

**PAKISTAN
PREMIER
FUND
LIMITED**



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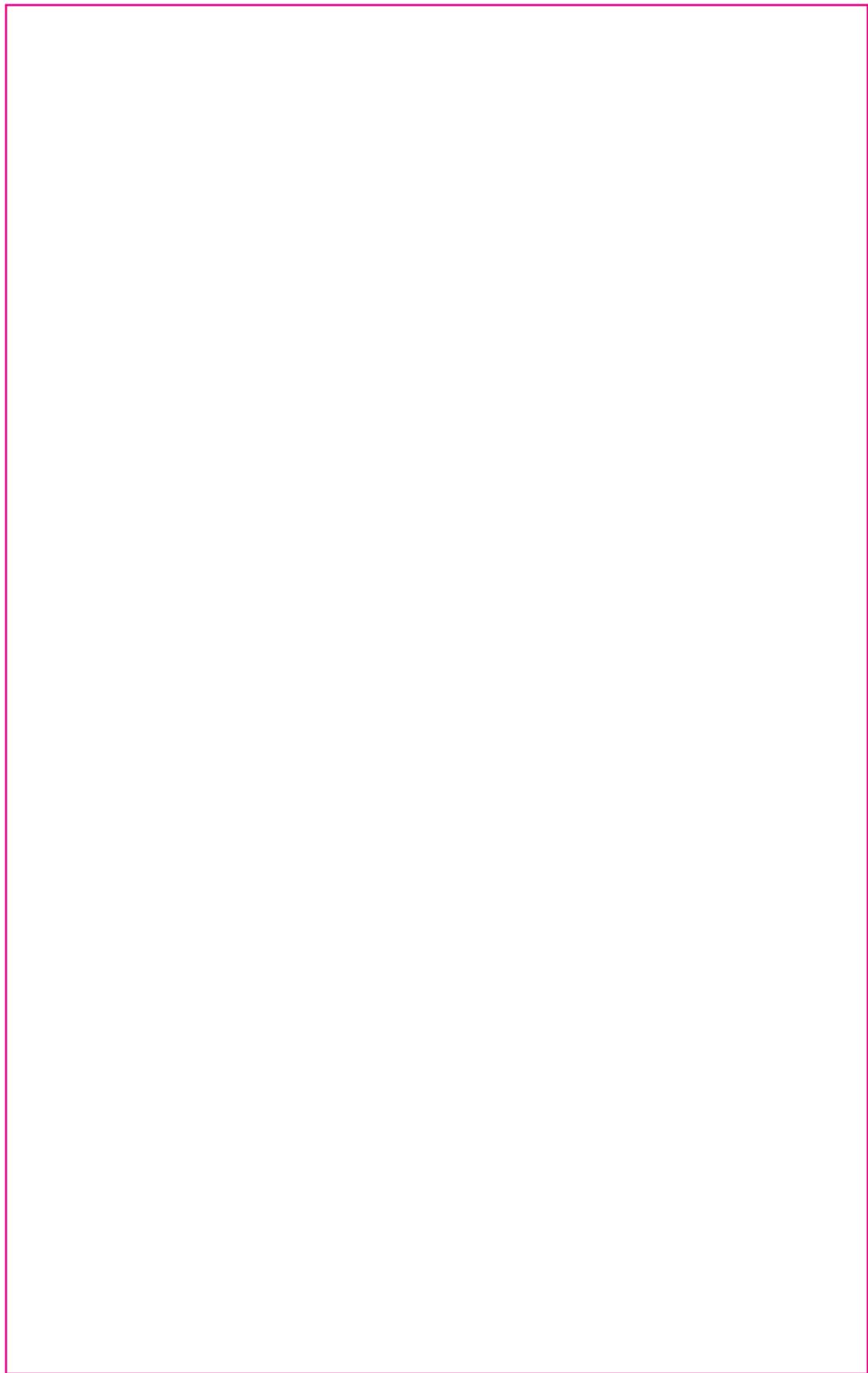
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Asset Manager Rating
'AM2' Positive Outlook (by PACRA)



HEAD OFFICE:

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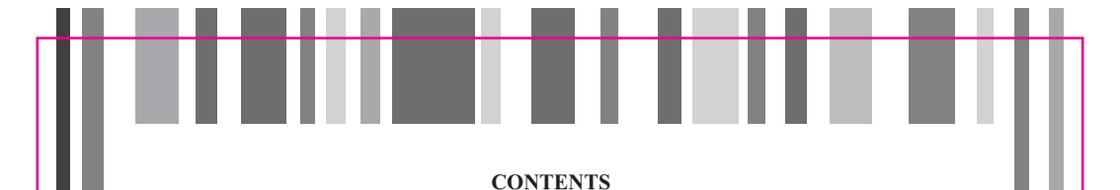
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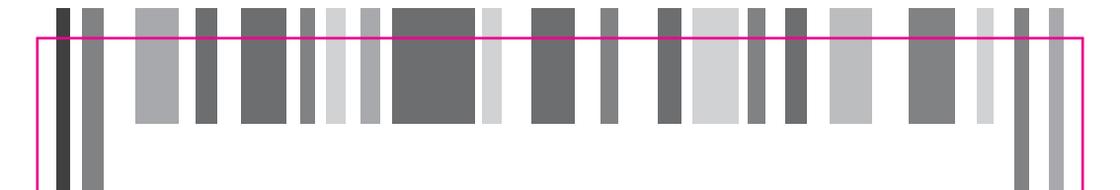


