

**PAKISTAN  
STOCK MARKET FUND**

## CONTENTS

<b>Fund's Information</b>	<b>113</b>
<b>Report of the Directors of the Management Company</b>	<b>114</b>
<b>Condensed Interim Statement of Assets and Liabilities</b>	<b>115</b>
<b>Condensed Interim Income Statement</b>	<b>116</b>
<b>Condensed Interim Distribution Statement</b>	<b>117</b>
<b>Condensed Interim Cash Flow Statement</b>	<b>118</b>
<b>Condensed Interim Statement of Movement in Unit Holders' Funds</b>	<b>119</b>
<b>Notes to and Forming Part of the Condensed Interim Financial Statements</b>	<b>120</b>

## FUND'S INFORMATION

<b>Management Company</b>	Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi																
<b>Board of Directors of the Management Company</b>	<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)																
<b>Company Secretary &amp; Chief Financial Officer 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 Banl Al-Habib Liited Meezan Bank Limited Standard Chartered Bank (Pakistan) Limited The Bank Of Panjab																
<b>Auditors</b>	KPMG Taseer Hadi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Buliding No.2 Beaumont Road Karachi. 75530.																
<b>Legal Advisor</b>	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530																
<b>Registrar</b>	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 30 SEPTEMBER 2011

Dear Investor,

On behalf of the Board of Directors, I am pleased to present Pakistan Stock Market 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 the period, PSMF outperformed KSE100 index by delivering -1% return as compared to KSE100 index return of -5.9%. Overall equity exposure of the fund was increased by around 2.5%. There was a substantial increase in allocation in Banks. On scrip level ABL was reduced and BAHF was increased while new exposure was built in MCB, NBP and SNBL. Around 3.5% exposure was also built in Fixed Line Telecom by buying PTCL. Allocation in Electricity was also increased by taking new exposure in NPL and switching some allocation of KAPCO with HUBC. Similarly exposure in Oil and Gas sector was increased by diversifying into new holdings of APL, ATRL, NRL and OGDC. Exposure in PSO was also increased. Exposure in Chemicals was reduced from 20.4% to 14.1%. Another major change done during the period was reduction in PKGS from 9.5% to 4.8% on the back of its weak fundamentals.

### 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 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: 26th October 2011  
Karachi.

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

	<i>Note</i>	Unaudited September 30, 2011 (Rupees in '000)	Audited June 30, 2011
<b>Assets</b>			
Balances with banks		40,857	28,285
Investments	4	1,058,532	1,215,783
Dividend and mark-up receivable		19,618	3,299
Advances, deposits, prepayments and other receivables		3,893	3,736
Receivable against sale of investments		-	560
Receivable against sale of units		6,137	26,432
<b>Total assets</b>		<b>1,129,036</b>	<b>1,278,095</b>
<b>Liabilities</b>			
Payable on redemption of units		6,977	27,765
Payable to Management Company		2,067	2,348
Payable to Central Depository Company of Pakistan Limited - Trustee		166	202
Payable to Securities and Exchange Commission of Pakistan		269	1,487
Accrued expenses and other liabilities		46,391	2,729
<b>Total liabilities</b>		<b>55,869</b>	<b>34,531</b>
<b>Net assets</b>		<b>1,073,166</b>	<b>1,243,564</b>
<b>Unit holders' funds</b>		<b>1,073,166</b>	<b>1,243,564</b>
<b>Number of units in issue</b>		<b>20,153,886</b>	<b>20,690,345</b>
<b>Net asset value per unit</b>		<b>53.25</b>	<b>60.10</b>

