

AH Dow Jones
Safe Pakistan Titans 15 Index Fund

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FUND'S INFORMATION

| | | | | | | | | | | | | | | | | | |
|--|--|----------------------|---|---------------|-------------------------|-----------------|---|----------------------|--|-------------------|--|--------------------|--|--------------------|----------|-------------------------|--|
| Management Company | Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi | | | | | | | | | | | | | | | | |
| Board of Directors of the Management Company | <table><tr><td>Mian Mohammad Mansha</td><td>Chairman(subject to the approval of SECP)</td></tr><tr><td>Mr. Nasim Beg</td><td>Executive Vice Chairman</td></tr><tr><td>Mr. Yasir Qadri</td><td>Chief Executive (subject to the approval of SECP)</td></tr><tr><td>Syed Salman Ali Shah</td><td>Director (subject to the approval of SECP)</td></tr><tr><td>Mr. Haroun Rashid</td><td>Director (subject to the approval of SECP)</td></tr><tr><td>Mr. Ahmed Jahangir</td><td>Director (subject to the approval of SECP)</td></tr><tr><td>Mr. Samad A. Habib</td><td>Director</td></tr><tr><td>Mr. Mirza Mahmood Ahmad</td><td>Director (subject to the approval of SECP)</td></tr></table> | Mian Mohammad Mansha | Chairman(subject to the approval of SECP) | Mr. Nasim Beg | Executive Vice Chairman | Mr. Yasir Qadri | Chief Executive (subject to the approval of SECP) | Syed Salman Ali Shah | Director (subject to the approval of SECP) | Mr. Haroun Rashid | Director (subject to the approval of SECP) | Mr. Ahmed Jahangir | Director (subject to the approval of SECP) | Mr. Samad A. Habib | Director | Mr. Mirza Mahmood Ahmad | Director (subject to the approval of SECP) |
| Mian Mohammad Mansha | Chairman(subject to the approval of SECP) | | | | | | | | | | | | | | | | |
| Mr. Nasim Beg | Executive Vice Chairman | | | | | | | | | | | | | | | | |
| Mr. Yasir Qadri | Chief Executive (subject to the approval of SECP) | | | | | | | | | | | | | | | | |
| Syed Salman Ali Shah | Director (subject to the approval of SECP) | | | | | | | | | | | | | | | | |
| Mr. Haroun Rashid | Director (subject to the approval of SECP) | | | | | | | | | | | | | | | | |
| Mr. Ahmed Jahangir | Director (subject to the approval of SECP) | | | | | | | | | | | | | | | | |
| Mr. Samad A. Habib | Director | | | | | | | | | | | | | | | | |
| Mr. Mirza Mahmood Ahmad | Director (subject to the approval of SECP) | | | | | | | | | | | | | | | | |
| Company Secretary and Chief Financial Officer of the Management Company | Mr. Muhammad Saqib Saleem | | | | | | | | | | | | | | | | |
| Audit Committee | Mr. Nasim Beg Mr. Haroun Rashid Mr. Samad A. Habib Mr. Ali Munir | | | | | | | | | | | | | | | | |
| Trustee | MCB Financial Services Limited 3rd Floor, Adamjee House, I.I. Chundrigar Road, Karachi. | | | | | | | | | | | | | | | | |
| Bankers | Habib Metropolitan Bank Limited | | | | | | | | | | | | | | | | |
| Auditors | KPMG Taseer Hadi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Buliding No.1 Beaumont Road Karachi. 75530. | | | | | | | | | | | | | | | | |
| Legal Advisor | Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530 | | | | | | | | | | | | | | | | |
| Registrar | Gangjees Registrar Services (Pvt.) Limited Room No. 516, 5th Floor, Clifton Centre, Kehkashan, Clifton, Karachi. | | | | | | | | | | | | | | | | |
| Rating | AM2 (Positive Outlook) – Management Quality Rating assigned by PACRA | | | | | | | | | | | | | | | | |

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2011

Dear Investor,

On behalf of the Board of Directors, I am pleased to present AH Dow Jones SAFE Pakistan Titans 15 Index Fund's accounts review for the first quarter ended September 30th 2011.