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COMPANY'S INFORMATION

Board of Directors	Mr. Amanullah Suleman Mr. Shamsuddin Khan Mr. Muhammad Iqbal Mr. Khursheed Anwer Mr. Salman Umer Mr. Muhammad Khubaib Mr. Zeeshan Mr. Shahid Karim Siddiqui	Chairman Chief Executive Director Director Director Director Director Director
Audit Committee	Mr. Muhammad Khubaib Mr. Amanullah Suleman Mr. Khursheed Anwer	Chairman Member Member
Company Secretary & CFO	Mr. Zeeshan	
Management Company	Arif Habib Investment Limited Arif Habib Centre, 23 M.T. Khan Road, Karachi – 74000, Pakistan	
Custodian	Deutsche Bank AG, Karachi Branch 242 & 243, Avari Plaza, Fatima Jinnah Road, P.O. Box 4925, Karachi.	
Bankers	<ul style="list-style-type: none">• Allied Bank Limited• Bank Al Habib Limited• Deutsche Bank AG, Karachi Branch• Faysal Bank Limited• Habib Metropolitan Bank Limited• MCB Bank Limited• Standard Chartered Bank (Pakistan) Limited• Summit Bank Limited (Formerly: Arif Habib Bank Limited)• The Bank of Punjab	
Auditors	M/s. A.F. Ferguson & Co.-Chartered Accountants State Life Building No. 1-C, I.I. Chundrigar Road, Karachi - 74000	
Legal Advisor	M/s. Tasawar Ali Hashmi Advocate, 1011/1012 Chapal Plaza Hasrat Mohani Road, Karachi.	
Registered Office	Arif Habib Center, 23 M.T. Khan Road, Karachi - 74000, Pakistan.	
Registrar and Share Transfer Office	M/s. THK Associates (Private) Limited Ground Floor, State Life Building NO. 3, Dr. Zia uddin Ahmed Raod, Karachi	
Rating	PACRA: 3 Star (Normal) PACRA: 3 Star (Long Term) PACRA: AM2 (Positive Outlook) – Management Quality rating assigned to Management Company	



MISSION STATEMENT

To provide investors a facility to invest into a range of Pakistan's high quality share of listed companies that offer value in term of potentially good dividend yield or growth opportunity.

VISION STATEMENT

To be the top performer in the mutual fund industry. We strive to deliver results and perform to the highest standards. To continue building a firm foundation based on research and market analysis enabling us to deliver strong returns and value growth for our share holders.



REPORT OF THE DIRECTORS FOR THE QUARTER ENDED SEPTEMBER 30, 2010

The Board of Directors of Pakistan Premier Fund Limited (PPFL) presents its report together with the Condensed Interim Financial Statements for the quarter ended September 30, 2010.

Company Objective

The objective of the Company is to provide investors long term capital appreciation from investments primarily in equities.

Profile

PPFL is a closed end equity fund. The Company takes a long term value investing approach and the portfolio is diversified across all major sectors with stocks having long term positive fundamentals.

Company's Performance during the quarter ended September 30, 2010

The Net Assets of the Company as at September 30, 2010 stood at Rs. 1,464.36 million as compared to Rs 1,749.81 million as of June 30, 2010. After accounting for distribution of Rs 315.84 million for the year ended June 30, 2010, the net assets increased by Rs 30.39 million.

The Net Asset Value (NAV) per share at September 30, 2010 stood at Rs 8.62 per share as compared to opening Ex NAV of Rs. 8.44 per share, thus registering an increase of Re 0.18 per share during the period.

The Company earned a net income for the period ended September 30, 2010 of Rs 30.40 million compared to a net income of Rs 388.70 million for the corresponding period last year. The net income comprises mainly of capital gains of Rs 24.18 million, income from government securities of Rs 18.00 million and dividend income of Rs 13.73 million.

Earnings Per Share (EPS)

EPS for the quarter ended September 30, 2010 was Re 0.18.

Future Outlook and Fund Performance

Future Outlook and Fund Performance is fully explained in Fund Manager Report attached to this report.

Conversion of the Company into an open end scheme

The board of directors in its meeting held on June 17, 2010 passed a resolution that the company be converted into an open end scheme subject to all regulatory approval and compliances. In this regards, the Company convened a General Meeting of the share holders of the company on September 25, 2010 to seek the approval of share holders (through Special Resolution) for the conversion of the company. Share Holders of the company in their meeting have unanimously approved the conversion of the Company. Subsequently, Securities and Exchange Commission of Pakistan has conveyed its "no-objection" to the conversion on October 8, 2010, subject to the certain conditions as mentioned in Note 2 of the financial statements.

Currently, the Management Company is in process of finalizing the conversion of the Company into an open end scheme.

Acknowledgement

The Board is thankful to the company's valued shareholders, Securities and Exchange Commission of Pakistan, the custodian and banker to the Company - Deutsche Bank AG and the managements of Karachi, Lahore and Islamabad stock exchanges for their continued cooperation and support. The Directors also appreciate the efforts put in by the Management Company.