The annexed notes 1 to 11 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

Income	Note	2011 (Rupees in '000)	2010
Capital gain on sale of investments		439	58,790
Income from Government Securities		2,190	10,464
Dividend income		14,925	17,154
Profit on deposit accounts with banks		1,399	1,076
Impairment loss on financial assets classified as 'available for sale'		-	(202)
		<u>36,952</u>	<u>87,282</u>
Unrealised (diminution) in fair value of investments ' at fair value through profit or loss - net	4.5	<u>(2,630)</u>	<u>(5,875)</u>
<b>Total income</b>		<b>16,323</b>	<b>81,407</b>
<b>Operating Expenses</b>			
Remuneration of Management Company		6,490	9,172
Remuneration of Central Depository Company of Pakistan Limited - Trustee		528	711
Annual fee - Securities and Exchange Commission of Pakistan		269	438
Securities transaction cost		1,436	1,290
Settlement and bank charges		58	110
Fees and subscriptions		52	52
Legal and professional charges		25	25
Auditors' remuneration		86	118
Printing and related expenditure		56	56
<b>Total expenses</b>		<b>9,001</b>	<b>11,973</b>
<b>Net income from operating activities</b>		<b>7,322</b>	<b>69,434</b>
Element of loss and capital losses included in prices of units sold less those in redeemed		2,428	(11,051)
<b>Net income for the period</b>		<b>9,750</b>	<b>58,383</b>
<b>Other comprehensive (loss) / income for the period</b>			
Unrealised (diminution) / appreciation in value of investments classified as 'available for sale'		(19,294)	(34,248)
<b>Total comprehensive income for the period</b>		<b>(9,544)</b>	<b>24,135</b>

The annexed notes 1 to 11 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

	2011 (Rupees in '000)	2010
Undistributed income / accumulated (loss) brought forward	133,001	202,333
Final distribution for the year ended 30 <sup>th</sup> June 2011: 6.3036 (2009: Rs 9.70) ( Date of distribution: 05 <sup>th</sup> July 2011)		
Distribution		
Cash distribution	-	(18,442)
Issue of bonus units	(130,431)	(282,535)
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed - amount representing unrealised appreciation / (diminution)	(3,452)	5,576
Net income for the period	9,750	58,383
	(124,133)	(237,018)
Accumulated (loss) / undistributed income carried forward	<u>8,868</u>	<u>(34,685)</u>

The annexed notes 1 to 11 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

	2011 (Rupees in '000)	2010
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income / (loss) for the period	9,750	58,383
<b>Adjustments</b>		
Unrealised (appreciation) in fair value of investments		
' at fair value through profit or loss - net	2,630	5,875
Element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units repurchased	(2,428)	11,051
Impairment loss on financial assets classified as 'available for sale'	-	202
Remuneration of Management Company	6,490	9,172
Remuneration of Central Depository Company of Pakistan Limited- Trustee	528	711
	<b>16,971</b>	<b>85,394</b>
<b>(Increase) / decrease in assets</b>		
Investments	135,327	106,095
Receivable against continuous funding system	-	-
Dividend and markup receivable	(16,319)	(12,172)
Advances, deposits, prepayments and other receivables	(157)	(47)
Receivable against sale of investments	560	49,079
	<b>119,412</b>	<b>142,955</b>
<b>Increase / (decrease) in liabilities</b>		
Payable to Management Company	-	(22)
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-
Payable to Securities and Exchange Commission of Pakistan	(1,218)	(1,612)
Accrued expenses and other liabilities	43,662	(1,607)
	<b>42,443</b>	<b>(3,241)</b>
Remuneration paid to Management Company	(6,771)	(9,474)
Remuneration paid to Central Depository Company Limited- Trustee	(564)	(726)
<b>Net cash inflow / (outflow) from operating activities</b>	<b>171,491</b>	<b>214,908</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net payments made against redemption / sale of units	(158,919)	(167,523)
Dividend paid	-	(18,442)
Net cash outflow from financing activities	(158,919)	(185,965)
Net increase / (decrease) in cash and cash equivalents during the period	12,572	28,943
Cash and cash equivalents at the beginning of the period	28,285	13,780
Cash and cash equivalents as at the end of the period	<b>40,857</b>	<b>42,723</b>

