

**PAKISTAN CAPITAL PROTECTED FUND-1**

**FINANCIAL STATEMENTS**

**FOR THE PERIOD FROM JULY 01, 2010 TO AUGUST 09, 2010**

**PAKISTAN CAPITAL PROTECTED FUND-I**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT 09 AUGUST 2010**

	09 August 2010	30 June 2010
Note	----- (Rupees in '000) -----	
<b>ASSETS</b>		
<b>Capital Protection Segment</b>		
Term deposit receipts	4	611,538
Profit receivable	1,133	2,352
Bank balances	5	-
	<b>663,345</b>	<b>613,890</b>
<b>Investment Segment</b>		
Bank balances	5	12,776
Investments	6	32,900
Dividend and profit receivable	42	172
	<b>94</b>	<b>45,848</b>
Advances and deposits	7	2,703
Preliminary expenses and floatation costs	-	78
	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>664,572</b>	<b>662,519</b>
<b>LIABILITIES</b>		
<b>Investment Segment</b>		
Payable to the Management Company - net	8	44,181
Payable to the Trustee	37	80
Payable to the Securities and Exchange Commission of Pakistan	18	449
Accrued expenses and other liabilities	766	735
<b>TOTAL LIABILITIES</b>	<b>40,227</b>	<b>45,445</b>
<b>NET ASSETS</b>	<b>624,345</b>	<b>617,074</b>
<b>REPRESENTED BY:</b>		
<b>CERTIFICATE HOLDERS' EQUITY</b>		
<b>Issued, subscribed and paid-up capital</b>		
61,204,500 (30 June 2010: 61,204,500) ordinary certificates of Rs.10 each issued as fully paid in cash	612,045	612,045
8,090,216 (30 June 2010: 4,039,497) ordinary certificates of Rs.10 each issued as fully paid bonus certificates	80,902	40,395
	<b>692,947</b>	<b>652,440</b>
Accumulated losses	(68,602)	(35,366)
	<b>624,345</b>	<b>617,074</b>
	----- (Rupees) -----	
	<b>(Restated)</b>	
<b>Net asset value per certificate</b>	<b>9.01</b>	<b>8.91</b>
Contingencies and commitments	9	

The annexed notes from 1 to 15 form an integral part of these financial statements.

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

\_\_\_\_\_  
**Chief Executive**

\_\_\_\_\_  
**Director**

**PAKISTAN CAPITAL PROTECTED FUND-I**  
**INCOME STATEMENT**  
**FOR THE PERIOD FROM 01 JULY 2010 TO 09 AUGUST 2010**

		For the period from 01 July 2010 to 09 August 2010	30 June 2010
	Note	----- (Rupees in '000) -----	
<b>INCOME</b>			
Dividend income		-	13
Income from term deposit receipts - Capital Protection Segment		4,524	61,575
Profit on bank deposits		1,483	2,902
Income on Government securities		1,371	-
Loss on investments designated 'at fair value through profit or loss'			
- Unrealised loss on investments - net		-	(2,651)
- (Loss) / gain on sale of investments - net		(414)	3,013
		(414)	362
Other income		1,651	9
<b>Total income</b>		<b>8,615</b>	<b>64,861</b>
<b>EXPENSES</b>			
Remuneration of the Management Company	8.1	710	17,947
Mark-up on outstanding management fee	8.1	178	3,764
Remuneration of the Trustee		37	954
Annual fee - Securities and Exchange Commission of Pakistan		18	449
Legal and professional charges		-	250
Settlement and bank charges		72	190
Auditors' remuneration		165	493
Fees and subscription		10	78
Printing and other expenses		35	125
Amortisation of preliminary expenses and floatation costs		78	2,038
Securities transaction costs		41	1,191
<b>Total expenses</b>		<b>1,344</b>	<b>27,479</b>
<b>NET INCOME FOR THE PERIOD / YEAR</b>		<b>7,271</b>	<b>37,382</b>
Other comprehensive income for the period / year		-	-
<b>Total comprehensive income for the period / year</b>		<b>7,271</b>	<b>37,382</b>
		----- (Rupees) -----	
Earnings per certificate - basic and diluted	10	0.10	0.54

The annexed notes from 1 to 15 form an integral part of these financial statements.