EQUITIES MARKET OVERVIEW

Local equities market opened the year on a low with KSE100 index posting return of -5.87% during the period under review. Alongside negative returns, the market continued to remain dull with consistently low turnover throughout the period remained indicative of investor's shyness towards equity asset class. Even an unexpected 50 bps cut in DR by the SBP in July 2011 failed to generate strong momentum among equity investors due to fear of aggressive sell off by foreign investors. Global equities market went down significantly during the quarter, especially in August, which also had an adverse impact on emerging and frontier markets including Pakistan. Other resistive forces that played a dampening role for the market were political unrest, worsened law and order situation, strained Pak-US relations, floods in Sindh and energy crisis. Better corporate results and payouts by index heavy weights as well as expectations of a major cut in DR in upcoming monetary policy gave much needed support to the market towards the end of quarter and concentrated buying in selective high yielding and defensive stocks helped market to recover around 8.5% of its losses. Chemicals, Oil and Gas and Energy sectors remained centre of major activity although interest was also seen in few other stocks related to various sectors based on individual financial performance.

FUND PERFORMANCE

During 1QFY12, AHDJ outperformed its benchmark by delivering -2.5% return as compared to benchmark return of -3.2%. As per benchmark index, fund should hold around 21% exposure in MCB but being a group company post-merger, the fund was restricted to hold a maximum allocation of 10% as per SECP group regulations. To remain compliant with SECP regulations fund truncated its MCB exposure to 10%. By this change overall equity exposure of the fund dropped to 85.5% at June end which increased tracking error of the fund. However towards the latter part of quarter, SECP has notified amendments in NBFC Regulations which now permit the fund to replenish its exposure in MCB Bank according to index weight enabling the fund to track benchmark constituents more closely. After this change, the overall equity exposure of the fund again jumped to 94.5% by the end of quarter.

FUTURE OUTLOOK

Negative factors viz. alarming political and geopolitical scenario, deteriorating law and order situation, scarcity of energy, weak macroeconomic fundamentals and bearish trend in big global economies are deep rooted and not expected to reverse in short term. However sizeable cuts in discount rate cuts coupled with strong corporate results of key listed stocks are expected to provide the thrust required to keep the wheel rolling. Moreover strong earnings growth, high dividend yields and relatively cheaper valuation offer decent returns for long term investors.

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,

Yasir Qadri
Chief Executive Officer

October 26, 2011
Karachi

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2011

| | Note | Un-Audited September 30 2011 | Audited June 30 2011 |
|--|------|------------------------------------|----------------------------|
| (Rupees in '000) | | | |
| ASSETS | | | |
| Balances with banks | | 2,249 | 1,682 |
| Investments | 4 | 114,941 | 108,713 |
| Dividend and profit receivable | | 840 | 521 |
| Advances, deposits and prepayments | | 2,800 | 2,600 |
| Receivable against sale of investments | | - | 12,734 |
| Receivable against sale of units | | - | 25 |
| Preliminary expenses and floatation costs | | 808 | 858 |
| Total assets | | 121,638 | 127,133 |
| LIABILITIES | | | |
| Payable to Management Company | | 3,818 | 3,812 |
| Payable to MCB Financial Services Limited - Trustee | | 57 | 57 |
| Payable to Securities and Exchange Commission of Pakistan - Annual Fee | | 28 | 80 |
| Accrued expenses and other liabilities | | 688 | 497 |
| Total liabilities | | 4,591 | 4,446 |
| Net assets | | 117,047 | 122,687 |
| Unit holders' fund | | 117,047 | 122,687 |
| (Number of units) | | | |
| Number of units in issue (face value of units is Rs. 50 each) | | 2,150,615 | 2,114,290 |
| (Rupees) | | | |
| Net asset value per unit | | 54.42 | 58.03 |

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

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

Chief Executive

Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011

| | Note | September 30 2011 (Rupees in '000) |
|---|----------|--|
| INCOME | | |
| Profit on bank deposits | | 300 |
| Dividend income | | 1,560 |
| Loss on sale of investments - net | | (141) |
| Unrealized loss on securities classified as "at fair value through profit and loss" - net | | (4,022) |
| Total income | | (2,303) |
| OPERATING EXPENSES | | |
| Remuneration of the Management Company | | 339 |
| Remuneration of MCB Financial Services Limited - Trustee | | 176 |
| Annual fee - Securities and Exchange Commission of Pakistan | | 28 |
| Settlement and bank charges | | 49 |
| Auditors' remuneration | | 93 |
| Brokerage and FED charges | | 47 |
| Fees and Subscriptions | | 45 |
| Professional charges | | 19 |
| Printing charges | | 30 |
| Amortisation of preliminary expenses and floatation costs | | 50 |
| Total operating expenses | | 876 |
| Net loss from operating activities | | (3,179) |
| Net element of income and capital gains included in prices of units issued less those in units redeemed | | 163 |
| Net loss for the period before taxation | | (3,016) |
| Taxation | | - |
| Net loss for the period after taxation | | (3,016) |
| OTHER COMPREHENSIVE (LOSS) / INCOME | | |
| Other comprehensive income for the period | | - |
| Total comprehensive loss for the period | | (3,016) |
| Earnings per unit | 8 | |