The annexed notes 1 to 11 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	2011 (Rupees in '000)	2010
Net assets at the beginning of the year		1,243,564	1,841,340
Issue of units 980,672 (2010: 2,259,291 units)		51,504	115,207
Redemption of units 3,941,501 (2010: 5,701,439 units)		(209,930)	(290,744)
		(158,426)	(175,537)
		<b>1,085,138</b>	1,665,803
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed			
- amount representing loss and capital losses		(2,428)	11,051
- transferred to Income Statement			
- amount representing unrealised (appreciation) / diminution in value of investments transferred directly to Distribution Statement		3,452	(5,576)
		1,024	5,475
Net unrealised (diminution) / appreciation in value of investments of investments classified as 'available for sale'	4.6	(19,294)	(34,248)
Capital gain on sale of investments		439	58,790
Unrealised (diminution) / appreciation in value of investments at fair value through profit or loss - net		(2,630)	(5,875)
Other net income for the period		11,941	5,468
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised diminution		(3,452)	5,576
Final distribution of Rs 6.3036 for the year ended June 30, 2011 (2010: 9.70)			
- Cash distribution		-	(18,442)
- Issue of bonus units		(130,431)	(282,535)
		(124,133)	(237,018)
Issue 2,424,370 bonus units for the year ended June 30, 2010 (2010: 5,691,689 )		130,431	282,535
Net assets at end of the period		<b>1,073,166</b>	1,682,547

The annexed notes 1 to 11 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 Stock Market Fund (PSM) was established under a Trust Deed executed between Arif Habib Investments Limited as "Management Company" and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 23 October 2001 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 28th February 2002 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) [repealed by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules)]."

"NBFC Rules through a certificate of registration issued by SECP. During the year the registered office of the Management Company has been shifted to Techno City Corporate Tower, 8th Floor, Hasrat Mohani Road, Karachi, Pakistan."

Based on shareholders' resolutions of MCB-AMC and Arif Habib Investments Limited (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.

PSM is an open-ended mutual fund, listed on the Karachi Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund is a stock market fund, which primarily invests in shares of listed companies. Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as trustee of the Fund.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned management quality rating of 'AM2' (positive outlook) to the Management Company and 4-Star Normal Short Term and 4-Star Long Term to the Fund.

## 2. BASIS OF PRESENTATION

2.1 " 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."

2.2 These condensed interim financial statements are unaudited.

2.3 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 in preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2011.

## 4. INVESTMENTS

		(Unaudited) September 30, 2011	(Audited) June 30, 2011
		(Rupees in '000)	
<b>At fair Value through profit or loss - held for trading</b>			
Quoted equity securities	4.1	847,988	924,380
Fixed income securities	4.2	64,426	98,772
<b>Available for Sale</b>			
Quoted equity securities	4.3	146,118	192,631
		<u>1,058,532</u>	<u>1,215,783</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE QUARTER ENDED SEPTEMBER 30, 2011

