

**PAKISTAN  
CAPITAL MARKET FUND**

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## FUND'S INFORMATION

<b>Management Company</b>	Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Board of Directors of the Management Company</b>	Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman(subject to the approval of SECP) Executive Vice Chairman Chief Executive (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director Director (subject to the approval of SECP)
<b>Chief Financial Officer &amp; Company Secretary of the Management Company</b>	Mr. Muhammad Saqib Saleem	
<b>Audit Committee</b>	Mr. Nasim Beg Mr. Haroun Rashid Mr. Samad A. Habib Mr. Ali Munir	
<b>Trustee</b>	Central Depository Company of Pakistan Limited CDC House, 990B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400	
<b>Bankers</b>	MCB Bank Limited Habib Metropolitan Bank Limited Bank Alfalah Limited Bank Al-Habib Limited Meezan Bank Limited Standard Chartered Bank (Pakistan) Limited The Bank of Punjab Allied Bank Limited	
<b>Auditors</b>	A.F. Ferguson & Co. - Chartered Accountants State Life Building No. 1-C, I.I. Chundrigar Road, Karachi-74000.	
<b>Legal Advisor</b>	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
<b>Registrar</b>	M/s. Gangjees Registrar Services (Pvt.) Limited. Room No. 516, 5th Floor, Clifton Centre, Kehkashan, Clifton, Karachi.	
<b>Rating</b>	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 Pakistan Capital Market Fund's accounts review for the first quarter ended September 30th 2011.

## ECONOMY AND MONEY MARKET OVERVIEW

On the macroeconomic front, inflation has remained lower during the period with CPI inflation averaging 11.5% amid change in CPI methodology as well as high base-effect of last year. Like the major part of last year, external current account has also remained comfortable with a marginal deficit of US\$ 189 million during first two months of FY12. Fiscal side, on the other hand, has remained a cause of concern for the economic managers with FY11 deficit touching a level of 6.6% of the GDP (Rs. 1.2 trillion deficit size in absolute term). The government, however, has been able to keep its borrowing from SBP at lower levels, which coupled with lower inflation and contained current account deficit has compelled the central bank to lower its policy discount rate by 50 bps in Jul'11 monetary policy to bring it down to 13.5%.

In the money market, short term market rates remained on the higher side amid tight liquidity scenario in the system. Due to depletion in net foreign assets (NFA) as well as net retirement in government borrowing from SBP, money supply (M2) has witnessed contraction during the period under review, thereby keeping market liquidity tight almost throughout the period. The SBP has constantly been injecting significant amount of money in the system through OMOs in order to calm down the market.

## 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 the period under review PCMF delivered a return of 0.3% as against its benchmark return of -1.8%, an outperformance of 2.1%. On the equities front, the overall allocation reduced marginally during the period to 54.1% from 55.6% in June 2011. The fund reduced its exposure mainly in Oil & Gas, Chemical and Personal Goods sectors, while exposure was increased within Banks, Electricity and Construction & Materials sectors.

On the fixed income side, the fund increased its allocation towards GoP Ijarah Sukuk to 13.2% by quarter-end to take advantage of potentially higher capital gains as well as attractive yields. The fund, on the other hand, has sold its entire Treasury Bills exposure during the quarter.

## FUTURE OUTLOOK

Given declining trend in CPI inflation coupled with a comfortable external account position, the Central bank has decided to lower its policy DR further by 150 bps to 12.0% for Oct'11 - Nov'11 period to trigger growth stimulus in the economy. We continue to flag foreign inflow as the single most important variable especially in the backdrop of sustained oil prices, downward trend in cotton prices and debt repayments including IMF. In our opinion, the absence of foreign flows and government's greater reliance on domestic sources for fiscal funding could result in rebound of inflation and interest rates going forward.

