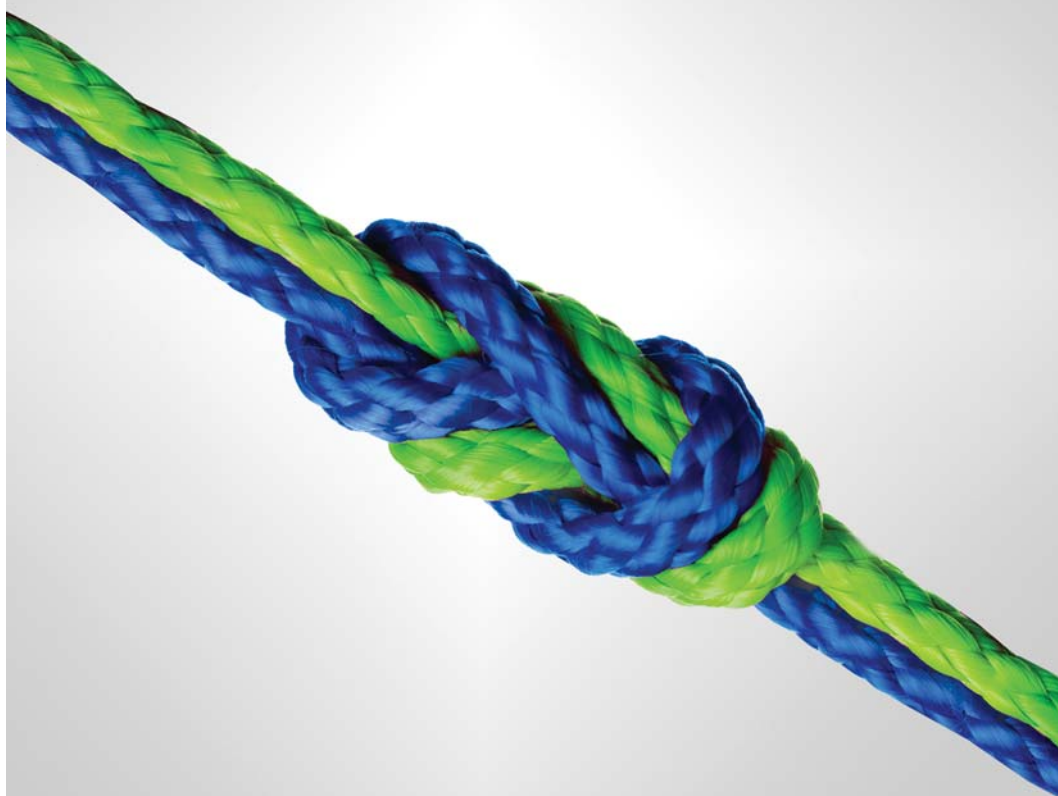


Half Year Report

December 31, 2011
(Unaudited)



Arif Habib
Investments Limited
A subsidiary of
MCB Bank Limited

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Vision

- To use our financial and risk management expertise, product innovation ability, professionalism and quality of service to be Pakistan's premier fund management company, reaching out to all segments of investors domestic and international.
- To contribute to the economic development of the country and benefit our investor community by providing them access to the investment returns generated by Pakistan's growing economy, while diversifying the investment exposure into international opportunities as well.
- To accelerate our corporate growth significantly through investment in human resource and technology and through our physical presence in locations having proximity to our investors.

Mission

To establish a centre of excellence in the Pakistan Fund Management Community, utilizing the best local and international expertise to provide value-for-money products, which meet the needs of Pakistani and overseas investors.

Core Values

The Company takes pride in its orientation towards client service. It believes that its key success factors include continuous investment in staff, systems and capacity building, and its insistence on universal best practices at all times.

