'available for sale'	-	383	-	-
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	(400)	120,476	(34)	120,476
Unrealised diminution / (appreciation) in value of investments 'at fair value through profit or loss' - net	38,939	(129,542)	45,502	(131,831)
Dividend income	(16,860)	(47,646)	(10,962)	(19,007)
	(9,323)	99,787	(1,217)	47,313
<b>Decrease / (increase) in assets</b>				
Investments	103,706	1,441,744	74,208	1,233,933
Advances, deposits and prepayments	126	(154)	125	127
Profit receivable	(1,307)	976	(1,245)	(496)
Receivable against sale of investments	4,872	127,266	4,728	4,903
	107,397	1,569,832	77,816	1,238,467
<b>Increase / (decrease) in liabilities</b>				
Payable to the Management Company	(35)	5,644	(21)	6,168
Payable to the Trustee	77	(21)	94	(26)
Payable to Securities and Exchange Commission of Pakistan	(1,207)	(1,430)	138	455
Payable against purchase of investments	-	209	-	209
Accrued expenses and other liabilities	(1,644)	1,956	(1,829)	2,083
	(2,809)	6,358	(1,618)	8,889
	95,265	1,675,977	74,981	1,294,669
Dividend received	20,378	47,646	13,951	40,860
<b>Net cash generated from operating activities</b>	115,643	1,723,623	88,932	1,335,529
<b>B. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Cash received from units sold	4,618	5,389	4,428	5,389
Cash paid on units redeemed	(39,760)	(1,315,770)	(19,548)	(1,315,770)
Dividend paid	(263)	(342,253)	(263)	(152,323)
<b>Net cash used in financing activities</b>	(35,405)	(1,652,634)	(15,383)	(1,462,704)
<b>Net increase / (decrease) in cash and cash equivalents</b>	80,238	70,989	73,549	(127,175)
Cash and cash equivalents at beginning of the period	42,757	38,860	49,446	237,024
<b>Cash and cash equivalents at end of the period</b>	122,995	109,849	122,995	109,849

The annexed notes form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited  
(Management Company)

Yasir Qadri  
Chief Executive Officer

Nasim Beg  
Director

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

## 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Pakistan Strategic Allocation Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (AHIL) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee on May 26, 2004. The Management Company of the Fund obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake asset management services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).
- 1.2 Based on shareholders' resolutions of MCB Asset Management Company Limited and Arif Habib Investments Limited the two companies have merged as of 27 June 2011 through operation of an order from the SECP issued under Section 282L of the Companies Ordinance 1984 (Order through letter no.SCD/NBFC-II/MCBAMCL & AHIL/271/2011 dated 10 June 2011). Arif Habib Investments Limited being a listed company is the surviving entity and in compliance of SBP's approval, it is a subsidiary of MCB Bank. However subsequent to the completion of the merger, the SECP issued an order postponing the effective date of the merger to 30 July 2011 (through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AHIL/348/2011 dated 27 June 2011). Since the merger had already taken place and the subsequent order of the SECP could not be complied with, the Company has sought a ruling by the honorable Sindh High Court (SHC). The honorable Sindh High Court (SHC) has held the SECP's subsequent order in abeyance and instructed SECP to treat the companies as merged pending a final ruling. Irrespective of the final ruling, the Fund's assets and NAV remain unaffected.
- 1.3 Formation of the Fund as a closed-end fund was authorised by SECP on May 13, 2004, however with effect from November 11, 2010 the Fund was converted into open-end fund. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.
- 1.4 "The Fund is an open-ended fund listed on the Karachi Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund."
- 1.5 The Pakistan Credit Rating Agency Limited (PACRA) has assigned asset manager rating of 'AM2' dated February 09, 2011 to the Management Company and 3-Star Normal and 4-Star Long Term to the Fund dated September 22, 2011.
- 1.6 The Fund primarily invests in listed equity securities. It also invests in cash instruments and treasury bills not exceeding 90 days maturities.
- 1.7 This condensed interim financial information is presented in Pak Rupees which is the functional and presentation currency of the Fund.
- 1.8 Title to the assets of the Fund is held in the name of the Trustee.