On the equities front, 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

**Dated:** 26 October, 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)			
<b>ASSETS</b>			
Balances with banks		62,181	9,272
Investments	4	309,925	377,621
Dividend and profit receivable		7,696	4,873
Advances, deposits and prepayments		3,255	3,267
<b>Total assets</b>		<b>383,057</b>	<b>395,033</b>
<b>LIABILITIES</b>			
Payable against purchase of investments		7,866	-
Payable to Management Company		702	652
Payable to Central Depository Company of Pakistan Limited- Trustee		61	65
Payable to Securities and Exchange Commission of Pakistan		80	366
Accrued expenses and other liabilities		4,023	934
Dividend payable		2,798	2,798
<b>Total liabilities</b>		<b>15,530</b>	<b>4,815</b>
<b>NET ASSETS</b>		<b>367,527</b>	<b>390,218</b>
<b>UNIT HOLDER'S FUND</b>		<b>367,527</b>	<b>390,218</b>
(Number of units)			
<b>Number of units in issue</b>		<b>49,132,056</b>	<b>48,429,525</b>
(Rupees)			
<b>Net asset value per unit</b>		<b>7.48</b>	<b>8.06</b>

The annexed notes 1 to 12 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	Quarter ended September 30	
	2011	2010
	----- (Rupees in '000) -----	
<b>INCOME</b>		
Capital gain on sale of investments - net	350	13,659
Income from investment in government securities	647	4,413
Income from Term Finance Certificates	1,478	1,546
Income from Ijara Sukuk	1,327	-
Income from preference shares	418	649
Dividend income	2,837	1,515
Profit on bank accounts	606	451
	<b>7,663</b>	<b>22,233</b>
Unrealised (diminution) / appreciation in value of investments at fair value through profit or loss - net	2692	(79)
Impairment loss on investments classified as 'available-for-sale'	-	(2,498)
Provision from non-performing Term Finance Certificates and Sukuk bonds	(1)	2,471
<b>Total income</b>	<b>10,354</b>	<b>22,127</b>
<b>OPERATING EXPENSES</b>		
Remuneration of the Management Company	2,180	2,237
Remuneration of Central Depository Company of Pakistan Limited - Trustee	188	224
Annual fee - Securities and Exchange Commission of Pakistan	80	95
Securities transaction cost	426	376
Bank charges	11	13
Fees and subscriptions	48	65
Legal and professional charges	15	15
Auditors' remuneration	143	130
Amortisation of preliminary expenses and floatation costs	-	-
Amortisation of conversion costs	-	370
Printing charges	88	88
<b>Total operating expenses</b>	<b>3,179</b>	<b>3,613</b>
<b>Net income from operating activities</b>	<b>(7,175)</b>	<b>18,514</b>
Net element of (losses) / income and capital (losses) / gains included in prices of units issued less those in units redeemed	396	(50,099)
<b>Net (loss) / income for the period before taxation</b>	<b>(7,571)</b>	<b>(31,585)</b>
<b>Taxation</b>	<b>-</b>	<b>-</b>
<b>Net (loss) / income for the period after taxation</b>	<b>(7,571)</b>	<b>(31,585)</b>
<b>OTHER COMPREHENSIVE (LOSS) / INCOME</b>		
Net unrealised (diminution) / appreciation value of investments classified as 'available-for-sale'	(6,518)	(8,001)
<b>Total comprehensive (loss) / income for the period</b>	<b>1,053</b>	<b>(39,586)</b>

The annexed notes 1 to 12 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

Quarter ended	
September 30,	
2011	2010
----- (Rupees in '000) -----	

## CASH FLOWS FROM OPERATING ACTIVITIES

Net (loss) / income for the period before taxation (7,571) (31,585)

### Adjustments for non-cash items :

Amortisation of conversion costs	-	370
Unrealised diminution in value of investments at fair value through profit or loss' - net	(2,692)	79
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(396)	50,099
Dividend income	(2,837)	(1,515)
Impairment loss on equity investments classified as 'available-for-sale'	-	2,498
Provision from non-performing Term Finance Certificates and Sukuk bonds	1	(2,471)
	<u>1,647</u>	<u>17,475</u>

### (Increase) / Decrease in assets

Receivable against sale of investments	-	-
Investments	63,869	(26,580)
Profit receivable	(1,949)	334
Deposits and other receivable	12	(88)
	<u>61,932</u>	<u>(26,334)</u>

### Increase / (Decrease) in liabilities

Payable against purchase of investments	7,866	2,400
Payable on redemption of units	-	(91)
Payable to the Management Company	50	(5)
Payable to Central Depository Company of Pakistan Limited - Trustee	(4)	(1)
Payable to Securities and Exchange Commission of Pakistan	(286)	(368)
Accrued expenses and other liabilities	3,089	1,249
	<u>10,715</u>	<u>3,184</u>