For and on behalf of the Board

October 26, 2010
Karachi

Shamsuddin Khan
Chief Executive

REPORT OF THE FUND MANAGER FOR THE QUARTER ENDED SEPTEMBER 30, 2010

Objective

The objective of the fund is to provide investors long term capital appreciation from its investments in Pakistani equities.

Profile

Pakistan Premier Fund Limited (PPFL) is a closed end equity fund. The Fund takes a long term value investing approach and the portfolio is diversified across all major sectors with stocks having long term positive fundamentals.

PPFL is a long only Fund. The funds which are not invested in equities are required to be kept in bank deposits and short-term money market instruments/ placements.

Under the NBFC Rules, the Fund is not allowed to borrow.

Performance Review during 1Q FY11

PPFL NAV increased 1.48% in 1Q FY11 against an increase of 3% in the KSE-100 Index. The underperformance was because of lesser return in its key portfolio holdings and a low exposure in equities. Amongst key holdings, Packages, PSMC and ABL share prices fell sharply, while Kapco and Engro also underperformed. PPL, POL, FFC, NML, Searle are amongst the outperformers during the quarter.

	<i>PPFL</i>	<i>KSE-100</i>
Jul-10	6.02%	8.20%
Aug-10	-3.75%	-6.71%
Sep-10	-0.55%	2.04%

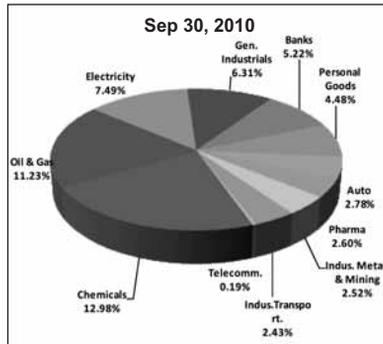
Asset allocation and Investment Activities during 1Q FY11

Keeping in view the upcoming conversion of the Fund in 2Q FY11, PPFL's equity exposure was gradually reduced. From a high of 76% at end June 2010, the equity exposure was brought down to 58% (after paying off dividends in September) at quarter end. Average equity exposure was 64% for this period. Exposure was lowered across the board, with major reduction brought in Oil & Gas, Chemicals, Electricity, Tobacco, Food, General Industries and Pharma sectors.

Fixed Income

During the quarter, most of the money received by divesting from equities was parked in short dated T-Bills. At quarter end, the Fund had approx. 38.9% investment in T-bills, 23.9% in bank deposits.

<i>Top 10 holdings on Sep 30, 2010</i>	
Packages Ltd.	6.31%
Pakistan Petroleum Ltd.	6.16%
Kot Addu Power Co. Ltd.	5.23%
Pakistan Oilfields Ltd.	5.07%
Fauji Fertilizer Co. Ltd.	5.05%
Engro Corporation Ltd.	4.46%
Nishat Mills Ltd.	4.30%
Allied Bank Ltd.	3.48%
ICI Pakistan Ltd.	3.47%
Pak Suzuki Motor Co. Ltd.	2.78%



Stock market review and outlook

The KSE-100 gained 3% to 10,013 during the 1st quarter of FY11 (July-September 2010). Trading activity fell sharply lower to 62 million average daily turnover (compared to last fiscal year average of 132mn) following the introduction of capital gains tax from July, delays in the introduction of margin trading system and declining local investors' confidence due to slowing economy/higher interest rates. The market witnessed sharp correction of 9.5% in August as massive floods hit the country causing huge devastation. However, the market brushed aside all these negative developments and bounced back by September amid continuing strong foreign investors' inflows and no significant direct impact of floods on major corporate entities listed on the stock exchanges. The rebound in KSE also coincided with sharp gains in other emerging markets particularly India, Sri Lank and Bangladesh.

Pakistan equity market has shown quite resilience in the recent past to the negative developments on the macroeconomic front with slowing GDP growth and rising domestic interest rates. We have a cautious stance on equities for the near term due to lack of any positive triggers on the economic and political front. Amidst low domestic investors' interest, foreign investors will play a dominant role in setting the market direction and events in emerging market equities will likely have profound impact on the local market. At present local equities are trading at an average PE of 8.3 sharply lower than emerging markets averages ranging between 14.3x - 27.9x. However, given the high domestic equity risk premium coupled with higher interest rates, Pakistani equities might not record any significant upside in the near term.

1Q FY11 Economic Review

Major event during 1QFY11 was the worst ever flood that affected around 10% of the population. The flood related damages and remedial steps were the major concern for policy makers. Preliminary assessment by World Bank and Asian Development Bank indicates a loss of US\$9.5bn (approx. 6% of GDP), out of which crops and live stock damages are estimated at US\$5bn approx. The immediate economic effect of the flood has already been reflected in inflation numbers where sharp increase in food prices (particularly perishable items) has jacked up the September, 2010 CPI at 17 months high of 15.7%.

External side remains weak and is highly dependent on IMF and donors' support. Current account deficit has increased by 49% in first 2 months of 1QFY11 on the back of swollen goods and services deficit. Only positive was August, 2010 remittances number which was up 19% on a monthly basis. The concern of rising inflation along with mounting twin deficits were the major reasons behind the SBP's two consecutive rate hikes in the preceding quarter. Discount rate has now reached 13.5% after the September policy action.