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

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

Chief Executive

Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011

| | September 30 2011 (Rupees in '000) |
|---|--|
| Undistributed income brought forward | 16,973 |
| Net element of income and capital gains included in the prices of units issued less those in units redeemed - amount representing unrealised appreciation / (diminution) | 212 |
| Net loss for the period | (3,016) |
| Final distribution for the year ended June 30, 2011: Rs 2.20 per units (2010: Nil) | |
| - Cash Distribution | (880) |
| - Bonus units | (3,771) |
| Net loss for the period less distribution | (7,455) |
| Undistributed income brought forward | 9,518 |

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

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

Chief Executive

Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011

| Note | September 30 2011 | 16 August to September 30 2010 |
|---|----------------------|--------------------------------------|
| | (Rupees in '000) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net (loss) / income for the period before taxation | (3,016) | - |
| Adjustments for non-cash items : | | |
| Amortisation of conversion costs | 50 | - |
| Unrealized loss on securities classified as "at fair value through profit and loss" - net | 4,022 | - |
| Net element of income and capital gains included in prices of units issued less those in units redeemed | (163) | - |
| | <u>893</u> | <u>-</u> |
| (Increase) / Decrease in assets | | |
| Investments | (10,404) | - |
| Dividend and profit receivable | (319) | (206) |
| Advances, deposits and prepayments | (200) | (2,600) |
| Receivable against sale of investments | 12,734 | - |
| Receivable against sale of units | 25 | - |
| Preliminary expenses and floatation costs | - | (1,000) |
| | <u>1,836</u> | <u>(3,806)</u> |
| Increase / (Decrease) in liabilities | | |
| Payable to Management Company | 6 | 3,640 |
| Payable to MCB Financial Services Limited - Trustee | - | - |
| Payable to Securities and Exchange Commission of Pakistan - Annual Fee | (52) | - |
| Accrued expenses and other liabilities | 191 | 1,330 |
| | <u>145</u> | <u>4,970</u> |
| Net cash (used in) / generated from operating activities | <u>2,874</u> | <u>1,164</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Net payments against repurchase of units | (1,581) | 100,000 |
| Dividend paid | (880) | - |
| Net cash used in financing activities | <u>(2,461)</u> | <u>100,000</u> |
| Net (decrease) / increase in cash and cash equivalents during the period | <u>413</u> | <u>101,164</u> |
| Cash and cash equivalents at the beginning of the period | 1,682 | - |
| Cash and cash equivalents as at the end of the period | <u>2,095</u> | <u>101,164</u> |

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

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

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

| Note | September 30 2011 | 16 August to September 30 2010 |
|---|----------------------|--------------------------------------|
| | (Rupees in '000) | |
| Net assets at the beginning of the period | 122,687 | - |
| Issue of 24,372 units (2010: 2,000 units) for the quarter | 1,352 | 100,000 |
| Redemption of 55,599 units (2010: Nil unit) for the quarter | (2,933) | - |
| | (1,581) | 100,000 |
| Issue of 67,552 bonus units (2010: Nil unit) for the quarter | 3,771 | - |
| Element of income / (losses) and capital (gains) / losses included in prices of units issued less those in units redeemed - net | | |
| - amount representing income and capital gains - transferred to the Income Statement | (163) | - |
| - amount representing unrealised capital gains - transferred to Distribution Statement | (212) | - |
| | (375) | - |
| Net loss for the period less distribution | (7,455) | - |
| Net assets as at the end of the period | <u>117,047</u> | <u>100,000</u> |

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

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

Chief Executive

Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011

1 LEGAL STATUS AND NATURE OF BUSINESS

AH Dow Jones SAFE Pakistan Titans 15 Index Fund (the Fund) was established under a Trust Deed executed on 30 March 2010 between Arif Habib Investments Limited as Management Company and MCB Financial Services Limited as Trustee of the Fund. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on 19 March 2010 in accordance with the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

Formation of the Fund as open end fund was authorized by SECP on 22 April 2010. The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.