COMPANY INFORMATION

| | | |
|--|---|--|
| Board of Directors | 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) |
| Audit Committee | Mr. Nasim Beg Mr. Haroun Rashid Mr. Samad A. Habib Mr. Ali Munir | |
| Chief Financial Officer & Company Secretary | Mr. Muhammad Saqib Saleem | |
| Auditors | Riaz Ahmad & Company Chartered Accountants 108-109, 1 st Floor, Park Avenue Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi-75400, Pakistan. | |
| Legal Advisors | Akhund Forbes D-21, Block 4, Scheme 5, Clifton Karachi-75600, Pakistan. Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530, Pakistan | |
| Share Register | Noble Computer Services (Private) Limited First Floor, House of Habib Building (Siddiqsons Tower), 3-Jinnah Cooperative Housing Society, Main Shahrah-e-Faisal, Karachi, Pakistan. Tel: (021) 4325482-87 Fax: (021) 4325442 Website: www.noble-computers.com | |
| Bankers | MCB Bank Limited Bank AL Habib Limited Summit Bank Limited | |
| Registered Office | 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi. UAN: (+92-21) 11-11-622-24, Toll Free: 0800-622-24 Fax: (+92-21) 32276898, 32276908 URL: www.mcbah.com, Email: info@mcbah.com | |
| Ratings (PACRA) | Entity A (Long Term) / A1 (Short Term) Asset Manager AM2 (With Positive Outlook) | |

REVIEW REPORT OF THE DIRECTORS FOR THE HALF YEAR ENDED 31 DECEMBER 2011

The Board of Directors of Arif Habib Investment Limited (AHI) is pleased to present the Half Yearly Report on the affairs of AHI for the period ending December 31, 2011.

Company's Performance Review

Your Company recorded a gross income of Rs. 248.50 million, which includes management/investment advisory fee and other operating income. After accounting of administrative, operating & financial expenses and income sharing of Rs. 155.16 million, the company earned a profit before tax of Rs. 93.29 million. The net profit after tax for the period amounts to Rs. 61.55 million, as compared to net profit of Rs. 42.0 million for the corresponding period ended December 31, 2010. Accordingly, with the increasing trend of funds under management of the company, the company is expected to deliver better results going forward.

Subsequent Appropriations

The Board of Directors has recommended interim cash dividend amounting to Rs.54 million i.e. 7.5% for the period ended December 31, 2011.

These appropriations will be reflected in the subsequent financial statements, in compliance with the revised Fourth Schedule to the Companies Ordinance, 1984.

Regulatory Approvals

On June 10, 2011 the Securities and Exchange Commission of Pakistan sanctioned the scheme of amalgamation by approving the said merger in terms of Section 282L(4) of the Companies Ordinance, 1984 vide its letter dated June 10, 2011 subject to all regulatory compliances. The effective date of the proposed merger was June 27, 2011.

However, well past business hours on June 27, 2011, SECP issued another order under Section 484(2) of the Companies Ordinance, 1984 (the extension order) and extended the effective date from June 27, 2011 to July 30, 2011. On the advice of the legal advisor the sponsors and Board are of the view that the merger is a past and closed transaction and consequently the Company filed a constitutional petition before the Honourable High Court of Sindh on July 2, 2011 on the grounds that the extension order was illegal and not tenable under law. On July 4, 2011, the Court, in response to the said petition, suspended the operation of the extension order of SECP till the outcome of the application. The external auditors of the Company have emphasized the above mentioned situation in their review report of Condensed Interim Financial Information. The status of this litigation is unchanged till to date.

MARKETS & ECONOMIC REVIEW

Economy & Money Market Review

On the macroeconomic front, inflationary pressures have remained largely on the lower side during

the period with YoY CPI inflation averaging 10.9% amid change in CPI methodology as well as high base-effect of last year. External account, however, has started deteriorating significantly with 1H FY12 current account balance posting a sizeable deficit of US\$ 2.2 billion amid higher trade deficit despite record remittances flows. On the fiscal side, the government posted a budget deficit of 1.2% of GDP during 1Q FY12 with its entire funding coming from the domestic sources. Non-realization of official flows is not only hurting the BOP position, it would continue to affect the funding profile of fiscal deficit - which would have its implications on the monetary mechanism as well as exchange rate. Citing some improvements in key macro variables, the SBP decided to ease its monetary stance by lowering its policy discount rate cumulatively by 200 bps to 12.0% during early part of the period. Significant deterioration in macroeconomic balances, however, has compelled them to keep DR unchanged during the latter part.

