

**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>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 Bank Al-Habib Limited Faysal Bank Limited NIB Bank Limited 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>Transfer Agent</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 NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

Dear Investor,

On behalf of the Board of Directors, I am pleased to present the financial results of **Pakistan Capital Market Fund** for the nine months ended March 31, 2012.

## ECONOMY AND MONEY MARKET OVERVIEW

On the macroeconomic front, inflationary pressures have remained largely on the lower side during the period with YoY CPI inflation averaging 10.8% amid change in CPI methodology as well as high base-effect of last year. External account, however, has started deteriorating significantly with 8M FY12 current account balance posting a sizeable deficit of US\$ 3.0 billion amid higher trade deficit despite record remittances flows. Financial flows have remained weak during the period thereby posing serious risks towards balance of payment position as well as exchange rate. On the fiscal side, the government posted a budget deficit of 2.5% of GDP during 1H FY12 with about 94% funding coming from the domestic sources (including one-off circular debt adjustment, 1H FY12 deficit is around 4.4%). Significant deterioration in key macroeconomic indicators has compelled the SBP to keep its earlier adopted monetary easing stance at a halt during the latter part of the period under review.

In the money market, short term market rates remained on the higher side due to relatively tight liquidity scenario in the system amid continued NFA attrition. Due to sizeable depletion in net foreign assets (NFA) of the banking system, market liquidity remained largely tight almost throughout the period - compelling the SBP to constantly inject significant amount of money in the system through OMOs in order to calm down the market.

## EQUITIES MARKET OVERVIEW

After remained bearish for the first six months of the period under review, bullish trend returned at the local bourses during the 3Q FY12 and pushed the KSE-100 Index by significant 21% during the quarter together with buoyant volumes. The major impetus to market came primarily from Finance minister's acceptance of SECP's proposal on CGT relaxation and tax amnesty scheme that reignited the investors' interest, particularly of retail investors which were largely sidelined after the imposition of CGT. Average volumes during the third quarter also improved significantly to 196 million shares, also largely contributed by mid to small-cap stocks. In addition to the local participation, foreign investors also made a comeback to the local bourse with a net inflow of US\$16.1 million after two consecutive quarters of net outflows. Strong corporate earnings announcement by key listed companies also served to uphold the momentum in the market despite concerns of macroeconomic imbalances.

Sector-wise, Banks, Cement, Oil & Gas and Chemical sectors remained center of major activity although significant interest was also seen in several small-cap stocks.

## FUND PERFORMANCE

During the period under review, the fund delivered a return of 6.6% as against its benchmark return of 10%, an underperformance of 3.4%. On the equities front, the overall allocation increased during the period to 57.3% from 55.6% at the beginning. The fund increased its exposure mainly in Construction & Materials, Banks, Oil & Gas sectors, while exposure was reduced in Chemical sector.

On the fixed income side, the fund built its exposure towards GoP Ijarah Sukuk to 10.9% 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 period, while increasing its exposure in TFCs to around 14.5% during the period under review.

## FUTURE OUTLOOK

Despite relatively lower inflation, fragile external and fiscal accounts would continue to keep a check on the SBP's future monetary direction. We continue to flag realization of foreign flows as the single most important variable especially in the backdrop of sustained oil prices, downward trend in cotton prices and debt repayments including IMF. However, re-emergence of talks over US flows under coalition support fund (CSF) and Kerry-Lugar bill would hold the key for the economic outlook in the near term.

Although the external environment, both political and macroeconomic, may remain challenging, market should continue to find support from the earnings season with a focus on Banking, Oil & Gas and Construction Materials Sectors. However, the market could seek correction/profit taking if there is any further delay on the CGT and amnesty related announcement.