Based on shareholders' resolutions of MCB-AMC and AHI the two companies have merged as of 27th 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 June 10, 2011). AHI 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 30th July 2011 (through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AHI/348/2011 dated June 27, 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 honourable SHC. The honourable 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.

The Fund is an index tracker scheme and aims to provide investors with a total return that before, expenses closely corresponds to the return of the Dow Jones SAFE Pakistan Titans 15 Index by tracking the return of Dow Jones SAFE Pakistan Titans 15 Index, thus providing exposure to the constituents of Dow Jones SAFE Pakistan Titans 15 Index in a single security.

The Fund invests in local equity stocks in respective weightages of Dow Jones SAFE Pakistan Titans 15 Index to achieve the investment objective. The fund manager monitors the performance of the Fund and the benchmark index on a continuous basis. Upon Rebalancing of the Index the Management Company may also rebalance the portfolio within 21 Dealing Days with the objective to minimize the tracking error.

The Fund shall strive to remain fully invested in accordance with the stated index; however, under no circumstances shall it be invested less than 85% of its net assets in securities covered in the index during the year based on monthly average investment calculated on daily basis. The uninvested amount shall be kept in:

- (a) Cash and / or near cash instruments where near cash instruments include cash in bank account (excluding TDRs); and
- (b) Treasury Bills not exceeding 90 Days maturity.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of 'AM2' (positive outlook) to the Management Company. The Management Company has initiated the process of obtaining the rating of the Fund which is expected to be completed in the year 2012.

2 STATEMENT OF COMPLIANCE

2.1 These 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 (IFRSs) 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 (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the 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 SECP prevail. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'.

2.2 These condensed interim financial statements are unaudited.

2.3 The comparative information of the Income Statement, Distribution Statement, have not been presented as the Fund started operations with effect from October 15, 2011.

2.4 The directors of the asset management company declare that these financial statements give a true and fair view of the Fund.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements 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 INVESTMENTS

'At fair value through profit or loss' - designated upon initial recognition

Listed equity securities

| Note | September 30, 2011 | June 30, 2010 |
|------|-----------------------|------------------|
| | (Rupees in '000) | |
| 4.1 | 114,941 | 108,713 |