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

\_\_\_\_\_  
**Chief Executive**

\_\_\_\_\_  
**Director**

**PAKISTAN CAPITAL PROTECTED FUND-I  
DISTRIBUTION STATEMENT  
FOR THE PERIOD FROM 01 JULY 2010 TO 09 AUGUST 2010**

	<b>For the period from 01 July 2010 to 09 August 2010</b>	<b>30 June 2010</b>
	----- (Rupees in '000) -----	
Accumulated losses brought forward		
- Realised loss	(32,715)	(72,747)
- Unrealised loss	(2,651)	(1)
	(35,366)	(72,748)
Final distribution of bonus certificates for the year ended 30 June 2010: 3,364,633 (30 June 2009: Nil) date of distribution 03 August 2010	(33,646)	-
Final distribution of bonus certificates for the period ended 09 August 2010: 686,086 date of distribution 09 August 2010	(6,861)	-
Net income for the period / year	7,271	37,382
Accumulated losses carried forward	(68,602)	(35,366)
Accumulated losses carried forward		
- Realised loss	(68,602)	(32,715)
- Unrealised loss	-	(2,651)
	(68,602)	(35,366)

The annexed notes from 1 to 15 form an integral part of these financial statements.

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

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

**PAKISTAN CAPITAL PROTECTED FUND-I**  
**CASH FLOW STATEMENT**  
**FOR THE PERIOD FROM 01 JULY 2010 TO 09 AUGUST 2010**

	<b>For the period from 01 July 2010 to 09 August 2010</b>	<b>30 June 2010</b>
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period / year	7,271	37,382
<b>Adjustments</b>		
Amortisation of preliminary expenses and floatation costs	78	2,038
Remuneration of the Management Company	710	17,947
Mark-up on outstanding management fee	178	3,764
Remuneration of the Trustee	37	954
Unrealised loss on investments designated 'at fair value through profit or loss' - net	-	2,651
Other income	(1,651)	9
	6,623	64,745
<b>(Increase) / decrease in assets</b>		
Term deposit receipts	611,538	(61,501)
Investments	32,900	(11,747)
Dividend and profit receivable	1,349	113
	645,787	(73,135)
<b>(Decrease) / increase in liabilities</b>		
Payable to the Management Company - net	(970)	(2,038)
Payable to the Trustee	-	-
Payable to the Securities and Exchange Commission of Pakistan	(431)	(41)
Payable against purchase of investments	-	(5,139)
Accrued expenses and other liabilities	197	40
	(1,204)	(7,178)
Remuneration paid to the Management Company	(505)	(5,952)
Remuneration paid to the Trustee	(80)	(951)
<b>Net cash from / (used in) operating activities</b>	<b>650,621</b>	<b>(22,471)</b>
Cash and cash equivalents at the beginning of the period / year	12,776	35,247
<b>Cash and cash equivalents at the end of the period / year</b>	<b>663,397</b>	<b>12,776</b>

The annexed notes from 1 to 15 form an integral part of these financial statements.

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

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

**PAKISTAN CAPITAL PROTECTED FUND-I**  
**STATEMENT OF MOVEMENT IN EQUITY AND RESERVES 'PER CERTIFICATE'**  
**FOR THE PERIOD FROM 01 JULY 2010 TO 09 AUGUST 2010**

	<b>For the period from 01 July 2010 to 09 August 2010</b>	<b>30 June 2010 (Restated)</b>
	----- (Rupees) -----	
Net assets per certificate at the beginning of the period / year	<b>8.91</b>	8.37
Transfer to reserve for issue of bonus certificates:		
- Dilution due to distribution for year ended 30 June 2010 @ 5.157% (2009: Nil)	(0.49)	-
- Dilution due to distribution for period ended 09 August 2010 @ 1.00% (30 June 2010: @ 5.157%)	(0.10)	-
	<b>(0.59)</b>	-
Capital (loss) / gain on sale of investments - net	(0.01)	0.05
Unrealised loss on investments designated 'at fair value through profit or loss' - net	-	(0.04)
Other net income for the period / year	0.11	0.53
Net income for the period / year	<b>0.10</b>	0.54
Final distribution of bonus certificates for the year ended 30 June 2010: 3,364,633 (30 June 2009: Nil) date of distribution 03 August 2010	<b>0.49</b>	-
Final distribution of bonus certificates for the period / year ended 09 August 2010: 686,086 date of distribution 09 August 2010	<b>0.10</b>	-
Net assets per certificate at the end of the period / year	<b>9.01</b>	8.91

The annexed notes from 1 to 15 form an integral part of these financial statements.