## 4.1 Quoted equity securities - at fair value through profit and loss - held for trading

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

Name of the investee company	As at 1 July 2011	Purchases during the period	Bonus / right issue during the period	Sales during the period	As at 30 September 2011	Cost as at 30 September 2011	Market value as at 30 September 2011	(Diminution) / appreciation as at 30 June 2011	Market value as a percentage of investments net assets		Paid up value of shares held as a percentage of total paid up capital
Number of shares					(Rupees in 000)						
OIL & GAS											
Attock Petroleum	-	32,750	-	6,250	26,500	9,782	10,543	761	0.01	0.01	0.00
Attock Refinery	-	25,000	-	-	25,000	2,987	2,777	(210)	0.00	0.00	0.00
National Refinery	-	10,000	-	-	10,000	3,540	3,671	131	0.00	0.00	0.00
Oil & Gas Development Co. Ltd	-	100,000	-	-	100,000	13,400	13,214	(186)	0.01	0.01	0.00
Pakistan Oilfields Limited	339,632	50,000	-	132,000	257,632	62,677	94,901	32,224	0.09	0.09	0.11
Pakistan Petroleum Limited	498,033	50,625	41,865	105,000	485,523	73,532	92,041	18,509	0.08	0.07	0.04
Pakistan State Oil Company Limited	161,000	60,500	-	10,000	211,500	56,659	53,844	(2,815)	0.05	0.05	0.12
						222,577	270,991	48,414			
CHEMICALS											
Engro Corporation Limited	642,532	170,000	-	450,984	361,548	50,082	51,842	1,760	0.05	0.05	0.09
Fatima Fertilizer Company Limited	2,597,589	-	-	894,284	1,703,305	21,020	32,107	11,087	0.03	0.03	0.09
Fauji Fertilizer Bin Qasim Limited	-	26,217	-	26,217	-	-	-	-	-	-	-
Sitara Chemical Industries Limited	281,916	-	-	-	281,916	45,186	24,532	(20,654)	0.02	0.02	1.32
						116,289	108,482	(7,807)			
GENERAL INDUSTRIALS											
Packages Limited	731,766	-	-	612,939	118,827	17,726	12,120	(5,606)	0.01	0.01	0.14
						17,726	12,120	(5,606)			
INDUSTRIAL METALS AND MININGS											
International Industries Limited	-	163,041	-	31,411	131,630	6,976	5,270	(1,706)	0.00	0.00	0.11
						6,976	5,270	(1,706)			
CONSTRUCTION AND MATERIALS											
Lucky Cement Limited	686,488	50,000	-	197,200	539,288	37,859	40,727	2,869	0.04	0.04	0.17
						37,859	40,727	2,869			
INDUSTRIAL TRANSPORTATION											
Pakistan International Container Terminal Limited	603,607	19,870	-	26,070	597,407	29,681	43,091	13,410	0.04	0.04	0.55
						29,681	43,091	13,410			
AUTOMOBILE AND PARTS											
Pak Suzuki Motor Company Limited	37,826	-	-	37,826	-	-	-	-	-	-	-
						-	-	-			
FOOD PRODUCERS											
Engro Foods Limited	-	80,000	-	50,000	30,000	750	739	(11)	0.00	0.00	0.00
						750	739	(11)			
HOUSEHOLD GOODS											
Pak Elektron Limited	1,619,609	-	-	-	1,619,609	28,221	8,713	(19,507)	0.01	0.01	1.33
						28,221	8,713	(19,507)			
PERSONAL GOODS											
Nishat Mills Limited	1,362,130	-	-	901,501	460,629	20,836	22,152	1,316	0.02	0.02	0.13
						20,836	22,152	1,316			