4.1 Investment in shares listed in Pakistan

| | Number of shares | | | | | Balance as at 30 September 2011 | | | Market value as percentage of | | Par value as percentage of issued capital of the investee company |
|--|------------------|-----------------------------|---------------------|-------------------------|------------------|---------------------------------|-------------------------|-----------------------------|-------------------------------|-------------------|---|
| | Opening Balance | Purchases during the period | Bonus / right issue | Sales during the period | Closing Balance | Cost | Carrying / Market value | Appreciation / (diminution) | net assets | total investments | |
| SHARES OF LISTED COMPANIES - Fully paid ordinary shares of Rs. 10 each unless stated otherwise | | | | | | | | | | | |
| ----- (Rupees in '000) ----- | | | | | | | | | | | |
| Oil and gas producers | | | | | | | | | | | |
| Pakistan State Oil Company Ltd | 22,271 | 2,508 | - | 1,054 | 23,725 | 6,536 | 6,040 | (496) | 4.92% | 5.56% | 0.01% |
| Pakistan Oilfields Ltd | 19,196 | 2,396 | - | 337 | 21,255 | 5,660 | 7,829 | 2,169 | 6.38% | 7.20% | 0.01% |
| Pakistan Petroleum Ltd | 45,291 | 5,215 | 4,854 | 1,964 | 53,396 | 9,267 | 10,122 | 855 | 8.25% | 9.31% | 0.00% |
| Oil and Gas Development Company Ltd | 188,669 | - | - | 63,243 | 125,426 | 19,138 | 16,574 | (2,564) | 13.51% | 5.25% | 0.00% |
| | | | | | | 40,601 | 40,565 | (36) | 33.06% | | |
| Chemicals | | | | | | | | | | | |
| Dawood Hercules Chemicals Ltd | 50,273 | 6,013 | - | 589 | 55,697 | 2,529 | 2,750 | 221 | 2.24% | 2.53% | 0.01% |
| Fauji Fertilizer Company Ltd | 83,341 | 9,666 | - | 619 | 92,388 | 8,892 | 14,958 | 6,066 | 12.19% | 13.76% | 0.00% |
| Fauji Fertilizer Bin Qasim Ltd | 53,024 | 6,092 | - | - | 59,116 | 1,910 | 3,469 | 1,559 | 2.83% | 3.19% | 0.01% |
| Engro Corporation Ltd | 42,695 | 4,966 | - | 271 | 47,390 | 7,231 | 6,795 | (436) | 5.84% | 6.25% | 0.01% |
| | | | | | | 20,562 | 27,972 | 7,410 | 22.80% | | |
| Construction and Materials | | | | | | | | | | | |
| Lucky Cement Ltd | 40,286 | 4,720 | - | 543 | 44,463 | 3,232 | 3,358 | 126 | 2.74% | 3.09% | 0.01% |
| | | | | | | 3,232 | 3,358 | 126 | 2.74% | | |
| Electricity | | | | | | | | | | | |
| Hub Power Company Ltd | 125,888 | 14,753 | - | 935 | 139,706 | 4,828 | 5,798 | 970 | 4.73% | 5.33% | 0.01% |
| | | | | | | 4,828 | 5,798 | 970 | 4.73% | | |
| Banks | | | | | | | | | | | |
| Bank AL-Habib Ltd | 126,416 | 14,961 | - | 1,025 | 140,352 | 3,874 | 4,192 | 318 | 3.42% | 3.86% | 0.02% |
| Habib Bank Ltd | 27,072 | 3,215 | - | 338 | 29,949 | 3,265 | 3,575 | 310 | 2.91% | 3.29% | 0.00% |
| MCB Bank Ltd | 61,023 | 73,400 | - | 600 | 133,823 | 24,291 | 23,188 | (1,103) | 18.90% | 21.33% | 0.02% |
| National Bank of Pakistan | 73,187 | 8,819 | - | 866 | 81,140 | 4,274 | 3,716 | (558) | 3.03% | 3.42% | 0.01% |
| United Bank Ltd | 38,578 | 4,527 | - | 259 | 42,846 | 2,375 | 2,577 | 202 | 2.10% | 2.37% | 0.00% |
| | | | | | | 38,079 | 37,248 | (831) | 30.36% | | |
| Total | 997,210 | 161,251 | 4,854 | 72,643 | 1,090,672 | 107,302 | 114,941 | 7,639 | 93.69% | | |

4.1.1 Investments include shares with market value of Rs. 44.211 million which have been pledged with National Clearing Company of Pakistan Ltd for guaranteeing settlement of the Fund's trades in term of Circular No. 11 dated 23 October 2007 issued by the Securities & Exchange Commission of Pakistan.

4.2 Unrealised diminution in the value of investments 'at fair value through profit or loss' (held for trading)

| | (Un-audited) Sep 30' 2011 | (Audited) June 30' 2011 |
|---|---------------------------------|-------------------------------|
| Fair value of investments | 114,941 | 108,713 |
| Cost of investments | (107,302) | (96,898) |
| | 7,639 | 11,815 |
| Less: Net unrealised diminution / (appreciation) in the fair value of investments at fair value through profit or loss at the beginning of the period | (11,815) | - |
| Add: Realised on disposal during the period | 154 | - |
| | (11,661) | - |
| | (4,022) | 11,815 |

5 REMUNERATION OF THE MANAGEMENT COMPANY

During the period, through Sindh sales tax on services Act 2011, General Sales Tax on Fund management services has been imposed @ 16%, effective from July 01, 2011. Management fee charged during the period includes General Sales Tax.

6 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.

Subsequent to the year ended June 30, 2010, 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.

Subsequent to 30 June 2011, 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 September 30, 2011 amounted to Rs 0.339 million (including Rs nil for the quarter ended September 30, 2011).

7 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.

8 EARNINGS / (LOSS) PER UNIT

Earnings / (Loss) per unit has not been disclosed as in the opinion of the management determination of cumulative weighted average number of outstanding units for calculating earnings / (loss) per unit is not practicable.

9 TRANSACTIONS WITH CONNECTED PERSONS

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, other associated undertaking and investors holding 10% or more units of the Fund.

The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

Remuneration payable to the Management Company and the fee payable to the Trustee are determined in accordance with the the provisions of the NBFC Rules 2003, the NBFC Regulations 2008 and Trust Deed respectively.