Real Sector

The GDP growth targets along with fiscal and external targets have been revised downwards. The government expects GDP to grow between 2.5 - 3.5% from prior-flood estimate of 4.5%. The production number of July has been released where LSM grew by 3.05% as compared to -1.07% growth in the corresponding month of last year. A key area to watch will be the growth numbers in upcoming months which will show the actual production loss due to the floods.

Monetary Sector

Money supply numbers, during the quarter (From June 30 to Oct 1), grew by 0.6% versus negative growth of -0.03% in the corresponding quarter of last year. Net Foreign Assets (NFA) were at Rs 35.4 bn while Net Domestic Assets (NDA) were at Rs-0.5bn. Government borrowing after touching Rs220bn as on Sep 24, 2010 has come down to Rs200bn, still a high number and a major cause of concern for the central bank. Credit to private sector and public sector enterprises (PSEs) collectively showed a net retirement of Rs68bn. Retirement of loan by PSEs reflects the partial payment release by Ministry of Finance under the circular debt issue. Furthermore, net retirement of credit by private sector in this quarter is a normal phenomenon. Next quarter is crucial where seasonal borrowing of private sector for working capital requirement is at its peak. It will determine the real investment climate and the 'crowding out' effect of government borrowing.

Prices

The CPI inflation posted a considerable increase for September, 2010 to reach 17 months highest number of 15.71% against 10.12% in the corresponding period of last year. On the other hand, core inflation numbers at 9.4% are on an 18 months low. It explains the abnormal movement of energy and food prices. In September food inflation was 21.24% YoY with perishable food items posting a staggering 53.8% increase over September, FY10. This increase in prices is due to the supply shortage of food items after the floods. Overall, SBP has revised CPI estimate to 13.5-14.5% for FY 11 from its initial estimate of 12.5%.

Fiscal Sector

Fiscal deficit of 6.3% for FY10 (numbers released in September) has surpassed the earlier estimates of 4.5%. Given the higher deficit of last year, the initial estimate of 4% for FY11 appears to be unrealistic given the flood shock to the economy, which is likely to lead to both lower-than-targeted tax collection numbers (due to economic slowdown) and rising expenditures for the rehabilitation of flood affectees. Additional external funding and higher donors support could mitigate pressure on fiscal side.

External Sector

External sector has observed deterioration with the beginning of FY11. This is explained by an increase in the Current Account Deficit (CAD), which stands at \$944 million from July - August, FY11 against \$635 million in the same period last year. According to the latest figures available, Foreign Direct Investment (FDI) fell by 50.2% from July-August, FY11 to \$171.4 million against \$344 million in the same period of the preceding year. On the other hand, forex reserves are on an all-time high and stood at \$16.9 billion as of September 30, 2010 amid inflows from IMF, World Bank and higher remittances. The 1QFY11's remittances were up by 13.5% (\$2.646 billion) against \$2.3312 billion in the same quarter of last year.

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT SEPTEMBER 30, 2010**

	Note	Unaudited September 30, 2010	Audited June 30, 2010
(Rupees in '000)			
ASSETS			
Balances with banks		350,114	31,683
Receivable against sale of investments		-	80,684
Investments	6	1,423,291	1,644,808
Dividend and profit receivable		13,983	1,870
Deposits and prepayments		2,802	2,650
Advance Tax		2,655	2,655
Total Assets		1,792,845	1,764,350
LIABILITIES			
Remuneration payable to the Management Company		2,441	2,916
Payable to Securities and Exchange Commission of Pakistan		404	1,667
Dividend payable		324,347	8,510
Accrued expenses and other liabilities		1,290	1,452
Total Liabilities		328,482	14,545
NET ASSETS		1,464,363	1,749,805
SHAREHOLDERS' EQUITY			
Authorised capital			
200,000,000 (June 2009: 200,000,000) ordinary shares of Rs 10 each		2,000,000	2,000,000
Issued, subscribed and paid-up capital			
169,804,687 shares ordinary shares of Rs 10 each issued as follows:			
93,750,000 (June 2010: 93,750,000) ordinary shares of Rs 10 each issued as fully paid-up in cash		937,500	937,500
76,054,687 (June 2010: 76,054,687) ordinary shares of Rs 10 each issued as fully paid bonus shares		760,547	760,547
		1,698,047	1,698,047
Revenue Reserve			
(Accumulated loss) / Unappropriated income		(233,684)	51,758
		1,464,363	1,749,805
(Rupees)			
Net asset value per share		8.62	10.30

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

Chief Executive

Director

**CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

	2010	2009
	(Rupees in '000)	
Income		
Capital gain on sale of investments - net	24,176	67,957
Dividend income	13,731	21,958
Income from reverse repurchase transactions	-	121
Income from investments in government securities	17,995	157
Income from term finance certificates	-	41
Income from placements with financial institutions	755	-
Profit on bank deposits	655	4,317
	57,312	94,551
Unrealised (diminution) / appreciation in fair value of investments - 'at fair value through profit or loss' - net	(15,509)	304,785
	41,803	399,336
Operating expenses		
Remuneration of the Management Company	8,506	8,232
Custody fee	449	357
Annual fee - Securities and Exchange Commission of Pakistan	404	391
Securities transaction cost	1,417	1,165
Fees and subscription	176	134
Legal and other charges	33	39
Auditors' remuneration	134	101
Directors' fee	55	45
Printing and related costs	206	168
Bank charges	28	1
Total operating expenses	11,408	10,633
Net income for the period	30,395	388,703
Other comprehensive income for the period	-	-
Total comprehensive income for the period	30,395	388,703
	-----Rupees-----	
Earnings per share - basic and diluted	0.18	2.29