## 2. STATEMENT OF COMPLIANCE

- 2.1 This condensed interim financial information have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.
- 2.2 This condensed interim financial information comprise of condensed interim statement of assets and liabilities, condensed interim income statement, condensed interim cash flow statement, condensed interim distribution statement and condensed interim statement of movement in unit holders' fund together with the notes forming part thereof. The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34, 'Interim Financial Reporting'. It does not include all the information and disclosures made in the annual published financial statement and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2011. Comparative information of the condensed interim income statement, condensed interim cash flow statement, condensed interim distribution statement and condensed interim statement of movement in unit holders' fund for the half year ended December 31, 2011 and the quarter ended December 31, 2011 are un-audited and have been included to facilitate comparison.

- 2.3 This condensed interim financial information is unaudited. However, limited scope review has been performed by the statutory auditors in accordance with the requirements of clause (xxi) of the Code of Corporate Governance and this condensed interim financial information are being circulated to the unit holders as required under the NBFC Regulations.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual published financial statements of the Fund for the year ended June 30, 2011.

### 4. STANDARDS AND INTERPRETATIONS ADOPTED WITH NO EFFECT ON THE CONDENSED INTERIM FINANCIAL INFORMATION

#### 4.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period:

The following new standards and amendments to existing standards are mandatory for the first time for the financial year beginning July 1, 2011:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The adoption of the revised standard did not have any impact on the Fund's condensed interim financial information.

IFRS 7 (amendment) 'Financial instruments: Disclosures'. This amendment was part of the IASB's annual improvement project published in May 2010. The amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. Adoption of this amendment did not have any impact on the Fund's condensed interim financial information.

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the period and are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not disclosed in this condensed interim financial information.

#### 4.2 Standards, interpretations and amendments to published approved accounting standards, as adopted in Pakistan, that are not yet effective:

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that are mandatory for accounting periods beginning on or after July 1, 2012 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in this condensed interim financial information.

### 5. INVESTMENTS

#### At fair value through profit or loss

Listed equity securities  
Government securities

Note	(Unaudited) December 31 2011	(Audited) June 30 2011
	.....(Rupees in '000').....	

5.1	434,577	571,670
5.2	-	-
	<u>434,577</u>	<u>571,670</u>

#### Available for sale

Listed equity securities

5.3	-	6,224
	<u>434,577</u>	<u>577,894</u>

**NOTES TO AND FORMING PART OF THE CONDENSED  
INTERIM FINANCIAL INFORMATION (UN-AUDITED)**

**FOR THE HALF YEAR AND  
QUARTER ENDED DECEMBER 31, 2011**

**5.1 Listed equity securities 'at fair value through profit or loss'**  
(Face value of Rs. 10/- each unless stated otherwise)