## 4.1 Quoted equity securities - at fair value through profit and loss - held for trading

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

Name of the investee company	As at 1 July 2011	Purchases during the period	Bonus / right issue during the period	Sales during the period	As at 30 September 2011	Cost as at 30 September 2011	Market value as at 30 September 2011	(Diminution) / appreciation as at 30 June 2011	Market value as a percentage of investments net assets	Paid up value of shares held as a percentage of total paid up capital	
----- Number of shares -----						----- (Rupees in 000) -----					
<b>FIXED LINE</b>											
<b>TELECOMMUNICATION</b>											
Pakistan Telecommunication Co. Ltd	-	3,387,765	-	-	3,387,765	38,734	39,366	632	0.04	0.04	0.09
						<b>38,734</b>	<b>39,366</b>	<b>632</b>			
<b>ELECTRICITY</b>											
Hub Power Company Limited	1,221,266	552,400	-	-	1,773,666	57,873	73,607	15,734	0.07	0.07	0.15
Kot Addu Power Company Limited	1,086,400	-	-	475,100	611,300	29,606	27,570	(2,036)	0.03	0.03	0.07
Nishat Power Limited	-	2,004,383	-	-	2,004,383	30,211	30,286	75	0.03	0.03	0.00
						<b>117,690</b>	<b>131,463</b>	<b>13,773</b>			
<b>BANKS</b>											
Allied Bank Limited	1,268,714	-	-	170,952	1,097,762	53,057	66,415	13,358	0.06	0.06	0.13
Bank Al Habib Limited	780,000	296,101	-	-	1,076,101	30,378	32,143	1,765	0.03	0.03	0.12
MCB Bank Ltd	-	141,700	-	-	141,700	25,369	24,552	(817)	0.02	0.02	0.00
National Bank Of Pakistan	-	750,000	-	400,000	350,000	13,027	16,030	3,003	0.02	0.01	0.00
Soneri Bank Limited	-	3,032,198	-	-	3,032,198	12,161	14,585	2,424	0.01	0.01	0.00
						<b>133,992</b>	<b>153,725</b>	<b>19,733</b>			
<b>NON LIFE INSURANCE</b>											
IGI Insurance Limited	222,142	-	-	36,405	185,737	20,955	11,149	(9,806)	0.01	0.01	0.26
						<b>20,955</b>	<b>11,149</b>	<b>(9,806)</b>			
<b>Total as at 30 September 2011</b>						<b>792,286</b>	<b>847,988</b>	<b>55,703</b>			

## 4.2 Fixed income securities - Government Securities - 'at fair value through profit or loss' - held for trading

Tenor	Face value				As at 30 September 2011	Balance as at 30 June 2011			Market value	
	As at 1 July 2011	Purchases during the year	Sales / Matured during the year			Cost	Market value	Diminution	as a percentage of net assets	as a percentage of total investment
						<b>(Rupees in 000)</b>				
3 Months	100,000	115,000	195,000	20,000		19,964	19,963	(1)	0.02	0.02
6 Months	-	75,000	30,000	45,000		44,485	44,463	(22)	0.04	0.04
<b>Total as at 30 September 2011</b>	<b>100,000</b>	<b>190,000</b>	<b>225,000</b>	<b>65,000</b>		<b>64,449</b>	<b>64,426</b>	<b>(23)</b>		

## 4.3 Quoted equity securities - 'Available for sale'

Shares of listed companies - fully paid ordinary shares / certificates of Rs. 10 each unless stated otherwise

Name of the investee company	Number of shares		As at 30 September 2011	Cost less impairment	Market value	Appreciation n / (diminution )	Market value as a percentage of net assets		Paid up value of shares held as a percentage of total paid
	As at 1 July 2011	Purchases during the year					Bonus / right issue during the year	Sales during the period	
<b>CHEMICALS</b>									
Fauji Fertilizer Company Limited	563,866	-	315,083	13,074	51,011	37,937	0.04	0.04	0.04
				<b>13,074</b>	<b>51,011</b>	<b>37,937</b>			
<b>FORESTRY AND PAPER</b>									
Century Paper & Board Mills Limited	781,220	-	781,220	9,843	11,093	1,250	0.01	0.01	1.11
Security Paper Limited	-	-	-	-	-	-	-	-	-
				<b>9,843</b>	<b>11,093</b>	<b>1,250</b>			
<b>INDUSTRIAL METALS AND MINING</b>									
International Industries Limited	602,414	-	602,414	27,362	24,120	(3,242)	0.02	0.02	0.50
				<b>27,362</b>	<b>24,120</b>	<b>(3,242)</b>			
<b>GENERAL INDUSTRIALS</b>									
Packages Limited	415,041	-	415,041	41,386	42,334	948	0.03	0.03	0.49
				<b>41,386</b>	<b>42,334</b>	<b>948</b>			
<b>AUTOMOBILE AND PARTS</b>									
Pak Suzuki Motor Company Limited	318,300	-	256,126	11,257	17,560	6,303	0.01	0.01	0.31
				<b>11,257</b>	<b>17,560</b>	<b>6,303</b>			
<b>PERSONAL GOODS</b>									
Artistic Denim Limited	-	-	-	-	-	-	-	-	-
Gul Ahmed Textile Mills Limited	-	-	-	-	-	-	-	-	-
Kohinoor Mills Limited	418,180	-	-	-	-	-	-	-	-
<b>Total as at 30 September 2011</b>				<b>102,922</b>	<b>146,118</b>	<b>43,196</b>			