#### **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,

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Yasir Qadri  
Chief Executive Officer  
Dated: April 27, 2012

# CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2012

	Un-Audited March, 2012	Audited June 30, 2011
Note	-----Rupees in '000-----	
<b>ASSETS</b>		
Balances with banks	42,755	9,272
Investments	314,956	377,621
Dividend and profit receivable	9,539	4,873
Advances, deposits and prepayments	3,765	3,267
<b>Total assets</b>	<u>371,015</u>	<u>395,033</u>
<b>LIABILITIES</b>		
Payable to the Management Company	700	652
Payable to the Trustee	60	65
Annual fee payable to the Securities and Exchange Commission of Pakistan	229	366
Payable on redemption of units	242	-
Payable against purchase of investments	5,328	-
Dividend payable	2,798	2,798
Accrued expenses and other liabilities	1,397	934
<b>Total liabilities</b>	<u>10,754</u>	<u>4,815</u>
<b>NET ASSETS</b>	<u>360,261</u>	<u>390,218</u>
<b>Unit holders' funds (as per statement attached)</b>	<u>360,261</u>	<u>390,218</u>
<b>CONTINGENCY</b>		
	6	-----Number of units-----
<b>Number of units in issue</b>	<u>45,299,360</u>	<u>48,429,525</u>
		-----Rupees-----
<b>NET ASSET VALUE PER UNIT</b>	<u>3.4</u> <u>7.95</u>	<u>8.06</u>

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited  
(Management Company)

Yasir Qadri  
Chief Executive Officer

Nasim Beg  
Executive Vice Chairman

# CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

		Nine months ended		Quarter ended	
		March 31,		March 31,	
		2012	2011	2012	2011
	Note	-----Rupees in '000-----		-----Rupees in '000-----	
<b>INCOME</b>					
Capital gain / (loss) on sale of investments - net		(6,371)	13,829	1,737	192
Dividend income		17,051	10,017	7,140	4,387
Income from government securities		4,648	12,871	1,234	2,867
Income from term finance certificates		5,188	4,999	1,914	1,524
Profit on bank deposits		2,546	1,234	1,434	424
Income from preference shares		1,077	1,895	328	642
Other income		58	(24)	(1)	(24)
		24,197	44,821	13,786	10,012
Net unrealised (diminution) / appreciation on remeasurement of investments classified as financial assets 'at fair value through profit or loss'	4.6	11,027	30,372	34,589	9,613
Impairment loss on equity investments classified as 'available-for-sale'		-	(2,943)	-	(445)
(Provision) / reversal of provision against non-performing debt securities	4.8	(1,309)	2,471	(605)	-
<b>Total income</b>		33,915	74,721	47,770	19,180
<b>OPERATING EXPENSES</b>					
Remuneration of the Management Company	5	5,394	6,596	1,740	2,138
Sindh sales tax on remuneration of the Management Company		863	-	278	-
Remuneration of the Trustee		541	660	176	214
Annual fee - Securities and Exchange Commission of Pakistan		229	280	74	91
Securities transaction cost		1,603	584	606	(31)
Bank charges		68	203	21	163
Fees and subscriptions		329	193	233	64
Legal and professional charges		68	45	38	15
Auditors' remuneration		424	371	129	124
Printing and related costs		678	285	143	86
Amortisation of conversion costs		-	575	-	-
<b>Total operating expenses</b>		10,197	9,792	3,438	2,864
<b>Net income from operating activities</b>		23,718	64,929	44,332	16,316
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		64	(31,660)	(621)	9,792
<b>Net income for the period before taxation</b>		23,782	33,269	43,711	26,108
Taxation	7	-	-	-	-
<b>Net income for the period after taxation</b>		23,782	33,269	43,711	26,108
<b>Other comprehensive income / (loss) for the period</b>					
Net unrealised (diminution)/appreciation in fair value / reclassification adjustment for net gains realised on disposal of investments classified as 'available-for-sale'	4.7	(1,453)	(4,822)	-	(717)
<b>Total comprehensive (loss) / income for the period</b>		22,329	28,447	43,711	25,391
Earnings / (loss) per unit	3.5				

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited  
(Management Company)

Yasir Qadri  
Chief Executive Officer

Nasim Beg  
Executive Vice Chairman

# CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

	Nine months ended March 31,		Quarter ended March 31,	
	2012	2011	2012	2011
	----Rupees in '000----		----Rupees in '000----	
<b>Accumulated loss brought forward</b>	(98,639)	(13,869)	(145,160)	(132,946)
Final distribution for the year ended June 30, 2011: Rs 0.5966 (2010: Rs 2.90) per unit (Date of distribution: July 4, 2011)				
- Bonus distribution	(28,893)	(129,272)	-	-
	(28,893)	(129,272)	-	-
Net income for the period after taxation	23,782	33,269	43,711	26,108
Element of income and capital gains / (losses) included in prices of units issued less those in units redeemed	7,909	(2,369)	5,608	(5,403)
	31,691	30,900	49,319	20,705
<b>Accumulated loss carried forward</b>	<u>(95,841)</u>	<u>(112,241)</u>	<u>(95,841)</u>	<u>(112,241)</u>