In the money market, short term market rates remained on the higher side amid tight liquidity scenario in the system. 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 Review

Bearish trend continued at the local bourses with the KSE-100 index went down by 9.2% during the period under review with abysmally low volumes. Attractive valuations were marred by the dearth of liquidity, extremely volatile global markets and fragile domestic economic and geo-political conditions. Deteriorating macroeconomic balances coupled with rising tension in the political arena restrained local investors from taking counter positions against foreigners, which remained net seller during the period with a net FIPI outflow of over US\$ 151 million. Even a cumulative reduction in DR of 200 bps by the SBP during early part of the period failed to generate strong momentum among equity investors due to fear of aggressive sell off by foreign investors as well as lack of clarity on political and macro fronts.

Sector-wise, Chemicals and Oil & Gas sectors remained centre of major activity although interest was also seen in few other stocks related to various sectors based on their respective fundamentals and valuations.

MARKETS & ECONOMY - FUTURE OUTLOOK

Despite continued improvement on inflation front, 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. 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.

Although the external environment may remain challenging in the near term, the stock market may find support from the December earnings season with a focus on dividend laden results including Banking, Electricity and Chemicals Sectors and could redraw attention to the fundamental strength in the listed companies. Strong earnings growth, high dividend yield and relatively cheaper valuations offer decent returns for long term investors in our opinion.

MUTUAL FUND INDUSTRY REVIEW

The Net Assets of the open end mutual fund industry grew significantly during the period under review and ended the first half of FY12 at a size of around Rs.267 billion, 20% up since June 2011. Although the overall growth in Asset Under Management (AUM) remained stronger, the major growth drivers for the industry continued to be conventional Fixed Income and Shariah compliant Funds that attracted sizeable inflows whereas Equity Funds witnessed a decline during the period. Unlike last year where Income Funds category was cannibalized by low-risk money market funds, the former performed really well during the period under review with a robust growth of 41% YTD to reach to a size of over Rs. 55 billion.

Money Market fund continued to be the growing segment of the industry and its assets under management went up significantly by 36% during the period to cross over Rs. 100 billion mark. Along with Money Market segment, Islamic Income fund category has also done quite well with an increase of about 37% YTD to reach to a size of around Rs. 30 billion.

During the period under review, equities funds suffered a sizeable battering with segment AUMs declining by 15% during the period under review to reach around Rs. 44 billion. This decline is largely attributed to the weaker performance by the local equities market, with the benchmark KSE-100 Index posting a decline of 9.2% during the period.

MUTUAL FUND INDUSTRY OUTLOOK

Due to the continued prevalence of risk aversion, a robust growth in mutual funds has been contributed by fixed income funds, especially money market and Shariah compliant funds. This trend is unlikely to be changed going forward with prevailing interest rates environment clearly supporting fixed income funds growth. In addition, voluntary pension schemes (due to enhanced tax-advantage) and Shariah compliant funds (stable returns due to Ijarah Sukuk) should also perform better in the years to come. Similarly, given the attractive valuation multiples of Pakistan equities market coupled with significant decline in interest rates, stock fund still appears to be the right choice for longer term savings and investments.