Dividend received

Net cash generated / (used in) from operating activities 1,963 562  
76,257 (5,113)

## CASH FLOW FROM FINANCING ACTIVITIES

Net payments against redemption of units	(23,348)	(17,137)
Dividend paid	-	-
Net cash (used in) financing activities	<u>(23,348)</u>	<u>(17,137)</u>

Net increase / (decrease) in cash and cash equivalents during the period 52,909 (22,250)

Cash and cash equivalents at the beginning of the period 9,272 36,930

Cash and cash equivalents as at the end of the period 62,181 14,680

The annexed notes 1 to 12 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

	Quarter ended September 30	
	2011	2010
	----- (Rupees in '000) -----	
Accumulated losses brought forward	(98,639)	(13,869)
Net element of income / (losses) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount representing Unrealised (diminution) / appreciation in value of investments	(1,894)	3,360
Net (loss) / income for the period	(7,571)	(31,585)
Final distribution for the year ended June 30, 2011: Rs 0.5966 per units (2010: 2.9 per unit )		
- Cash Distribution	-	-
- Bonus units	(28,893)	(129,272)
Net (loss) / income for the period	(23,216)	(157,497)
Accumulated losses carried forward	<u>(121,855)</u>	<u>(171,366)</u>

The annexed notes 1 to 12 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	Quarter ended September 30,	
	2011	2010
	----- (Rupees in '000) -----	
Net assets at the beginning of the period	390,218	444,548
Issue of Nil units ( 2010: 322,721 units) for the quarter	-	2,353
Redemption of 3,170,533 units ( 2010: 2,719,978 units) for the quarter	(23,348)	(19,490)
	(23,348)	(17,137)
Issue of 3,873,064 bonus units ( 2010: 18,284,690 bonus units) for the quarter	28,893	129,272
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	(396)	50,099
- amount representing unrealised Capital (gains) / losses and capital (gains) / losses that form part of the unit holders' fund- transferred to Distribution Statement	1,894	(3,360)
	1,498	46,739
Net unrealised (diminution) / appreciation during the period in the value of investments classified as 'available-for-sale'	(6,518)	(8,001)
Final distribution for the year ended June 30, 2010: Rs 0.59665 per unit (2010: 2.9)		
- Cash distribution	-	-
- Bonus units	(28,893)	(129,272)
	(28,893)	(129,272)
Capital gain / (loss) on sale of investments	350	13,659
Net unrealised (diminution) / appreciation in value of Investments 'at fair value through profit or loss'	2,696	(79)
Element of income / (losses) and capital (gains) / losses included in prices of units sold less those in units redeemed - amount representing income / (losses) that form part of the unit holders' fund	(1,894)	3,360
Other (loss) / income for the period	4,529	(45,165)
	(5,677)	(28,225)
<b>Net assets as at the end of the period</b>	<b>367,527</b>	<b>437,924</b>

The annexed notes 1 to 12 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

Pakistan Capital Market Fund (PCMF) was established under a trust deed executed between Arif Habib Investments Limited (AHIL) as an Management Company and Central Depository Company of Pakistan (CDC) as Trustee on October 27, 2003. The Investment Adviser of PCMF 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. Formation of PCMF as a closed-end scheme was authorized by SECP on November 5, 2003.

During the year 2005, the Fund was converted from a closed-end scheme to an open-end scheme. The Fund is listed on all three stock exchanges in Pakistan.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by SECP. During the current period, the registered office of the Management Company has been situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.

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 has been categorised as balanced scheme as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorization of Collective Investment Schemes (CIS) and listed on all three Stock Exchanges in Pakistan. Units are offered for public subscription on a continuous basis. The units are transferrable and can be redeemed by surrendering them to the Fund.

The Fund primarily invests in a mix of listed equity and debt securities, unlisted government securities and secured debt securities, money market transactions and reverse repurchase transactions.

Pakistan Credit Rating Agency Limited (PACRA) has assigned asset management rating of 'AM2' (positive outlook) to the Management Company and Short Term ranking of 2-Star Normal and Long Term ranking of 3-Star Normal to the Fund.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund

## 2 STATEMENT OF COMPLIANCE

These unaudited 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, 2011.