Details of transactions and balances at year end with related parties / connected persons, other than those which have been disclosed elsewhere in these financial statements, are as follows.

| 9.1 Transactions during the period with connected persons / related parties | Note | 01 July 2011 to 30 September 2011 | 16 August 2010 to 30 September 2011 (Rupees in '000) |
|---|------|---|---|
| <i>Arif Habib Investments Limited - Management Company</i> | | | |
| Remuneration for the period | | 339 | - |
| Front end load for the period | | 1 | - |
| Mark-up on core investment | | - | 392 |
| <i>Arif Habib Limited</i> | | | |
| Brokerage | 9.2 | 6 | - |
| <i>MCB Financial Services Limited - Trustee</i> | | | |
| Remuneration for the period | | 176 | - |

Cash dividend received by:

Allied Bank Limited - more than 10% unit holder

| | |
|----------------|---|
| 880,000 | - |
|----------------|---|

Units sold to:

Arif Habib Investments Limited - Management Company Nil (2010: 600,000 units)

| | |
|---|---------------|
| - | 30,000 |
|---|---------------|

Directors and executives of the Management Company 8,869 (2010: Nil units)

| | |
|------------|---|
| 488 | - |
|------------|---|

National Bank of Pakistan - more than 10% unit holder Nil (2010: 600,000 units)

| | |
|---|---------------|
| - | 30,000 |
|---|---------------|

Habib Metropolitan Bank Limited - more than 10% unit holder Nil (2010: 400,000 units)

| | |
|---|---------------|
| - | 20,000 |
|---|---------------|

Allied Bank Limited - more than 10% unit holder Nil (2010: 400,000 units)

| | |
|---|---------------|
| - | 20,000 |
|---|---------------|

Units issued as bonus to:

Arif Habib Investments Limited - Management Company 23,643 (2010: Nil) units

| | |
|------------------|---|
| 1,320,000 | - |
|------------------|---|

Directors and executives of the Management Company 131 (2010: Nil) units

| | |
|----------|---|
| 7 | - |
|----------|---|

National Bank of Pakistan - more than 10% unit holder 23,643 (2010: Nil) units

| | |
|------------------|---|
| 1,320,000 | - |
|------------------|---|

Habib Metropolitan Bank Limited - more than 10% unit holder 15,762 (2010: Nil) units

| | |
|----------------|---|
| 880,000 | - |
|----------------|---|

Units redeemed by:

Directors and executives of the Management Company 928 (2010: Nil) units

| | |
|-----------|---|
| 49 | - |
|-----------|---|

9.2 Balance outstanding as at the period end

| (Un-Audited) September 30, 2011 | (Audited) June 30, 2011 |
|---------------------------------------|-------------------------------|
| (Rupees in '000) | |

Arif Habib Investments Limited - Management Company

Remuneration payable

| | |
|------------|------------|
| 108 | 102 |
|------------|------------|

Payable against Formation Costs and Other charges

| | |
|--------------|--------------|
| 3,710 | 3,710 |
|--------------|--------------|

Arif Habib Limited

Brokerage payable

| | |
|----------|---|
| 3 | - |
|----------|---|

MCB Financial Services Limited - Trustee

Remuneration payable

| | |
|-----------|-----------|
| 57 | 57 |
|-----------|-----------|

Units held by:

Arif Habib Investments Limited - Management Company 623,643 (2010: 600,000) units

| | |
|---------------|---------------|
| 33,939 | 34,818 |
|---------------|---------------|

Directors and executives of the Management Company 24,233 (2010: 27,452) units

| | |
|--------------|------------|
| 1,228 | 193 |
|--------------|------------|

National Bank of Pakistan - more than 10% unit holder 623,643 (2010: 600,000) units

| | |
|---------------|---------------|
| 33,939 | 34,818 |
|---------------|---------------|

Habib Metropolitan Bank Limited - more than 10% unit holder 415,762 (2010: 400,000) units

| | |
|---------------|---------------|
| 22,626 | 23,212 |
|---------------|---------------|

Allied Bank Limited - more than 10% unit holder 400,000 (2010: 400,000) units

| | |
|---------------|---------------|
| 21,768 | 23,212 |
|---------------|---------------|

9.3 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.

10 DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on October 26, 2011 by the Board of Directors of the Management Company.

11 GENERAL

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

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

Chief Executive

Director