For and on behalf of the board

Yasir Qadri
Chief Executive Officer
Karachi: January 27, 2012

**AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONDENSED
INTERIM FINANCIAL INFORMATION
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

Introduction

We have reviewed the accompanying condensed interim balance sheet of **ARIF HABIB INVESTMENTS LIMITED** ("the Company") as at 31 December 2011 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year then ended (herein after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarter ended 31 December 2011 have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the half year ended 31 December 2011.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended 31 December 2011 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

We draw attention to note 1.2 to the condensed interim financial information which states that the Scheme of Amalgamation of the Company with MCB Asset Management Company Limited was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its order dated 10 June 2011 that fixed the effective date of amalgamation to be 27 June 2011. However, the SECP issued another order dated 27 June 2011 and extended the effective date of amalgamation from 27 June 2011 to 30 July 2011. For the reasons mentioned in the aforementioned note, the Company filed a Constitutional Petition in the Honourable High Court of Sindh, during the preceding year, challenging SECP's order dated 27 June 2011. In response to the Petition, the Court suspended such order of SECP until the final outcome of the litigation. Based on legal

advice obtained during the preceding year, the Company accounted for its amalgamation with MCB Asset Management Company Limited in its financial statements for the year ended 30 June 2011 on the basis that the sanction order dated 10 June 2011 was fully effective. The Petition has not so far been decided by the Court. The status of this litigation is unchanged till the date of authorization for issue of this condensed interim financial information.

Our conclusion is not qualified with respect to this matter.

Other Matters

The condensed interim financial information of the Company for the half year ended 31 December 2010 was reviewed by another firm of Chartered Accountants who expressed an unqualified conclusion vide their review report dated 19 February 2011.

The financial statements of the Company for the year ended 30 June 2011 were audited by same other firm of Chartered Accountants who modified their report dated 29 September 2011 wherein following matters were emphasized: (i) petition submitted to Honorable High Court of Sindh with respect to amalgamation of the Company; (ii) the financial statements were prepared under reverse acquisition method using the financial statements of MCB Asset Management Company Limited for the period ended 26 June 2011 which were audited by us where we modified our report dated 29 September 2011 by emphasizing the matter of litigation related to amalgamation. Further, the comparatives in the financial statements of the Company for the year ended 30 June 2011 represented the figures of MCB Asset Management Company Limited for the year ended 30 June 2010 which were also audited by us where we expressed an unqualified opinion in our report dated 07 September 2010; (iii) the pending finalization of fair values of certain assets acquired as a result of amalgamation which were provisionally determined; (iv) the financial statements of the Company for the year ended 30 June 2010 were audited by another firm of chartered accountants whose report dated 04 August 2010 expressed an unqualified opinion thereon.

Riaz Ahmad & Company
Chartered Accountants

Name of the engagement partner:
Muhammad Kamran Nasir

Date: 27 January 2012

KARACHI

CONDENSED INTERIM BALANCE SHEET AS AT 31 DECEMBER 2011

| | Note | Un-audited 31 December 2011 | Audited 30 June 2011 |
|--|------|-----------------------------------|----------------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| | | -----Rupees----- | |
| | | | Restated |
| Property, plant and equipment | 6 | 108,904,556 | 113,905,121 |
| Capital work in progress | | 5,507,500 | 5,200,000 |
| Intangible assets | 7 | 279,766,222 | 280,840,816 |
| Long term investments | 8 | 314,311,117 | 310,324,182 |
| Long term loans and receivables | | 5,401,354 | 6,925,070 |
| Security deposits | | 849,700 | 624,700 |
| Deferred taxation | | - | 5,327,523 |
| | | 714,740,449 | 723,147,412 |
| CURRENT ASSETS | | | |
| Receivable from related parties | | 70,380,199 | 101,600,492 |
| Loans and advances | | 976,908 | 3,029,899 |
| Deposits, prepayments and other receivables | | 4,242,579 | 9,298,172 |
| Accrued mark-up | | 648,020 | 1,007,993 |
| Taxation-net | | 86,897,492 | 76,153,030 |
| Short term investments | 9 | 363,118,700 | 306,626,274 |
| Cash and bank balances | | 8,432,798 | 57,779,770 |
| | | 534,696,696 | 555,495,630 |
| Non-current assets held for sale | | 77,970,426 | 77,970,426 |
| TOTAL ASSETS | | 1,327,407,571 | 1,356,613,468 |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorized share capital | | | |
| 72,000,000 (30 June 2011: 72,000,000) ordinary shares of Rupees 10 each | | 720,000,000 | 720,000,000 |
| Issued, subscribed and paid up share capital | | | |
| 72,000,000 (30 June 2011: 72,000,000) ordinary shares of Rupees 10 each fully paid in cash | 10 | 720,000,000 | 720,000,000 |
| Reserves | | 496,482,253 | 538,729,994 |
| Total equity | | 1,216,482,253 | 1,258,729,994 |
| Surplus on revaluation of property, plant and equipment-net of deferred tax | | 10,606,599 | 10,870,308 |
| LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax | | 23,933,918 | - |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 76,384,801 | 87,013,166 |
| TOTAL LIABILITIES | | 100,318,719 | 87,013,166 |
| Contingencies and Commitments | 11 | | |
| TOTAL EQUITY AND LIABILITIES | | 1,327,407,571 | 1,356,613,468 |