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

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

Yasir Qadri  
Chief Executive Officer

Nasim Beg  
Executive Vice Chairman



# CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

	Nine months ended March 31,		Quarter ended March 31,	
	2012	2011	2012	2011
	-----Rupees in '000-----		-----Rupees in '000-----	
<b>Net assets at the beginning of the period</b>	390,218	444,548	332,021	447,204
Issue of 83,451 units (2011: 430,657 units) and 69,383 units (2011: 66,535 units) for the nine months and quarter respectively	612	3,193	507	528
Redemption of 7,086,680 units (2011: 10,632,732 units) and 2,177,119 units (2011: 4,567,799 units) for the nine months and quarter respectively	(52,834)	(80,930)	(16,599)	(36,413)
	(52,222)	(77,737)	(16,092)	(35,885)
Issue of 3,873,064 bonus units (2011: 18,284,691 units)	28,893	129,272	-	-
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net				
- amount representing (income) / loss and capital (gains) / losses - transferred to income statement	(64)	31,660	621	(9,792)
- amount representing (income) / loss that forms part of unit holders' fund - transferred to distribution statement	(7,909)	2,369	(5,608)	5,403
	(7,973)	34,029	(4,987)	(4,389)
Net unrealised (diminution)/appreciation in fair value / Reclassification adjustment for net gains realised on disposal of investments classified as 'available-for-sale'	(1,453)	(4,822)	-	(717)
Capital gain / (loss) on sale of investments - net	(6,371)	13,829	1,737	192
Net unrealised (diminution) / appreciation in fair value of investments classified as financial assets 'at fair value through profit or loss'	11,027	30,372	34,589	9,613
(Provision) / reversal of provision against non-performing debt securities	(1,309)	2,471	(605)	-
Other income (net of expenses)	20,435	(13,403)	7,990	16,303
	23,782	33,269	43,711	26,108
Element of (loss) / income and capital (losses) /gains included in prices of units issued less those in units redeemed - amount representing income / (loss) and capital gains / (losses) transferred to distribution statement	7,909	(2,369)	5,608	(5,403)
Distributions:				
Final distribution for the year ended June 30, 2011: Rs 0.5966 (2010: Rs 2.90) per unit (Date of distribution : July 4, 2011)				
- Bonus distribution	(28,893)	(129,272)	-	-
<b>Net assets as at the end of the period</b>	<b>360,261</b>	<b>426,918</b>	<b>360,261</b>	<b>426,918</b>

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

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

**Yasir Qadri**  
Chief Executive Officer

**Nasim Beg**  
Executive Vice Chairman

# CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

	Nine months ended March 31,		Quarter ended March 31,	
	2012	2011	2012	2011
	-----Rupees in '000-----		-----Rupees in '000-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income for the period before taxation	23,782	33,269	43,711	26,108
<b>Adjustments:</b>				
Amortisation of conversion costs	-	575	-	-
Net unrealised (diminution) / appreciation on remeasurement of investments classified as financial assets 'at fair value through profit or loss'	(11,027)	(30,372)	(34,589)	(9,613)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	(64)	31,660	621	(9,792)
Dividend income	(17,051)	(10,017)	(7,140)	(4,387)
Impairment loss on equity investments classified as 'available-for-sale'	-	2,943	-	445
(Provision) / reversal of provision against non-performing debt securities	1,309	(2,471)	605	-
	(3,051)	25,587	3,208	2,761
<b>Decrease / (increase) in assets</b>				
Receivable against issue of units	-	-	-	110
Investments - net	70,938	38,252	27,647	49,532
Profit receivable	489	2,770	(1,103)	397
Advances, deposits and prepayments	(498)	(40)	(453)	38
Receivable against sale of investments	-	(1,300)	-	(1,300)
	70,921	39,682	25,906	48,777
<b>Increase / (decrease) in liabilities</b>				
Payable to the Management Company	48	(12)	31	(35)
Payable to the Trustee	(5)	(1)	2	(3)
Annual fee payable to the Securities and Exchange Commission of Pakistan	(137)	(183)	74	91
Payable against purchase of investments	5,328	-	(4,054)	-
Payable against redemption of units	242	(141)	242	(782)
Accrued expenses and other liabilities	463	(45)	407	2
	5,939	(382)	(3,298)	(727)
Dividend income received	11,896	6,931	1,985	1,301
<b>Net cash generated from operating activities</b>	85,705	71,818	27,801	52,112
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Net payments against redemption of units	(52,222)	(77,737)	(16,092)	(35,885)
Distributions during the period	-	(7)	-	-
<b>Net cash used in financing activities</b>	(52,222)	(77,744)	(16,092)	(35,885)
<b>Net increase / (decrease) in cash and cash equivalents during the period</b>	33,483	(5,926)	11,709	16,227
Cash and cash equivalents at the beginning of the period	9,272	36,930	31,046	14,777
<b>Cash and cash equivalents as at the end of the period</b>	42,755	31,004	42,755	31,004