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

Chief Executive

Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

	2010	2009
	(Rupees in '000)	
Unappropriated profit / (accumulated loss) carried forward	51,758	(305,411)
Final cash dividend for the year ended June 30, 2010 Rs 1.86 per share (2009: Nil) announced on August 5, 2010	(315,837)	-
Net income for the period	30,395	388,703
(Accumulated loss) / undistributed income brought forward	<u>(233,684)</u>	<u>83,292</u>

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

Chief Executive

Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

	2009	2008
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period	30,395	388,703
Adjustments for non-cash items		
Unrealised diminution / (appreciation) in fair value of investments 'at fair value through profit or loss' - net	15,509	(304,785)
Remuneration of the Management Company	8,506	8,232
Dividend income	(13,731)	(21,958)
	40,679	70,192
Decrease / (increase) in assets		
Receivable against reverse repurchase transactions	-	(178,166)
Receivable against sale of investments	80,684	2,025
Investments	206,008	60,570
Profit receivable	1,618	(1,427)
Deposits and prepayments	(152)	(227)
	288,158	(117,225)
Increase / (decrease) in liabilities		
Payable against purchase of investments	-	9,925
Payable to Securities and Exchange Commission of Pakistan	(1,263)	(1,009)
Accrued expenses and other liabilities	(162)	(12)
	(1,425)	8,904
	327,412	(38,129)
Remuneration paid to the Management Company	(8,981)	(10,553)
Dividend received	-	14,340
Net cash flow from / (used in) operating activities	318,431	(34,342)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	-	(23)
Net increase / (decrease) in bank balances during the period	318,431	(34,365)
Cash and cash equivalents at the beginning of the period	31,683	83,681
Cash and cash equivalents at the end of the period	350,114	49,316

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF CHANGES
IN EQUITY AND RESERVES (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

	Issued subscribed and paid-up capital	(Accumulated loss) / Un- appropriated profit	Total
	----- (Rupees in '000) -----		
Balance as at July 01, 2009	1,698,047	(305,411)	1,392,636
Capital gain on sale of marketable securities - net	-	67,957	67,957
Unrealised appreciation in fair value of investments - at fair value through profit or loss	-	304,785	304,785
Other income for the period - net of operating expenses	-	15,961	15,961
Net income for the period	-	388,703	388,703
Balance as at September 30, 2009	<u>1,698,047</u>	<u>83,292</u>	<u>1,781,339</u>
Balance as at July 01, 2010	1,698,047	51,758	1,749,805
Final distribution for the year ended June 30, 2010 - Cash dividend at 18.6 % i.e. Rs 1.86 per share	-	(315,837)	(315,837)
Capital gain on sale of investments	-	24,176	24,176
Unrealised diminution in fair value of investments - at fair value through profit or loss	-	(15,509)	(15,509)
Other income for the period - net of operating expenses	-	21,728	21,728
Net income for the period	-	30,395	30,395
Balance as at September 30, 2010	<u>1,698,047</u>	<u>(233,684)</u>	<u>1,464,363</u>

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN EQUITY
AND RESERVES - 'PER SHARE' (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

	2010	2009
	(Rupees)	
Net assets value per share at the beginning of the period	10.30	8.20
Final cash dividend for the year ended June 30, 2010 Rs 1.86 per share (2009 : Nil)	(1.86)	-
Capital gain on sale of marketable securities - net	0.14	0.40
Unrealised (diminution) / appreciation in fair value of investments - at fair value through profit or loss - net	(0.09)	1.80
Other net income for the period	0.13	0.09
Net income for the period	0.18	2.29
Net assets per share at the end of the period	8.62	10.49

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

Chief Executive

Director

**NOTES TO AND FORMING PART OF
THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

1. LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Premier Fund Limited (the Company) is a public limited company incorporated on December 11, 1994 under the Companies Ordinance, 1984. The Company commenced its business on July 11, 1995 and is listed on all the three Stock Exchanges in Pakistan. The registered office of the Management Company is situated at Arif Habib Centre, 23 M.T.Khan Road, Karachi, Pakistan. The Company is registered as a notified entity under the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The Management Company (Arif Habib Investments Limited) has been licensed to carry out Asset Management and Investment Advisory Services under the NBFC Rules, through a certificate of registration issued by the SECP.

Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of 'AM2' (positive outlook) and fund rating of '3 Star Long term and 3 Star Short term' to the Management Company and the Company respectively.

The Company primarily invests in shares of listed companies, term finance certificates and short-term reverse repurchase transactions.

Pakistan Premier Fund Limited and Deutsche Bank A.G. have entered into Custodial Service Agreement on June 9, 2005 for holding, safe custody and handling of all assets of the Company, including securities and for performance of treasury functions.