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

Yasir Qadri
Chief Executive Officer

Nasim Beg
Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

| | | Half Year Ended | | Quarter Ended | |
|---|----|-----------------|--------------|---------------|--------------|
| | | 31 December | | | |
| Note | | 2011 | 2010 | 2011 | 2010 |
| | | Rupees | | | |
| OPERATING INCOME | 12 | 223,878,449 | 116,249,012 | 111,221,551 | 59,027,844 |
| OPERATING AND ADMINISTRATIVE EXPENSES | 13 | (112,765,867) | (55,884,300) | (57,282,107) | (29,542,027) |
| MANAGEMENT PROCESSING AND OTHER RELATED INCOME SHARING | | (42,399,674) | (28,974,700) | (25,305,964) | (18,562,568) |
| | | (155,165,541) | (84,859,000) | (82,588,071) | (48,104,595) |
| OPERATING PROFIT | | 68,712,908 | 31,390,012 | 28,633,480 | 10,923,249 |
| OTHER OPERATING INCOME | 14 | 24,616,887 | 22,582,026 | 11,736,138 | 10,275,015 |
| | | 93,329,795 | 53,972,038 | 40,369,618 | 21,198,264 |
| FINANCE COST | | (37,751) | (514) | (29,283) | (166) |
| PROFIT BEFORE TAXATION | | 93,292,044 | 53,971,524 | 40,340,335 | 21,198,098 |
| TAXATION | | | | | |
| CURRENT -for the year | | (2,672,763) | (11,775,521) | 5,022,983 | (4,235,933) |
| -prior year | | 84,339 | (10,651) | 84,339 | (10,651) |
| DEFERRED | | (29,151,836) | (187,582) | (9,723,084) | 1,611,557 |
| | | (31,740,260) | (11,973,754) | (4,615,762) | (2,635,027) |
| NET PROFIT AFTER TAXATION | | 61,551,784 | 41,997,770 | 35,724,573 | 18,563,071 |
| EARNINGS PER SHARE- BASIC AND DILUTED | | 0.85 | 1.17 | 0.50 | 0.52 |

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

Yasir Qadri
Chief Executive Officer

Nasim Beg
Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

| | Half year ended | | Quarter ended | |
|---|-------------------|-------------------|-------------------|-------------------|
| | | | 31 December | |
| | 2011 | 2010 | 2011 | 2010 |
| | Rupees | | | |
| Profit after tax | 61,551,784 | 41,997,770 | 35,724,573 | 18,563,071 |
| Other Comprehensive income | | | | |
| Fair value adjustment on available for sale investment | 4,046,350 | - | (1,673,773) | - |
| Reversal of deferred tax asset arising on fair value gain | (109,585) | - | (109,585) | - |
| | 3,936,765 | - | (1,783,358) | - |
| Total comprehensive income | <u>65,488,549</u> | <u>41,997,770</u> | <u>33,941,215</u> | <u>18,563,071</u> |