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited  
(Management Company)

Yasir Qadri  
Chief Executive Officer

Nasim Beg  
Executive Vice Chairman

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

## 1 LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Capital Market Fund (the Fund) was established under a trust deed executed between Arif Habib Investments Limited ("the Management Company", "AHIL") and Central Depository Company of Pakistan Limited (CDC) as Trustee on October 27, 2003. The Investment Adviser of the Fund 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 the Fund 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 Non-Banking Finance Companies (Establishment and Regulation) Rules 2003 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, Pakistan.

Based on shareholders' resolutions of MCB Asset Management Company Limited and Arif Habib Investments Limited the two companies have merged as of June 27, 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). Arif Habib Investments Limited being a listed company is the surviving entity and 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 July 30, 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 Sindh High Court (SHC). The honourable Sindh High Court (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 a Balanced Scheme' as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorization of Collective Investment Schemes (CISs). 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 (PACRA) has assigned asset management rating of 'AM2 (Positive outlook)' and '2 Star / 3 Star' to the Management Company and the Fund respectively.

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

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of International Accounting Standard (IAS) 34: 'Interim Financial Reporting', the Trust Deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), Non Banking Finance Companies and Notified Entities Regulations 2008 (NBFC Regulations) and the directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IAS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.2 This condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual published financial statements of the Fund for the year ended June 30, 2011.

2.3 This condensed interim financial information is unaudited.

2.4 The directors of the management company declare that this condensed interim financial information give a true and fair view of the Fund.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied for the preparation of this condensed interim financial information 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.

**3.1 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed**

During the period the Fund has revised the methodology for determination of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed. As per the revised methodology, element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the year is recognised in income statement and the remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is included in the distribution statement. Previously, the element of income / (loss) and capital gains (losses) pertaining to unrealised gains / (losses) on investments classified as 'available for sale' was being recognised in the distribution statement and the remaining amount was included in the income statement.

The revised methodology, in the opinion of the management, would ensure that continuing unit holders' share of undistributed income remains unchanged on issue and redemption of units. The change did not have any impact on the net assets value (NAV) of the Fund.

**3.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period:**

The following new standards and amendments to existing standards are mandatory for the first time for the financial year beginning July 1, 2011:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The adoption of the revised standard did not have any impact on the Fund's condensed interim financial information.

IFRS 7 (amendment) 'Financial instruments: Disclosures'. This amendment was a part of the IASB's annual improvement project published in May 2010. The amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The management is in the process of assessing the impact of this amendment on the Fund's condensed interim financial information.

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the period and are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not disclosed in this condensed interim financial information.

**3.3 Standards, interpretations and amendments to published approved accounting standards, as adopted in Pakistan, that are not yet effective:**

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that are mandatory for accounting periods beginning on or after July 1, 2012 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are, therefore, not detailed in this condensed interim financial information.

**3.4 Net Asset Value per unit**

The net asset value (NAV) per unit, as disclosed on the Statement of Assets and Liabilities, is calculated by dividing the net assets of the Fund by the number of units in issue at the period / year end.