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

\_\_\_\_\_  
**Chief Executive**

\_\_\_\_\_  
**Director**

**PAKISTAN CAPITAL PROTECTED FUND-I**  
**STATEMENT OF MOVEMENT IN EQUITY AND RESERVES**  
**FOR THE PERIOD FROM 01 JULY 2010 TO 09 AUGUST 2010**

	Issued, subscribed and paid up capital	Accumulated losses	Total
	----- (Rupees in '000) -----		
<b>Balance as at 01 July 2009</b>	652,440	(72,748)	<b>579,692</b>
Income for the year	-	37,382	<b>37,382</b>
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	37,382	<b>37,382</b>
<b>Balance as at 30 June 2010</b>	<u>652,440</u>	<u>(35,366)</u>	<u><b>617,074</b></u>
<b>Balance as at 01 July 2010</b>	652,440	(35,366)	<b>617,074</b>
Issue of bonus certificates @ 5.157% on the face value of Rs.10 per certificate (2009: Nil)	33,646	(33,646)	-
Issue of final bonus certificates @ 1.00% on the face value of Rs.10 per certificate	6,861	(6,861)	-
Income for the period	-	7,271	<b>7,271</b>
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	7,271	<b>7,271</b>
<b>Balance as at 09 August 2010</b>	<u>692,947</u>	<u>(68,602)</u>	<u><b>624,345</b></u>

The annexed notes from 1 to 15 form an integral part of these financial statements.

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

\_\_\_\_\_  
**Chief Executive**

\_\_\_\_\_  
**Director**

**PAKISTAN CAPITAL PROTECTED FUND-I**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM 01 JULY 2010 TO 09 AUGUST 2010**

**1. LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1** Pakistan Capital Protected Fund-I (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited as Investment Adviser and MCB Financial Services Limited (Formerly: Muslim Commercial Financial Services (Private) Limited) (the Trustee) as Trustee on 04 June 2007. The Investment Adviser of PCPF-I has obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake investment advisory services under the Non-Banking Finance Companies (Establishment and Regulation) Rules 2003 (NBFC Rules). Formation of PCPF-I as closed-end fund was authorized by SECP on 28 June 2007. The Fund offered its certificates for public subscription from 04 July 2007 to 14 July 2007. The Fund is listed on the Islamabad Stock Exchange.
- 1.2** The Fund consisted of two segments, a capital protection segment and an investment segment. The Capital protection segment was aimed at protecting investors' capital by placing the assets of the segment in Pakistan Investment Bonds, Structured Zero Coupon Bonds, Bank Deposits / Instruments or Term Finance Certificates having an appropriate life and at least AA rating having equal or senior rights to the depositors. The investment segment was generally invested in high return / high risk investments with an objective of providing certificate holders a higher return than the minimum protection provided by The Capital Protection Segment. As per Paragraph 17.2.4 of the Trust Deed of the Fund, the creditors of the Fund will have no claim against the assets of The Capital Protection Segment.
- 1.3** The Fund was a closed-end scheme with a three years maturity period ended on 14 July 2010. The investment objectives of Fund were to pay investors, with certain conditions, whole of their initial investment i.e. Rs.10 per certificate back over the term of its life in form of dividend or return of capital on its termination. In addition, the Fund would also pay a minimum income.
- 1.4** The Fund ceased to operate on its maturity on 14 July 2010. The trust stands completely extinguished and ceases to exist on 09 August 2010 as specified by the Management Company and communicated to the trustee in accordance with the Trust Deed. The same has also been communicated to the Islamabad Stock Exchange.

After 14 July 2010, the Management Company in accordance with the Trust Deed liquidated all its investments and accordingly, liquidation proceeds after deduction of applicable expenses will be distributed to the certificate holders.

Hence, these financial statements have been prepared on the basis of net realizable value.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Ordinance, the requirements of the Trust Deed, the NBFC Rules, the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the requirements of the said directives prevail.

### 2.2 Accounting convention

These financial statements have been prepared under the net realizable value.

### 2.3 Functional and Presentation Currency

These financial statements have been presented in Pak Rupees which is the Fund's functional and presentational currency.

### 2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation followed in the preparation of these financial statements are consistent with those followed in the preparation of the Fund's annual financial statements for the year ended 30 June 2010.