Name of the Investee Company	As at July 1, 2011	Purchases during the period	Bonus/ Rights issue	Sales during the period	As at December 31, 2011	Balance as at December 31, 2011			Market value as percentage of total investments	Paid up value of shares as percentage of total paid up capital of the investee company
						Cost	Market value	Appreciation/(Diminution)		
<b>OIL AND GAS</b>										
Attock Petroleum Limited	-	82,884	-	36,000	46,884	18,255	19,340	1,085	3.57	0.05
Attock Refinery Limited	-	40,000	-	40,000	-	-	-	-	-	-
National Refinery Limited	-	23,000	-	14,247	8,753	2,689	2,124	(565)	0.39	0.01
Oil & Gas Development Company Limited	-	158,000	-	20,000	138,000	19,962	20,924	962	3.87	0.00
* Pakistan Oilfield Limited	165,354	40,000	-	102,500	102,854	27,880	35,634	7,754	6.59	0.04
* Pakistan Petroleum Limited	274,933	104,046	22,015	123,775	277,219	41,199	46,662	5,463	8.62	0.02
Pakistan State Oil Company Limited	137,700	145,610	-	132,589	150,721	38,332	34,245	(4,087)	6.33	0.09
						<b>148,317</b>	<b>158,929</b>	<b>10,612</b>	<b>29.38</b>	
<b>CHEMICALS</b>										
Engro Corporation Limited	330,472	280,469	-	372,500	238,441	27,905	22,103	(5,802)	4.09	0.06
Fatima Fertilizer Company Limited	1,385,385	1,250,000	-	1,885,000	750,385	17,270	17,199	(71)	3.18	0.04
Fauji Fertilizer Bin Qasim Limited	508,804	-	-	508,804	-	-	-	-	-	-
Fauji Fertilizer Company Limited	-	451,622	-	183,000	268,622	46,164	40,170	(5,994)	7.42	0.03
						<b>91,339</b>	<b>79,472</b>	<b>(11,867)</b>	<b>14.69</b>	
<b>CONSTRUCTION AND MATERIALS</b>										
Lucky Cement Limited	478,400	200,000	-	405,000	273,400	20,087	20,516	429	3.79	0.08
<b>GENERAL INDUSTRIALS</b>										
Packages Limited	616,575	-	-	616,574	1	-	-	-	-	0.00
<b>AUTOMOBILE AND PARTS</b>										
Pak Suzuki Motor Company Limited	550	-	-	550	-	-	-	-	-	-
<b>FOOD PRODUCERS</b>										
Engro Foods Limited	-	35,000	-	25,000	10,000	250	226	(24)	0.04	0.00
<b>PERSONAL GOODS</b>										
Nishat Mills Limited.	724,006	100,000	-	433,331	390,675	19,502	15,803	(3,699)	2.92	0.11

**FOR THE HALF YEAR AND  
QUARTER ENDED DECEMBER 31, 2011**

The above include shares with a market value aggregating to Rs. 45,358 thousand (June 2011: Rs. 49,266 thousand) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular no. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

5.2 Government Securities 'at fair value through profit or loss'

Issue Date	Tenor	Face Value			Balance as at December 31, 2011			Market value as a percentage of net assets	Market value as a percentage of total investments	
		As at July 1, 2011	Purchases during the period	Sales / Matured during the period	As at December 31, 2011	Cost	Market Value			Appreciation / (Diminution)
(Rupees in '000)										
Treasury Bills										
June 16, 2011	3 Months	-	45,000	45,000	-	-	-	-	-	
July 14, 2011	3 Months	-	25,000	25,000	-	-	-	-	-	
April 7, 2011	6 Months	-	10,000	10,000	-	-	-	-	-	
April 21, 2011	6 Months	-	60,000	60,000	-	-	-	-	-	
June 2, 2011	6 Months	-	75,000	75,000	-	-	-	-	-	
						-	-	-	-	
						-	-	-	-	

5.3 Listed equity securities - 'available for sale'  
(Face value of Rs. 10/- each unless stated otherwise)

Name of the Investee Company	As at July 1, 2011	Purchases during the period	Bonus / Rights issue	Sales during the period	As at December 31, 2011	Balance as at December 31, 2011			Market value as percentage of net assets	Market value as a percentage of total investments	Paid up value of shares as a percentage of total paid up capital of the investee company
						Cost less impairment	Market value	(Diminution)/ Appreciation			
Rupees in '000'											
AUTOMOBILE AND PARTS											
Pak Suzuki Motor Company Limited	83,820	-	-	83,820	-	-	-	-	-	-	-
						-	-	-	-	-	-
PERSONAL GOODS											
Kohinoor Mills Limited	934,626	-	-	934,626	-	-	-	-	-	-	-
						-	-	-	-	-	-
						-	-	-	-	-	-