**3.5 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.

**4 INVESTMENTS**

**Financial assets 'at fair value through profit or loss'**

- Listed equity securities
- Listed preference shares
- Term Finance Certificates and Sukuk bonds - listed
- Government securities

**Available for sale**

- Listed equity securities

Note	Un-Audited March 31, 2012	Audited June 30, 2011
	----- Rupees in '000 -----	
4.1	212,396	191,444
4.2	8,333	16,667
4.3	53,827	44,308
4.4	40,400	97,041
	<u>314,956</u>	<u>349,460</u>
4.5	-	28,161
	<u>314,956</u>	<u>377,621</u>

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

Name of the Investee company	As at July 1, 2011	Purchases during the period	Bonus / right issue during the period	Sales during the period	As at March 31, 2012	Balance as at March 31, 2012			Market value as percentage of investments	Market value as percentage of net assets	Paid up value of shares held as a percentage of total paid up capital of the investee company
						Carrying Value	Market value	Appreciation / (Diminution)			
					Rupees in '000						
SHARES OF LISTED COMPANIES - Fully paid ordinary shares of Rs 10 each unless stated otherwise											
OIL AND GAS											
Attock Petroleum Limited	-	55,766		4,649	51,117	21,302	23,169	1,867	7.36	6.43	0.07
Attock Refinery Limited	-	25,000		25,000	-	-	-	-	0.00	0.00	0.00
Pakistan Oilfields Limited	78,569	24,000		52,500	50,069	18,099	18,287	188	5.81	5.08	0.02
Pakistan Petroleum Limited	103,200	147,700	8,320	100,000	159,220	28,694	29,104	410	9.24	8.08	0.01
Pakistan State Oil Company Limited	113,000	41,922		75,000	79,922	21,055	19,926	(1,129)	6.33	5.53	0.05
						89,150	90,486	1,336			
CHEMICALS											
Engro Corporation Limited	165,600	355,500	15,330	520,000	16,430	1,892	1,631	(261)	0.52	0.45	0.00
Fauji Fertilizer Company Limited	-	531,247	13,484	544,731	-	-	-	-	0.00	0.00	0.00
Fatima Fertilizer Company Limited	800,000	800,000	-	1,450,000	150,000	3,615	3,558	(57)	1.13	0.99	0.01
						5,507	5,189	(318)			
CONSTRUCTION AND MATERIALS											
D.G. Khan Cement	-	50,000	-	-	50,000	1,649	1,818	169	0.58	0.50	0.01
Lucky Cement Limited	205,000	215,000	-	230,000	190,000	16,227	21,555	5,328	6.84	5.98	0.06
						17,876	23,373	5,497			
GENERAL INDUSTRIALS											
Packages Limited	74,624	-	-	74,624	-	-	-	-	0.00	0.00	0.00
						-	-	-			
FOOD PRODUCERS											
Engro Foods Limited	-	25,000	-	15,000	10,000	250	471	221	0.15	0.13	0.00
						250	471	221			
HOUSEHOLD GOODS											
Pak Elektron Limited	591,478	-	-	591,478	-	-	-	-	0.00	0.00	0.00
						-	-	-			
PERSONAL GOODS											
Nishat Mills Limited	-	100,000	-	-	100,000	3,903	5,509	1,606	1.75	1.53	0.03
						3,903	5,509	1,606			
FIXED LINE TELECOMMUNICATION											
Pakistan Telecommunication Company Limited "A"	-	1,463,226	-	450,000	1,013,226	11,638	12,473	835	3.96	3.46	0.03
						11,638	12,473	835			
ELECTRICITY											
The Hub Power Company Limited	-	1,621,825	-	871,364	750,461	28,339	28,240	(99)	8.97	7.84	0.06
Kot Addu Power Company Limited	541,470	200,000	-	741,470	-	-	-	-	0.00	0.00	0.00
Nishat Chunian Power Limited	-	868,000	-	90,000	778,000	12,443	10,869	(1,574)	3.45	3.02	0.21
Nishat Power Limited	-	376,967	-	150,000	226,967	3,274	3,137	(137)	1.00	0.87	0.06
Pakgen Power Limited	-	50,000	-	50,000	-	-	-	-	0.00	0.00	0.00
						44,056	42,246	(1,810)			
BANKS											
Allied Bank Limited	341,422	-	8,572	255,700	94,294	5,498	6,042	544	1.92	1.68	0.01
Askri Bank Ltd.	-	50,000	-	50,000	-	-	-	-	0.00	0.00	0.00
Bank AlHabib Limited	-	272,033	40,804	-	312,837	8,845	8,653	(192)	2.75	2.40	0.03
MCB Bank Limited	-	57,532	3,053	17,000	43,585	6,578	7,647	1,069	2.43	2.12	0.00
Meezan Bank Limited	-	384,593	23,074	200,000	207,667	3,240	5,877	2,637	1.87	1.63	0.02
National Bank of Pakistan Limited	-	492,100	-	395,000	97,100	4,439	4,430	(9)	1.41	1.23	0.01
United Bank Limited	-	166,783	-	166,783	-	-	-	-	0.00	0.00	0.00
						28,600	32,649	4,049			
NON LIFE INSURANCE											
Adamjee Insurance Company Limite	-	500	-	500	-	-	-	-	0.00	0.00	0.00
						-	-	-			
Total as at March 31, 2012						200,980	212,396	11,416			
Total as at June 30, 2011						181,099	191,444	10,345			