	09 August 2010	30 June 2010
Note	----- (Rupees in '000) -----	

## 4. TERM DEPOSIT RECEIPTS

Principal	-	450,000
Mark-up reinvested	-	161,538
4.1	-	611,538

4.1 The proceeds from the Term Deposit Receipts have been received in full as at the period end.

	Note	09 August 2010 ----- (Rupees in '000) -----	30 June 2010
<b>5. BANK BALANCES</b>			
<b>Capital protection segment</b>			
In current accounts		<u>663,345</u>	-
		<u><u>663,345</u></u>	<u>-</u>
<b>Investment segment</b>			
In current accounts	5.1	<u>34</u>	45
In deposit accounts	5.2	<u>18</u>	12,731
		<u><u>52</u></u>	<u>12,776</u>

**5.1** This includes balance of Rs.0.025 million (30 June 2010: Rs.0.025 million) held with the Bank of Punjab (a connected person).

**5.2** These carry mark-up ranging from 5% to 11.25% (30 June 2010: 5% to 11.25%) per annum and includes balance of Rs.0.001 million (30 June 2010: Rs.12.705 million) and Rs.0.016 million (30 June 2010: Rs.0.016 million) held with the Summit Bank [formerly: Arif Habib Bank Limited] and the Bank of Punjab respectively (connected persons).

## 6. INVESTMENTS

### Designated at fair value through profit or loss

Listed equity securities	6.1	-	32,900
Government securities	6.2	-	-
		<u>-</u>	<u>32,900</u>
		<u><u>-</u></u>	<u><u>32,900</u></u>

**6.1** Listed equity securities of Allied Bank Limited were disposed off during the period.

**6.2** Government securities comprising of Market Treasury Bills having face value of Rs.600 million were purchased and disposed off during the period.

## 7. ADVANCES AND DEPOSITS

As at the period end, advances and deposits which comprises of advance tax amounting to Rs.0.003 million, deposits maintained with Central Depository Company of Pakistan Limited amounting to Rs.0.2 million and National Clearing Company of Pakistan Limited amounting to Rs.2.5 million have been adjusted against payable to the Management Company. Realisation proceeds from these assets shall subsequently be paid to the Management Company.

## 8. PAYABLE TO THE MANAGEMENT COMPANY - NET

Management fee	8.1	<u>36,243</u>	36,038
Preliminary expenses and floatation costs		-	2,105
Mark-up on outstanding management fee	8.1	<u>6,216</u>	6,038
		<u>42,459</u>	44,181
Less : Receivable from the Management Company		<u>3,053</u>	-
		<u><u>39,406</u></u>	<u>44,181</u>

**8.1** The management fee is calculated at the rate of 3% of the average annual net assets of the Fund. As per the Trust Deed, a fee up to 1% of the average daily Net Asset Value of the Fund shall be paid annually. The remaining fee of the Management Company will continue to accrue and will be paid on termination of the Fund and will attract a cost equal to the average six-month KIBOR offer rate from the date it should have been paid calculated bi-annually. In case the net amount to be paid to the certificate holders after the termination of the Fund is not sufficient to complete capital protection, the fee plus the mark-up accruing to the Management Company will be reduced to the extent that such amount becomes so sufficient.

## 9. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 09 August 2010.

	09 August 2010 ----- (Rupees in '000) -----	30 June 2010 -----
<b>10. EARNINGS PER CERTIFICATE - BASIC AND DILUTED</b>		
Net income for the period / year	<u>7,271</u>	<u>37,382</u>
	----- Number of certificates -----	
Weighted average number of ordinary certificates outstanding during the period / year	<u>69,294,716</u>	<u>69,294,716</u>
	----- (Rupees) -----	--- Restated ---
Earnings per certificate - basic and diluted	<u>0.10</u>	<u>0.54</u>

**10.1** There were no convertible dilutive ordinary certificates in issue as at 09 August 2010.

**10.2** Earnings per certificate is calculated by dividing the income for the period / year by the weighted average number of certificates outstanding during the period / year. Weighted average number of certificates of all the periods presented are adjusted for the effect of issue of bonus certificates.

## 11. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons include Arif Habib Investments Limited being the Management Company, Arif Habib Securities Limited and Arif Habib Limited being companies under common management, Summit Bank [formerly: Arif Habib Bank Limited] under common directorship, MCB Financial Services Limited being the trustee, other collective investment schemes managed by the Management Company, The Bank of Punjab being a certificate holder holding more than ten percent of the certificates in the Fund and directors and officers of the Management Company.