2. CONVERSION OF THE COMPANY INTO AN OPEN END SCHEME

The board of directors in its meeting held on June 17, 2010 passed a resolution that the company be converted into an open end scheme subject to all regulatory approval and compliances. In this regards, the Company convened a General Meeting of the share holders of the company on September 25, 2010 to seek the approval of share holders (through Special Resolution) for the conversion of the company. Share Holders of the company in their meeting have unanimously approved the conversion of the Company. Subsequently, Securities and Exchange Commission of Pakistan has conveyed its "no-objection" to the conversion on October 8, 2010, subject to the following conditions:

- Conversion cost shall not be amortised and charged to the scheme immediately after approval of the Commission.
- The Asset Management Company (AMC) shall comply with all the relevant laws/by-laws applicable on Investment Company regarding its conversion and subsequent winding up/dissolution and submit a detailed and comprehensive procedure to be followed.
- As the fund shall be in trust structure, the AMC shall submit constitutive documents for the approval of Commission and comply with all other relevant regulations before announcement of Book Closure date for the purpose of effective date for conversion.
- The AMC shall immediately upon transfer of all the deposited property / assets & liabilities along with allied balances to the trustee, appoint auditors (other than the existing auditors of the PPFL, custodian of fund and AMC) from amongst the panel of auditors designated as "A" category by State Bank of Pakistan. The auditors so appointed shall report that all the documents, records, assets, liabilities, allied balances in PPFL on effective date are accurately and properly transferred to the trustee by the custodian and PPFL is a defunct company. The report of the audit shall be submitted by the AMC to this office within 30 business days from appointment of auditors.

Currently, the Management Company is in process of finalizing the conversion of the Company into an open end scheme.

The conversion of the Company into an open end scheme will not affect the business and operations of the Company. Accordingly, these financial statements have been prepared on a going concern basis.

3 BASIS OF PRESENTATION

These un-audited condensed interim financial statements 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 the Trust Deed, 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 NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the NBFC Regulations or the directives issued by the SECP prevail. These financial statements are presented in condensed form in accordance with International Accounting Standard, 34 "Interim Financial Reporting". These do not include all the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Fund as at and for the year ended June 30, 2010.

4 ACCOUNTING POLICIES

The accounting policies adopted in preparation of these condensed interim financial statements are the same as those applied in the preparation of the published accounts of the Company for the year ended June 30, 2010.

5 RISK MANAGEMENT

"The Fund's risk management objectives and policies are consistent with those objectives and policies which were disclosed in the financial statements of the year ended June 30, 2010.

6 INVESTMENTS	Note	Unaudited September 30, 2010	Audited June 30, 2010
At fair value through profit or loss		(Rupees in '000)	
- Government Securities	6.1	569,608	307,098
- Listed equity securities	6.2	853,683	1,337,710
		<u>1,423,291</u>	<u>1,644,808</u>

6.1 Government Securities - at 'fair value through profit or loss'

Issue date	Tenor	Face value				Balance as at September 30, 2010			Market value as percentage of total investments	Market value as percentage of net assets
		As at July 01, 2010	Purchases during the period	Sales / Matured during the period	As at September 30, 2010	Cost	Market value	Appreciation / (Diminution)		
PAKISTAN INVESTMENT BONDS										
September 03, 2009	5 Years	25,000	-	25,000	-	-	-	-	-	-
September 03, 2009	3 Years	25,000	-	25,000	-	-	-	-	-	-
TREASURY BILLS										
August 27, 2009	12 Months	-	30,000	30,000	-	-	-	-	-	-
March 25, 2010	12 Months	50,000	-	-	50,000	47,378	47,114	(264)	3.31	3.22
July 29, 2010	12 Months	-	75,000	-	75,000	68,176	67,775	(401)	4.76	4.63
February 25, 2010	6 Months	-	90,000	90,000	-	-	-	-	-	-
April 22, 2010	6 Months	25,000	100,000	125,000	-	-	-	-	-	-
April 22, 2010	6 Months	-	20,000	-	20,000	19,869	19,867	(2)	1.40	1.36
January 14, 2010	3 Months	-	100,000	100,000	-	-	-	-	-	-
April 08, 2010	3 Months	60,000	-	60,000	-	-	-	-	-	-
May 20, 2010	3 Months	70,000	25,000	95,000	-	-	-	-	-	-
June 03, 2010	3 Months	25,000	-	-	-	-	-	-	-	-
June 17, 2010	3 Months	35,000	135,000	170,000	-	-	-	-	-	-
July 15, 2010	3 Months	-	250,000	250,000	-	-	-	-	-	-
August 13, 2010	3 Months	-	100,000	-	100,000	98,861	98,837	(24)	6.94	6.75
August 26, 2010	3 Months	-	155,000	-	155,000	152,520	152,468	(52)	10.71	10.41
September 09, 2010	3 Months	-	187,500	-	187,500	183,611	183,547	(64)	12.90	12.53
						570,415	569,608	(807)		
						570,415	569,608	(807)		