**4.1.1** Investments include listed equity securities with market value of Rs. 21,184,948.00 (June 30, 2011: Rs 29,051,327) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by the SECP.

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

Name of the investee company	As at July 1, 2011	Purchases during the period	Bonus / right issue during the period	Sales during the period	As at March 31, 2012	Balance as at March 31, 2012			Market value as percentage of investments	Market value as percentage of net assets	Paid up value of shares held as a percentage of total paid up capital of the investee company
						Carrying Value	Market value	Appreciation / (diminution)			
-----Number of shares-----						-----Rupees in '000-----					

**SHARES OF LISTED COMPANIES - Fully paid preference shares of Rs 10 each unless stated otherwise**

**PERSONAL GOODS**

Masood Textile Mills Limited	1,666,667	-	-	833,333	833,334	8,333	8,333	-	2.65	2.31	1.39
<b>Total as at March 31, 2012</b>						<u>8,333</u>	<u>8,333</u>	<u>-</u>			
<b>Total as at June 30, 2011</b>						<u>16,667</u>	<u>16,667</u>	<u>-</u>			

**4.3 Term Finance Certificates - 'at fair value through profit or loss'**

Name of the investee company	Issue date	As at July 1, 2011	Purchases during the period	Sales / matured during the period	As at March 31, 2012	Balance as at March 31, 2012			--- Market Value ---		Percentage in relation to the size of issue
						Carrying Value	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	-	-	-	-	0.00	0.00	0.00
United Bank Limited III	8-Sep-06	7,020	-	-	7,020	29,556	29,110	(446)	9.24	8.08	1.75
Maple Leaf Cement Factory Limited (refer Note 4.3.1)	3-Dec-07	2,000	-	-	2,000	6,103	6,108	5	1.94	1.70	0.12
Maple Leaf Cement Factory Limited	31-Mar-10	75	-	75	-	-	-	-	0.00	0.00	0.00
NIB Bank Limited-TFC	05-03-2008	5-Mar-12	4,000		4,000	19,768	19,918	150			
						55,427	55,136	(291)			
Provision against non - performing exposure (note 4.3.1)						(1,309)	(1,309)	-			
<b>Total as at March 31, 2012</b>						<b>54,118</b>	<b>53,827</b>	<b>(291)</b>			
<b>Total as at June 30, 2011</b>						<b>44,582</b>	<b>44,308</b>	<b>(274)</b>			

**4.3.1** During the period, Maple Leaf Cement Factory Limited has been classified as a non - performing debt security in accordance with Circular no. 1 of 2009 and Circular no. 3 of 2010 issued by the Securities and Exchange Commission of Pakistan. Accordingly a provision amounting to Rs 1.309 million has been made during the period.