Remuneration payable to the Management Company is determined in accordance with the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Transactions with connected persons are in the normal course of business and are carried out on agreed terms.

Details of transactions with connected persons and balances with them at period / year end are as follows:

	For the period from 01 July 2010 to 09 August 2010	30 June 2010
	----- (Rupees in '000) -----	
<b>Arif Habib Investments Limited</b>		
<b>- Management Company</b>		
Remuneration for the period / year	710	17,947
Payment of preliminary expenses and floatation costs	970	2,038
Mark-up on outstanding management fee	178	3,764
<b>MCB Financial Services Limited - Trustee</b>		
Remuneration for the period / year	37	954
<b>Summit Bank [formerly: Arif Habib Bank Limited] - common directorship</b>		
Mark-up income on bank balances	324	2,621
<b>Arif Habib Limited - common management</b>		
Brokerage expense*	10	282
<b>The Bank of Punjab - major certificate holder</b>		
Mark-up income on bank balances and term deposit receipts	4,524	61,841
	----- (Number of Certificates) -----	
<b>Bonus certificates issued during the period / year</b>		
Arif Habib Investments Limited - Management Company	208,057	-
Summit Bank [formerly: Arif Habib Bank Limited] - common directorship	198,550	-
The Bank of Punjab - major certificate holder	2,647,334	-
Directors and employees	6,486	-

\* The amount disclosed represents the amount of brokerage expense pertaining 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 transaction with connected person as the ultimate counter parties are not connected persons.

	09 August 2010	30 June 2010
	----- (Rupees in '000) -----	
<b>11.1 Amounts outstanding as at the period / year end</b>		
<b>Arif Habib Investments Limited</b>		
<b>- Management Company</b>		
Remuneration payable	33,190	36,038
Preliminary expenses and floatation costs	-	2,105
Mark-up on outstanding management fee	6,216	6,038

	09 August 2010	30 June 2010
	----- (Rupees in '000) -----	
<b>MCB Financial Services Limited - Trustee</b>		
Remuneration payable	37	80
<b>Summit Bank [formerly: Arif Habib Bank Limited] - common directorship</b>		
Accrued mark-up on bank balances	42	172
Balances with the bank at the end of the period / year	1	12,705
<b>Arif Habib Limited - common management</b>		
Brokerage payable	-	5
<b>The Bank of Punjab - major certificate holder</b>		
Term deposit receipts	-	611,538
Accrued mark-up on bank balances and term deposit receipts	-	2,352
Balances with the bank at the end of the period / year	41	41

## 12. RISK MANAGEMENT

Since the Fund has matured on 14 July 2010, the Fund is not materially exposed to liquidity risk, credit risk, market risk, equity risk and currency risk. The interest rates of financial instruments are disclosed in notes 5 and 8 of the financial statements. Further, fair value hierarchy has not been disclosed in the financial statements as the Fund has no financial instruments measured at fair value as at the period end.

The risk management policies and objectives are consistent with those disclosed in the annual financial statements of the Fund for the year ended 30 June 2010.

## 13. WORKER'S WELFARE FUND

Through the Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. The Mutual Funds Association of Pakistan (MUFAP), on behalf of its members filed a constitutional petition in the Honorable High Court of Sindh (SHC) praying it to declare that the funds are not establishments and as a result are not liable to pay contribution to the WWF. The Honorable Court has rejected the petition on technical grounds stating that MUFAP is not the aggrieved party in this case and required the aggrieved parties to approach the courts for the said petition. In response, a petition has been filed with the SHC by some of Mutual Funds through their Trustees along with few investors. However, subsequent to filing of the petition, the Ministry of Labour and Manpower issued a letter which states that Mutual Funds are not liable for WWF.

The MUFAP, on behalf of its member AMCs, obtained a legal opinion to assess the implications of the advice issued by the Ministry of Labour and Manpower. The legal opinion, among other things, stated that mutual funds are not required to provide for contribution to WWF and earlier provisioning, if any, can be reversed and the terms of the advice suggests that provisioning was neither required nor necessary. Further, the opinion suggests that the petition filed with the High Court of Sindh be withdrawn.

The management has not made any provision in respect of WWF and still maintains that mutual funds are not establishments and as a result are not liable to pay contribution to WWF.

**14. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on October 25, 2010 by the Board of Directors of the Management Company.

**15. GENERAL**

Figures have been rounded off to the nearest thousand rupees.

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

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**Chief Executive**

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**Director**