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

## 3 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.

		(Un-Audited)	(Audited)
		September 30,	June 30,
4	INVESTMENTS	Note	2011
		2011	
		(Rupees in '000)	
'At fair value through profit or loss' - designated upon initial recognition			
	Listed equity securities	4.1	195,576
	Listed preference shares	4.2	8,333
	Term Finance Certificates and Sukuk bonds-Listed	4.3	43,892
	Government Securities	4.4	50,500
			298,301
			349,460
'Available-for-sale'			
	Listed equity securities	4.5	11,624
			309,925
			377,621

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE QUARTER ENDED SEPTEMBER 30, 2011

## 4.1 Listed equity securities- 'at fair value through profit or loss'

Name of the Investee company	-----Number of shares-----					Balance as at Sep 30, 2011			----Market Value ----		Paid up value of shares held as a percentage of total paid up capital of the investee company
	As at July 01 2011	Purchases during the period	Bonus / Right issue during the period	Sales during the period	As at Sep 30, 2011	Cost	Market Value	Appreciation / (Diminution)	As a percentage of total investments	As a percentage of net assets	
----- (Rupees in '000) -----											
Shares of listed companies - Fully paid ordinary shares of Rs 10 each unless stated otherwise											
Oil and Gas Producers											
Attock Petroleum Limited	-	15,250			15,250	5,682	6,067	385	1.65	1.96	0.02
Attock Refinery Limite	-	25,000			25,000	2,920	2,777	(143)	0.76	0.90	0.03
Pakistan Oilfields Limited	78,569	-	-	25,000	53,569	12,072	19,733	7,661	5.37	6.37	0.02
Pakistan Petroleum Limited	103,200			11,680	91,520	13,487	17,349	3,862	4.72	5.60	0.01
Pakistan State Oil Limited	113,000			10,000	103,000	29,031	26,222	(2,809)	7.13	8.46	0.06
						63,192	72,148	8,956			
Chemicals											
Engro Corporation Limited	165,600			117,000	48,600	7,437	6,969	(468)	1.90	2.25	0.01
Fauji Fertilizer Bin Qasim Limited	-				-	-	-	-	0.00	-	-
Fauji Fertilizer Company Limited	-	26,000			26,000	4,128	4,210	82	1.15	1.36	0.00
Fatima Fertilizer Company Limited	800,000	50,000			850,000	10,619	16,023	5,404	4.36	5.17	0.04
						22,184	27,202	5,018			
Construction and Materials											
Lucky Cement Limited	205,000	25,000	-	-	230,000	16,207	17,370	1,163	4.73	5.60	0.07
						16,207	17,370	1,163			
Food Producers											
Engro Foods Limited	-	10,000	-	-	10,000	250	246	(4)	0.07	0.08	0.00
						250	246	(4)			
General Industrials											
Packages Limited	74,624			74,624	-	-	-	-	0.00	-	-
						-	-	-			
Personal Goods											
Nishat Mills Limited	-	100,000			100,000	3,903	4,809	906	1.31	1.55	0.03
						3,903	4,809	906			
Household Goods											
Pak Elektron Limited	591,478	-	-	-	591,478	11,869	3,182	(8,687)	0.87	1.03	0.49
						11,869	3,182	(8,687)			
Fixed Line Telecommunication											
Pakistan Telecommunication Company Limited 'A'	-	963,226			963,226	11,378	11,193	(185)	3.05	3.61	0.79
						11,378	11,193	(185)			
Electricity											
The Hub Power Company Limited	-	306,825	-	-	306,825	12,602	12,733	131	3.46	4.11	0.03
Kot Addu Power Company Limited	541,470	-	-	275,000	266,470	12,791	12,018	(773)	3.27	3.88	0.03
Nishat Chunian Power Limited	-	13,000	-	-	13,000	181	186	5	0.05	0.06	0.00
Nishat Power Limited	-	176,967	-	-	176,967	2,637	2,674	37	0.73	0.86	0.05
						28,211	27,611	(600)			
Banks											
Allied Bank Limited	341,422			50,000	291,422	15,647	17,631	1,984	4.80	5.69	0.03
MCB Bank Limited		5,532			5,532	929	958	29	0.26	0.31	0.00
Meezan Bank Limited		384,593			384,593	6,751	7,730	979	2.10	2.49	0.05
National Bank of Pakistan		120,000			120,000	4,794	5,496	702	1.50	1.77	0.01
						28,121	31,815	3,694			
Total as at September 30, 2011						185,315	195,576	10,261			