	(Unaudited) December 31 2011 ------(Rupees in '000')-----	(Audited) June 30 2011
<b>5.4 Net unrealised (diminution) / appreciation in value of investments at fair value through profit or loss</b>		
Market value of investments	434,577	571,670
Less: Cost of investments	<u>(447,533)</u>	<u>(532,080)</u>
	(12,956)	39,590
Realised on disposal during the period	13,607	(165,441)
Net unrealised (appreciation) / diminution in value of investments at fair value through profit or loss at the beginning of the period	<u>(39,590)</u>	<u>198,654</u>
	<u>(38,939)</u>	<u>72,803</u>
<b>5.5 Net unrealised appreciation / (diminution) in value of investments classified as 'available for sale'</b>		
Market value of investments	-	6,224
Less: Cost less impairment	<u>-</u>	<u>(7,524)</u>
	-	(1,300)
Impairment loss on financial assets classified as 'available for sale'- transferred to Income Statement	<u>-</u>	<u>1,972</u>
	-	672
Less: Net unrealised appreciation in value of investments at the beginning of the period	<u>(672)</u>	<u>(37,298)</u>
	<u>(672)</u>	<u>(36,626)</u>

**6. ACCRUED EXPENSES AND OTHER LIABILITIES**

Auditors' remuneration	226	290
Legal and professional	95	70
Brokerage payable	156	436
Others	336	704
Conversion cost payable	<u>6,643</u>	<u>7,600</u>
	<u>7,456</u>	<u>9,100</u>

**7. SALES TAX ON REMUNERATION OF THE MANAGEMENT COMPANY**

During the current period, the provincial government has levied General Sales Tax at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011.

**8. CONTRIBUTION TO WORKERS WELFARE FUND**

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

Subsequently, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on December 14, 2010 the Ministry filed its response against the Constitutional petition requesting the court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

During the period, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them

down. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company believes that the Fund is not liable to contribute to WWF and hence no provision has been recognised by the Management Company. The aggregate unrecognised amount of WWF as at December 31, 2011 amounted to Rs. 9.975 million (June 2011: Rs. 9.975 million).

## 9. TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded a tax liability in respect of income relating to the current period as the management company intends to distribute more than 90 percent of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders.

## 10. EARNINGS PER UNIT

Earnings per unit (EPU) has not been disclosed as, in the opinion of the management, the determination of weighted average units for calculating EPU is not practicable.

## 11. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, MCB Bank Limited being the holding company of the Management Company, the Trustee, directors and key management personnel and other associated undertaking.

Remuneration to the Management Company and Trustee are determined in accordance with the provisions of Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the Trust Deed of the Fund. All other transactions with connected persons are in the normal course of business and are carried out on agreed terms.

Detail of transactions with connected persons during the period and balances with them at period end are as follows:

11.1 Transactions during the period	Half year ended December 31		Quarter ended December 31	
	2011	2010	2011	2010
	----- (Rupees in '000') -----			
<b>Management Company</b>				
Remuneration	6,781	22,032	3,361	9,559
Dividend paid	-	18,026	-	-
Redemption of Nil units (2010: 14,127,000 units)	-	114,529	-	114,529
<b>Trustee</b>				
Remuneration	585	1,207	290	612
CDS charges for conversion	-	5,731	-	5,731
CDS eligibility charges	-	34	-	17
Other charges	13	143	13	57
<b>Arif Habib Limited - Brokerage house</b>				
Brokerage *	92	771	33	494
<b>Summit Bank Limited</b>				
Redemption of Nil units (2010: 2,237,000 units)	-	18,411	-	18,411
Dividend paid	-	2,580	-	-
Mark up income during the period	1,377	2,156	249	1,339
Bank charges	4	48	3	48
<b>MCB Bank Limited</b>				
Mark up income during the period	1,895	-	1,895	-
<b>Arif Habib Corporation</b>				
Redemption of Nil units (2010: 45,403,658 units)	-	355,283	-	355,283
Dividend paid	-	52,369	-	-
<b>Trustee - Arif Habib Investments Employee Provident Fund</b>				
Redemption of Nil units (2010: 380,902 units)	-	3,017	-	3,017
Dividend paid	-	439	-	-