6.2 Listed Equity Securities - at 'fair value through profit or loss'

Name of the investee company	Number of shares						Balance as at September 30, 2010				Market value as percentage of investments of net assets	Market value as percentage of net assets	Paid up value of shares held as a % of total paid up capital of the investee company
	As at July 1, 2010	Purchases during the period	Bonus / Rights issue/ Specie dividend	Sales during the period	As at September 30, 2010	Cost	Market value	Appreciation / (Diminution)					
---Rupees in '000---													
SHARES OF LISTED COMPANIES - Fully paid ordinary shares of Rs. 10 each unless stated otherwise													
OIL & GAS													
Pakistan Oilfields Limited	465,080	-	-	152,000	313,080	70,630	74,240	3,610	5,22	5,07	0.13		
Pakistan Petroleum Limited	835,613	-	96,722	409,481	522,854	75,598	901,445	14,547	6.33	6.16	0.04		
						146,228	164,385	18,157					
CHEMICALS													
Engro Corporation Limited	765,441	-	-	390,224	375,217	57,999	65,367	7,368	4.59	4.46	0.11		
Fauji Fertilizer Company Limited	869,951	-	-	164,608	705,343	47,096	73,948	26,852	5.20	5.05	0.04		
I.C.I. Pakistan Limited	284,000	150,000	-	-	434,000	61,079	50,821	(10,258)	3.57	3.47	0.31		
						166,174	190,136	23,962					
FORESTRY AND PAPER													
Century Paper & Board Mills Limited	427,083	-	-	427,083	-	-	-	-	-	-	-		
INDUSTRIAL METALS AND MINING													
International Industries Limited	1,206,485	-	126,734	576,463	756,756	13,654	36,930	23,276	2.59	2.52	0.63		
						13,654	36,930	23,276					
GENERAL INDUSTRIALS													
Packages Limited	1,114,117	-	-	199,800	914,317	100,981	92,346	(8,635)	6.49	6.31	1.08		
						100,981	92,346	(8,635)					
INDUSTRIAL TRANSPORTATION													
Pakistan International Container Terminal Limited	539,012	-	-	-	539,012	26,109	35,645	9,536	2.50	2.43	0.49		
						26,109	35,645	9,536					

Name of the Investee company	Number of shares					Balance as at September 30, 2010			Market value as percentages of investments	Market value as percentages of net assets	Paid up value of shares held as a % of total paid up capital of the investee company
	As at July 1, 2010	Purchases during the period	Bonus / Rights issue/ Specie dividend	Sales during the period	As at September 30, 2010	Cost	Market value	Appreciation / (Diminution)			
-----Rupees in '000-----											
AUTOMOBILE AND PARTS											
Pak Suzuki Motor Company Limited	638,488	-	-	50,000	588,488	72,820	40,776	(32,044)	2.86	2.78	0.72
						<u>72,820</u>	<u>40,776</u>	<u>(32,044)</u>			
FOOD PRODUCERS											
Colony Sugar Mills Limited*	275,773	-	-	86,850	188,923	-	699	699	0.05	0.05	0.19
Nestle Pakistan Limited	19,189	-	-	19,189	-	-	-	-	-	-	-
						<u>-</u>	<u>699</u>	<u>699</u>			
HOUSEHOLD GOODS											
Pakistan Elektron Limited	1,799,860	-	-	1,799,860	-	-	-	-	-	-	-
						<u>-</u>	<u>-</u>	<u>-</u>			
PERSONAL GOODS											
Artistic Denim Limited	100,154	-	-	47,515	52,639	2,599	1,058	(1,541)	0.07	0.07	0.06
Kohinoor Mills Limited	547,932	-	-	-	547,932	18,398	1,507	(16,891)	0.11	0.10	1.08
Nisbat Mills Limited	1,369,514	-	-	-	1,369,514	77,441	62,998	(14,443)	4.43	4.30	0.39
						<u>98,438</u>	<u>65,563</u>	<u>(32,875)</u>			
TOBACCO											
Lakson Tobacco Company Limited	35,000	-	-	35,000	-	-	-	-	-	-	-
Pakistan Tobacco Company Limited	300,017	-	-	300,017	-	-	-	-	-	-	-
						<u>-</u>	<u>-</u>	<u>-</u>			
PHARMA AND BIO TECH											
Searle Pakistan Limited	1,060,270	-	-	445,157	615,113	35,831	38,137	2,306	2.68	2.60	2.01
						<u>35,831</u>	<u>38,137</u>	<u>2,306</u>			
FIXED LINE TELECOMMUNICATION											
Wateen Telecom Limited	2,000,000	-	-	1,321,464	678,536	4,268	2,823	(1,445)	0.20	0.19	0.11
						<u>4,268</u>	<u>2,823</u>	<u>(1,445)</u>			

Name of the Investee company	Number of shares						Balance as at September 30, 2010			Market value as percentage of investments of net assets	Market value as percentage of total paid up capital of the investee company
	As at July 1, 2010	Purchases during the period	Bonus / Rights issue/ Specie dividend	Sales during the period	As at September 30, 2010	Cost	Market value	Appreciation / (Diminution)			
---Rupees in '000---											
ELECTRICITY											
Hub Power Company Limited	2,226,500	-	-	1,600,250	626,250	19,088	20,848	1,760	1.46	1.42	0.05
Kohinoor Energy Limited	564,499	-	-	34,334	530,165	19,573	12,300	(7,273)	0.86	0.84	0.31
Kor Addu Power Company Limited	2,833,600	-	-	969,730	1,863,870	89,466	76,605	(12,861)	5.38	5.23	0.21
						128,127	109,753	(18,374)			
BANKS											
Allied Bank Limited	990,306	-	-	-	990,306	59,171	50,981	(8,190)	3.58	3.48	0.13
Bank Al-Habib Limited	350,000	-	-	-	350,000	11,725	10,867	(858)	0.76	0.74	0.05
Habib Metropolitan Bank Limited	765,000	-	-	-	765,000	19,035	14,642	(4,393)	1.03	1.00	0.09
						89,931	76,490	(13,441)			
NON LIFE INSURANCE											
IGI Insurance Limited	132,313	-	-	132,313	-	-	-	-	-	-	-
DELISTED COMPANIES**											
Sarhad Ghee Mills Limited	113,000	-	-	-	113,000	-	-	-	-	-	-
Sunflo Citrus Limited	315,000	-	-	-	315,000	-	-	-	-	-	-
						-	-	-	-	-	-
TOTAL						882,561	853,683	(28,878)			

* These shares were received as specie dividend from Colony Mills Limited.