## 4.2 Listed preference shares- 'at fair value through profit or loss'

Name of the investee company	----- Number of shares -----					Balance as at Sep 30, 2011			---- Market Value ----		Paid up value of shares held as a percentage of total paid up capital of the investee company
	As at July 01 2011	Purchases during the period	Bonus / Right issue during the period	Sales / redeemed during the period	As at Sep 30, 2011	Cost	Market value	Appreciation / (diminution)	As a percentage of total investments	As a percentage of net assets	
----- (Rupees in '000) -----											
PERSONAL GOODS											
Masood Textile Mills Limited	1,666,667	-	-	833,333	833,334	8,333	8,333	-	2.27	2.69	1.39
Total as at September 30, 2011						8,333	8,333	-			

## 4.3 Term Finance Certificates and Sukuk bonds

Certificates (TFCs) having a face value of Rs 5,000 each, unless stated otherwise

Name of the investee company	Issue date	As at 1 <sup>st</sup> July 2011	Purchase s during the period	Sales / Matured during the period	As at Sep 30, 2011	Balance as at Sep 30, 2011			---- Market Value ----		Par value as a percentage of issued debt capital of investee company
						Cost	Market value	Appreciation / (diminution)	As a percentage of total investments	As a percentage of net assets	
----- Number of certificates -----						----- (Rupees in '000) -----					
Worldcall Telecom Limited I	28/Nov/06	3,000	-	-	3,000	2,523	2,487	(36)	0.68	0.80	4.29
United Bank Limited III	8/Sep/06	7,020	-	-	7,020	34,687	35,032	345	9.53	11.30	1.76
Maple Leaf Cement Factory Limited	3/Dec/07	2,000	-	-	2,000	6,989	6,111	(878)	1.66	1.97	0.13
Maple Leaf Cement Factory Limited	31/Mar/10	75	-	-	75	375	263	(112)	0.07	0.08	0.22
Total as at September 30, 2011						44,574	43,893	(681)			
Provision against non -performing exposure						-	(1)	-			
						44,574	43,892	(681)			

## 4.4 Investment in government securities - 'at fair value through profit or loss'

Issue Date	Face value in deonomination of Rs '000					Balance as at Sep 30, 2011			----- Investment -----	
	Tenor	As at July 01 2011	Purchases during the period	Sales / Matured during the period	As at Sept 30, 2011	Cost	Market value	Appreciation / (Diminution)	Market value as a % of total investments	Market value as a percentage of net assets
----- (Rupees in '000) -----										

## Treasury Bills

June 2, 2011	3 Months	75,000		75,000	-	-	-	-		
June 30, 2011	6 Months	25,000		25,000	-	-	-	-		
19-May-11	3 Months		30,000	30,000	-	-	-	-		
19-May-11	3 Months		20,000	20,000	-	-	-	-		
GOP Ijara (12.11.2010)			50,000	-	50,000	50,500	50,500	-	13.74	16.29
<b>Total as at September 30, 2011</b>						<b>50,500</b>	<b>50,500</b>	<b>-</b>		

## 4.5 Listed equity securities - 'available-for-sale'

Name of the Investee company	----- Number of shares -----					Balance as at September 30, 2011			---Market value---		Par value as a percentage of issued capital of investee
	As at July 01, 2011	Purchases during the period	Bonus / Right issue during the period	Sales during the period	As at Sep 30, 2011	Cost less impairment	Market Value	(Diminution) / Appreciation	As a percentage of total investments	As a percentage of net assets	
----- (Rupees in '000) -----											

Shares of listed companies - Fully paid ordinary shares of Rs 10 each unless stated otherwise

## General Industrials

Packages Limited	134,307	-	-	20,376	113,931	15,567	11,621	(3,946)	3.16	0.04	0.14
						<b>15,567</b>	<b>11,621</b>	<b>(3,946)</b>			

## Automobile and parts

Pak Suzuki Motors Company Limited	83,047	-	-	83,000	47	3	3	-	0.00	0.00	0.00
						<b>3</b>	<b>3</b>	<b>-</b>			

## Personal Goods

Kohinoor Mills Limited	361,484	-	-	361,484	-	-	-	-	-	-	-
Suraj Cotton Mills Limited	211,446	-	-	211,446	-	-	-	-	-	-	-
						<b>-</b>	<b>-</b>	<b>-</b>			

Total as at September 30, 2011

<b>15,570</b>	<b>11,624</b>	<b>(3,946)</b>
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## 5 DETAILS OF NON-COMPLIANT INVESTMENT WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. Board has approved the category of the Fund as "Balanced Scheme".