**4.4 Government securities - 'at fair value through profit or loss'**

Particulars	Face value					Balance as at March 31, 2012			Market value as a percentage of total investments	Market value as a percentage of net assets
	As at July 1, 2011	Purchases during the period	Sales during the period	Matured during the period	As at March 31, 2012	Carrying Value	Market value	Appreciation / (Diminution)		
-----Rupees in '000-----										
<b>Market Treasury Bills</b>										
Treasury Bill - 3 Months	75,000	20,000	75,000	20,000	-	-	-	-	-	-
Treasury Bill - 6 Months	25,000	35,000	60,000		-	-	-	-	-	-
						<u>-</u>	<u>-</u>	<u>-</u>		
<b>Government of Pakistan Ijara Sukuk</b>										
GOP Ijara Sukuk - 3 years	-	50,000	10,000	-	40,000	40,400	40,400	-	13	11
						<u>40,400</u>	<u>40,400</u>	<u>-</u>		
<b>Total as at March 31, 2012</b>						<u>40,400</u>	<u>40,400</u>	<u>-</u>		
<b>Total as at June 30, 2011</b>						97,057	97,041	(16)		

**4.4.1** The above sukuk have been carried at cost by the Fund as in the opinion of the management, there is no external source available for their accurate valuation. Financial Markets Association of Pakistan (FMAP) is currently developing a mechanism for revaluation of these sukuk. Once developed, this mechanism will be forwarded to the Securities and Exchange Commission of Pakistan (SECP) and State Bank of Pakistan (SBP) for their consideration. Mutual Funds Association of Pakistan (MUFAP) has also informed the SECP that the mechanism of pricing of these sukuk is currently being studied by MUFAP and has requested SECP to allow status quo to the Funds in valuation of these securities.

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

Name of the Investee company	As at July 1, 2011	Purchases during the period	Bonus / right issue during the period	Sales during the period	As at March 31, 2012	Balance as at March 31, 2012			Market value as percentage of investments	Market value as percentage of net assets	Paid up value of shares held as a percentage of total paid up capital of the investee
						Cost less impairment	Market value	Appreciation / (Diminution)			
-----Number of shares-----						-----Rupees in '000-----					

**SHARES OF LISTED COMPANIES - Fully paid ordinary shares of Rs 10 each unless stated otherwise**

**GENERAL INDUSTRIALS**

Packages Limited	134,307	-	-	134,307	-	-	-	-	-	-	-
						-	-	-			

**AUTOMOBILE AND PARTS**

Pak Suzuki Motors Company Limit	83,047	-	-	83,047	-	-	-	-	-	-	-
						-	-	-			

**PERSONAL GOODS**

Kohinoor Mills Limited	361,484	-	-	361,484	-	-	-	-	-	-	-
Suraj Cotton Mills Limited	211,446	-	-	211,446	-	-	-	-	-	-	-
						-	-	-			

**Total as at March 31, 2012**

**Total as at June 30, 2011**

26,708	28,161	1,453
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**Un-Audited  
March 31,  
2012**

**Audited  
June 30,  
2011**

**4.6 Net unrealised (diminution) / appreciation on remeasurement of investments classified as financial assets 'at fair value through profit or loss'**

-----Rupees in '000-----

Market value of investments	314,956	349,460
Carrying value of investments	(303,831)	(339,185)
	11,125	10,275
Reversal of unrealised loss on redemption of Worldcall Telecom Limited I	(98)	-
	11,027	10,275

**4.7 Net unrealised appreciation / (diminution) in value of investments classified as 'available-for-sale'**

Market value of investments	-	28,161
Cost less impairment	-	(26,708)
	-	1,453

**4.8 Movement in provision against non - performing debt securities**

Opening balance	-	-
Charge for the year	1,309	-
Closing balance	1,309	-

**5 SINDH SALES TAX ON REMUNERATION OF THE MANAGEMENT COMPANY**

During the current period, the provincial government has levied General Sales Tax at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011.

## **6 CONTINGENCY**

**6.1** 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", "SHC"), challenging the applicability of WWF to the CISs, which is pending adjudication.

Subsequently, 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.

During the period, 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 March 31, 2012 amounted to Rs 4.209 million (including Rs. 0.538 million for the nine months and quarter ended March 31, 2012).

**6.2** There were no other contingencies and commitments outstanding as at March 31, 2012 (June 30, 2011: Nil).

## **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 is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

## **8 DETAILS OF NON-COMPLIANCE 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. The Board of Directors of the Management Company has approved the category of the Fund as a "Balanced Scheme".