- 4.4 Investments as at 30 September 2011 include shares with market value of Rs 65.825 million (2011: Rs. 65.833 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular number 11 dated 23 October 2007 issued by the Securities & Exchange Commission of Pakistan.

	(Unaudited) September 30, 2011 (Rupees in '000)	(Audited) June 30, 2011
<b>4.5 Net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss'</b>		
Market value of investments	912,414	1,023,152
Less: Cost of investments	(856,735)	(946,844)
	55,680	76,308
Less: Net unrealised diminution in fair value of investments at the beginning of period	(76,308)	38,256
Add: Realised on disposal during the period	17,998	(3,525)
	(58,310)	34,731
	(2,630)	111,039
<b>4.6 Net unrealised appreciation in fair value of investments classified as 'available for sale'</b>		
Market value of investments	146,118	192,631
Cost less impairment	(102,922)	(165,888)
	43,196	26,743
Impairment loss on investment classified as 'available for sale'- transferred to Income Statement		48,943
	43,196	75,686
Less : Impairment derecognized on sale of investments	13,196	-
Less: Net unrealised diminution / (appreciation) in fair value of investments at the beginning of period	(75,686)	(87,175)
	(19,294)	(11,489)

## 5. 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 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 13.019 million (including Rs 0.195 million 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. Earning / (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 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 year end with related parties / connected persons, other than those which have been disclosed elsewhere in these financial statements, are as follows:

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

	(Unaudited)	
	September 30, 2011	September 30, 2010
	(Rupees in '000)	
<b>Management Company</b>		
Remuneration	6,490	9,172
Sales load	22	315
<b>Arif Habib Limited</b>		
Brokerage *	74	278
<b>Central Depository Company of Pakistan Limited-Trustee</b>		
Remuneration of the Trustee	528	711
CDS charges	12	9
<b>Directors and Executive of the Management Company</b>		
Investment in the Fund 54,248 units (2010: 200,755 units)	2,889	10,375
Redemption from the Fund 69,907 units (2010: 240,356 units)	3,723	12,386
Bonus units 20,721 (2010: 38,063)	1,103	1,889

Amounts outstanding as at the period / year end	(Unaudited) September 30, 2010 (Rupees in '000)	(Audited) June 30, 2011
<b>Management Company</b>		
Management fee and sales load payable	<u>2,890</u>	<u>2,348</u>
<b>Directors and Executive of the Management Company</b>		
181,912 units (2011: 176,850 units)	<u>9,687</u>	<u>9,911</u>
<b>Central Depository Company of Pakistan Limited-Trustee</b>		
Security Deposit	<u>200</u>	<u>200</u>
Trustee fee and CDS charges	<u>268</u>	<u>202</u>
<b>Funds under common management</b>		
Payable to Pakistan Income Fund	<u>-</u>	<u>232</u>
Payable to Pakistan Income Enhancement Fund	<u>239</u>	<u>-</u>
Payable to MCB Cash Management Optimizer	<u>245</u>	<u>-</u>
Receivable from Pakistan Income Fund	<u>44</u>	<u>-</u>

\* 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 condensed interim financial statements have been authorized for issue on October 26, 2011 by the Board of Directors of the Management Company.

#### 11. GENERAL

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

For Arif Habib Investments Limited  
(Management Company)

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

\_\_\_\_\_  
Director