In accordance with clause (v) of the investment criteria laid down for 'Balanced Scheme', the Fund is required to invest in any security having rating not lower than the investment grade (credit rating of BBB and above). Further, clause (v) of the said categorization criteria requires that the ratings of any banks and DFIs with which funds are placed should not be lower than AA- (Double A Minus). However, as at September 30, 2010, the Fund is non-compliant with the above-mentioned requirement in respect of the following investment:

Name of non-compliant investment*	Name of Company	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
----- (Rupees '000) -----						

Investment in debt securities*	Maple Leaf Cement Factory Limited - Term Finance Certificate	6,111	-	6,111	0.02	0.02
Investment in debt securities**	Maple Leaf Cement Factory Limited - Term Finance Certificate	263	-	263	0.00	0.00

\* At the time of purchase, the said Sukuk was in compliance of the said circular (i.e. investment grade) and was subsequently downgraded to Non investment grade.

\*\* This was issued against outstanding markup receivable from Maple Leaf Cement Factory Limited

## 6 REMUNERATION OF 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 to the fund includes the imposed tax.

## 7 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, 2011, 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 Pakistan Capital Market 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 3.671 million (including Rs Nil million for the quarter ended September 30, 2011).

## 8 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.

**9 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

**10 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 of 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 period end with related parties / connected persons, other than those which have been disclosed elsewhere in these financial statements, are as follows:

**10.1 Transactions during the period**

	September 30 2011	September 30 2010
	(Rupees '000)	
<b>Management Company</b>		
Remuneration for the period	2,180	2,237
Sales load for the period	-	48
<b>Arif Habib Limited - Brokerage house</b>		
Brokerage paid for the period*	24	99
<b>Summit Bank (Formerly: Arif Habib Bank Limited)</b>		
Mark-up Income for the period	-	11
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration for the period	188	224
CDS Charges	4	4
CDS induction charges	-	17
<b>Directors and executives of the Management Company</b>		
Issue of Nil units (2010: 5,493 units) for the quarter	-	40
Redemption of 2,574 units (2010: 6,489 units) for the quarter	19	47
Bonus units issued: 373 units (2010: 164,969) for the quarter	3	1,166

\* 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 transaction with connected person as the ultimate counter parties are not connected persons.

	(Unaudited) September 30' 2011 (Rupees '000)	(Audited) June 30, 2011
<b>10.2 Amounts outstanding as at period / year end</b>		
<b>Arif Habib Limited</b>		
Brokerage payable	-	-
<b>Summit Bank (Formerly :Arif Habib Bank Limited)</b>		
Mark-up Receivable	-	5
Bank Balance	-	20
<b>Arif Habib Investments Limited Management Company</b>		
Units held: Nil (June 30, 2010: Nil units)	-	-
Management fee payable	702	722
<b>Directors and executives of the Management Company</b>		
Units held 2,462 ( June 30, 2011: 4,662 units)	18	38
<b>Payable to Pakistan Income Fund</b>		
Amount due on account of conversion of units	-	554
<b>Payable to Pakistan Income Enhancement Fund</b>		
Amount due on account of conversion of units	-	550
<b>Payable to MCB Dynamic Stock Fund</b>		
Amount due on account of conversion of units	2,912	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Security deposit	300	300
Trustee fee payable	61	72
<b>MCB Bank Limited</b>		
Balance with Bank	20,351	610
5,532 Share held at the end of the period (2010: Nil)	958	-
<b>Nishat Mills Limitd</b>		
100,000 Share held at the end of the period (2010: Nil)	4,809	-
<b>Nishat Chunian Power Limited</b>		
13,000 Share held at the end of the period (2010: Nil)	186	-
<b>Nishat Power Limited</b>		
176,967 Share held at the end of the period (2010: Nil)	2,674	-

**11 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.

**12 GENERAL**

Figures have been rounded off to the nearest thousand rupees.

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

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

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