In accordance with clause (iv) of the investment criteria laid down for 'Balanced Scheme', the Fund is not allowed to invest in any debt security having a rating lower than A- (A minus). However, as at March 31, 2012, the Fund is non-compliant with the above-mentioned requirement in respect of the following:

Name of non-compliant investment	Type of investment	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 (03-Dec-2007)	6,108	(1,309)	4,799	1.33	1.29
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\* At the time of purchase, the said Sukuk was in compliance with the provisions contained in the said circular (i.e. not below A-) and was, subsequently, downgraded to D. The downgrading has been made due to default in payments of due principal and markup.

## **9 TRANSACTIONS WITH CONNECTED PERSONS**

Connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, the Trustee, directors and key management personnel and other associated undertakings.



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

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

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

**9.1 Transactions during the period**

	Unaudited			
	Nine month ended		Quarter ended	
	March 31,		March 31,	
	2012	2011	2012	2011
	-----Rupees in '000-----		-----Rupees in '000-----	
<b>Arif Habib Investments Limited - Management Company</b>				
- Remuneration of the Management Company	5,394	6,596	1,740	2,138
- Sindh sales tax on remuneration of the Management Company	863	-	278	-
<b>Arif Habib Limited - Brokerage house</b>				
- Brokerage expense	123	113	88	14
<b>Summit Bank (Formerly: Arif Habib Bank Limited)</b>				
- Profit on bank deposit	1	18	-	-
<b>MCB Bank Limited</b>				
- Bank Charges	9	4	2	-
- Profit on bank deposit	1,076	9	944	-
- Dividend income	109	-	92	-
<b>Nishat Mills Limited.</b>				
- Dividend income	330	-	-	-
<b>Nishat Power Limited</b>				
- Dividend income	227	-	227	-
<b>Nishat Chunian Power Limited</b>				
- Dividend income	1,180	-	1,167	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>				
- Remuneration for the period	541	660	176	214
- CDS charges	14	9	11	2
- CDS eligibility charges	-	51	-	17
<b>Directors and executives of the Management Company</b>				
- Issue of Nil (2011: 17,397) units and Nil (2011: Nil ) for the nine months and quarter respectively	-	128	-	-
- Redemption of Nil units (2011: 579,887 units) and Nil units (2011: 562,593) for the nine months and quarter respectively	-	4,646	-	4,518
- Bonus units issued: 180 (2010: 164,969) and Nil bonus units (2011: Nil) for the nine months and quarter respectively	1	1,166	-	-

**9.2 Amounts outstanding as at period / year end**

	<b>Un-Audited March 31, 2012</b>	<b>Audited June 30, 2011</b>
	<b>-----Rupees '000-----</b>	
<b>Arif Habib Limited - Brokerage house</b>		
- Brokerage payable	76	-
<b>Summit Bank (Formerly: Arif Habib Bank Limited)</b>		
- Bank Balance	35	40
<b>MCB Bank Limited</b>		
- Accrued mark-up Receivable	427	-
- Bank Balance	27,826	-
- 43,585 shares held (June 30, 2011: Nil shares)	7,647	-
<b>Arif Habib Investments Limited - Management Company</b>		
- Payable to the Management Company	700	652
<b>Fatima Fertilizer Company Limited</b>		
- 150,000 share held (June 30, 2011: 800,000 shares)	3,558	13,312
<b>Nishat Mills Limited</b>		
- 100,000 shares held (June 30, 2011: Nil shares)	5,509	-
<b>Nishat Chunian Power Limited</b>		
- 778,000 shares held (June 30, 2011: Nil shares)	10,869	-
<b>Nishat Power Limited</b>		
- 226,967 shares held (June 30, 2011: Nil shares)	3,137	-
<b>Adamjee Insurance Company Limited</b>		
- Nil share held (June 30, 2011: Nil shares)	-	-
<b>D.G. Khan Cement</b>		
- 50000 Shares Held ( June 30, 2011: Nil shares)	1,818	
<b>Directors and executives of the Management Company</b>		
- Units held 2,429 (June 30, 2011: 4,662 units)	19	38
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
- Security deposit	300	300
- Trustee fee payable	60	65

**10 DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS**

This condensed interim financial information was authorised for issue on April 27, 2012 by the Board of Directors of the Management Company.

**11 CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified wherever necessary, for the purpose of comparison and better presentation. No significant changes to corresponding figures have been made during the current period.

**12 GENERAL**

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

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

**Yasir Qadri**  
Chief Executive Officer

**Nasim Beg**  
Executive Vice Chairman