** These securities are delisted and are valued at Nil in the books of accounts.

6.3 Net unrealised diminution in fair value of investments at fair value through profit or loss' - net	September 30, 2010	June 30, 2010
	(Rupees in '000)	
Market value of investments	1,423,291	1,644,808
Less: Cost of investments	<u>(1,452,976)</u>	<u>(1,702,618)</u>
	(29,685)	(57,810)
Realised on disposal during the period	(43,634)	(337,834)
Net unrealised appreciation / (diminution) in value of investments at fair value through profit or loss at the beginning of the period	57,810	405,239
Net unrealised diminution in market value during the period	<u><u>(15,509)</u></u>	<u><u>9,595</u></u>

7 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include Arif Habib Investments Limited (AHI) being the Management Company (AMC), Arif Habib Securities Limited being the holding company of AHI, Arif Habib Limited being company under common control, Summit Bank Limited (formerly Arif Habib Bank Limited) being company under common directorship, Deutsche Bank A.G being the custodian, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.

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

Remuneration payable to Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

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

7.1 Amounts outstanding as at period end	September 30, 2010	June 30, 2010
	(Rupees in '000)	
Management Company		
Remuneration payable	2,441	2,916
Summit Bank Limited (formerly Arif Habib Bank Limited)		
Balance at the end of the period	3,386	3,386
Arif Habib Limited		
Brokerage payable at the end of the period	18	52
Deutsche Bank A.G		
Balance at the end of the period	5	5
Accrued mark-up	-	-
Custody fee payable	327	150
Settlement charges payable	2	23

7.2 Transaction during the period	Note	September 30, 2010	September 30, 2009
(Rupees in '000)			
Directors			
Director fee		55	45
Entitled to dividend		120	-
Management Company			
Remuneration to the Management Company		8,506	8,232
Entitled to dividend		31,574	-
Arif Habib Limited			
Brokerage	7.3	118	195
Entitled to dividend		-	-
Summit Bank Limited (formerly Arif Habib Bank Limited)			
Profit on bank deposits		-	4,398
Entitled to dividend		4,061	-
Deutsche Bank A.G			
Custody fee		449	357
Settlement charges		58	40
Mark up (reversal) / income during the period		-	(81)
Arif Habib Securities Limited			
Entitled to dividend		75,392	-

7.3 The amount disclosed represent 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.

8 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of comparison and better presentation. Significant reclassification include:

Significant reclassification made in profit and loss account are as follows:

From	To	Nature	Amount
Fee and Subscription	Securities transaction cost	Transaction's settlement charges	39,600

9 CONTRIBUTION TO WORKERS 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 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 legal opinions from couple of renowned law firms to assess the implications of the letter issued by the Ministry of Labour and Manpower. The legal opinions, 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 letters suggest that provisioning was neither required nor necessary. Further, the opinions suggest that the petition filed with the High Court of Sindh be withdrawn.

The management has not made any provision in respect of WWF based on the letter issued by Ministry of Labour and Manpower, that mutual funds are not establishments and as a result are not liable to pay contribution to WWF.

10 DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These condensed interim financial statements have been authorised for issue on October 26, 2010 by the Board of Directors of the Company.

11 GENERAL

11.1 Figures have been rounded off to the nearest thousand rupees unless stated otherwise.

Chief Executive

Director

**STATEMENT OF INCOME AND EXPENDITURE OF THE MANAGEMENT
COMPANY IN RELATION TO THE INVESTMENT COMPANY
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

	2010	2009
Revenue	(Rupees in '000)	
Management Company - Remuneration	8,506	8,232
Return on bank deposits	124	13
Dividend Income	31,574	-
Gain / (loss) on sale of available-for-sale investments	-	41,443
Other Income	103	156
	40,307	49,844
Operating Expenses		
Staff Salary	4,545	3,523
Technical and professional services	68	2,529
Staff training	61	26
Marketing and advertisement	326	229
Rent, rates and taxes	630	733
Communication cost	156	162
Directors' fee	48	-
Printing, stationery and other supplies	118	150
Insurance	70	51
Repair and maintenance	165	135
Fees and subscription	122	78
Legal and professional fees	240	152
Travelling, conveyance and others	102	42
Financial charges	845	1,602
Depreciation	519	279
Impairment loss	-	24
Worker's Welfare Fund	107	-
	8,122	9,715
Net income for the period	32,185	40,129

Note: Above mentioned expenses are based on revenue generated through Collective Investment Schemes (CIS) during the period. Expenses directly related to CIS are allocated to specific CIS.