	Half year ended December 31		Quarter ended December 31	
	2011	2010	2011	2010
	------(Rupees in '000')-----			
<b>Trustee - Arif Habib Investments Employee Stock Beneficial Ownership Trust</b>				
Redemption of Nil units (2010: 61,000 units)	-	483	-	483
Dividend paid	-	70	-	-
<b>Directors and executives of the Management Company</b>				
Issue of Nil units (2010: 555,763 units) and Nil units (2010: 555,763 units) for the half year and quarter respectively	-	4,360	-	4,360
Dividend paid	-	300	-	-
Bonus units issued: 1,996 (2010: N/A)	17	-	-	-
Redemption of 1,049 units (2010: 480,941 units) and Nil units (2010: 480,941 units) for the half year and quarter respectively	8	3,770	8	3,770
<b>Nishat Mills Limited</b>				
Dividend paid	-	577	-	-
Bonus unit issued: 24,336 (2010: N/A)	201	-	-	-
<b>Mohammad Aslam Motiwala (holding 10% or more)</b>				
Dividend paid	-	14,823	-	-
Bonus unit issued: 625,522 (2010: N/A)	5,186	-	-	-
<b>Habib Bank Limited (holding 10% or more)</b>				
Dividend paid	-	8,651	-	-
Bonus unit issued: 365,048 (2010: N/A)	3,026	-	-	-

\* The amount disclosed represents the amount of brokerage paid to connected persons and not the purchase or sale value of securities transacted through them. The purchase or sale value has not been treated as transactions with connected persons as the ultimate counter-parties are not connected persons.

(Unaudited) (Audited)  
December 31 June 30  
2011 2011  
------(Rupees in '000')-----

## 11.2 Balances outstanding as at the period end

<b>Management Company</b>		
Remuneration payable	1,089	1,124
Conversion cost payable	6,643	7,600
<b>Trustee</b>		
Remuneration payable	190	112
Other payables	-	1
Security deposit	300	300
<b>Arif Habib Limited - Brokerage house</b>		
Brokerage payable	17	66
<b>Summit Bank Limited</b>		
Balance with bank	9,714	31,468
Accrued mark-up	60	144
<b>MCB Bank Limited</b>		
Balance with bank	101,258	-
Accrued mark-up	1,475	-
<b>Directors and officers of the Management Company</b>		
Unit held: 41,947 (June 30, 2011: 50,000 units)	328	356
<b>Nishat Mills Limited - more than 10% of total outstanding units</b>		
Unit held: 524,336 (June 30, 2011: 500,000 units)	4,106	4,345
<b>Muhammad Aslam Motiwala - more than 10% of total outstanding units</b>		
Unit held: 12,851,501 (June 30, 2011: 12,851,501 units)	105,525	111,680
<b>Habib Bank Limited - more than 10% of total outstanding units</b>		
Unit held: 7,865,048 (June 30, 2011: 7,500,000 units)	61,583	65,175

**12. ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates"

The significant judgments made by the management in applying the accounting policies and the key sources of estimation uncertainty were consistent as those that applied to financial statements as at and for the year ended June 30, 2011.

**13. DATE OF AUTHORISATION FOR ISSUE**

This condensed interim financial information were authorised for issue on January 27, 2012 by the Board of Directors of the Management Company.

**14. GENERAL**

Figures have been rounded off to the nearest thousand Rupees.

**For Arif Habib Investments Limited  
(Management Company)**

**Yasir Qadri**  
Chief Executive Officer

**Nasim Beg**  
Director