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

Yasir Qadri
Chief Executive Officer

Nasim Beg
Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

| | 31 December 2011 | 31 December 2010 |
|---|---------------------|---------------------|
| | Rupees | |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit for the half year before taxation | 93,292,044 | 53,971,524 |
| Adjustments for non cash items: | | |
| Depreciation | 6,533,703 | 4,659,876 |
| Amortisation | 1,074,594 | 944,772 |
| Gain on sale of fixed assets | (263,154) | (160,000) |
| Capital gain on sale of marketable securities | (3,816,476) | - |
| Unrealised appreciation in fair value of investments | (16,616,358) | (21,693,900) |
| Finance cost | 37,751 | 514 |
| | (13,049,940) | (16,249,252) |
| CASH FLOW FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES | 80,242,104 | 37,722,272 |
| WORKING CAPITAL CHANGES | | |
| (Increase) / decrease in current assets | | |
| Receivable from related parties | 31,220,293 | (3,139,602) |
| Short term prepayments | 5,055,593 | (5,530,477) |
| Investments made-net | (36,000,000) | - |
| Formation cost | - | 6,330,765 |
| Mark-up accrued | 359,973 | (136,287) |
| Loans and advances | 2,052,991 | 2,840,618 |
| | 2,688,850 | 365,017 |
| Increase / (decrease) in current liabilities | | |
| Trade and other payables | (10,628,365) | (11,911,023) |
| NET CASH USED IN WORKING CAPITAL CHANGES | (7,939,515) | (11,546,006) |
| CASH FLOW FROM OPERATING ACTIVITIES | 72,302,589 | 26,176,266 |
| Income tax paid | (13,333,267) | (11,035,138) |
| Finance cost paid | (37,751) | (514) |
| Dividend paid | (108,000,000) | - |
| NET CASH (USED IN) / FLOW FROM OPERATING ACTIVITIES | (49,068,429) | 15,140,614 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Fixed capital expenditure | (2,180,878) | (2,074,915) |
| Proceeds from sale of property plant and equipment | 603,619 | 160,000 |
| Long term loans and receivables | 1,523,716 | (601,376) |
| Security deposits | (225,000) | - |
| NET CASH USED IN INVESTING ACTIVITIES | (278,543) | (2,516,291) |
| NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS | (49,346,972) | 12,624,323 |
| Cash and cash equivalents at the beginning of the period | 57,779,770 | 12,181,925 |
| Cash and cash equivalents at the end of the period | 8,432,798 | 24,806,248 |

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

Yasir Qadri
Chief Executive Officer

Nasim Beg
Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN
EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

| | RESERVES | | | | | | |
|--|---|------------------|--|--------------|--|---------------|---------------|
| | ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL | CAPITAL RESERVE | | | REVENUE RESERVE | | SUB TOTAL |
| | | SHARE PREMIUM | DEFICIT ARISING ON AMALGAM- ATION | SUB TOTAL | UN- REALIZED (LOSS)/ GAIN ON APPROPRIATED AVAILABLE FOR SALE | SUB TOTAL | |
| | | | | | | | |
| | | | | | | | |
| Rupees | | | | | | | |
| Balance as at 01 January 2010 | 300,000,000 | - | - | - | 127,889,235 | 127,889,235 | 427,889,235 |
| Total comprehensive income for the half year | - | - | - | - | 33,846,959 | 33,846,959 | 33,846,959 |
| Transferred from surplus on revaluation of fixed assets on account of incremental depreciation-net of deferred tax | - | - | - | - | 26,165 | 26,165 | 26,165 |
| Balance as at 30 June 2010 | 300,000,000 | - | - | - | 161,762,359 | 161,762,359 | 461,762,359 |
| Total comprehensive income for the half year | - | - | - | - | 41,997,770 | 41,997,770 | 41,997,770 |
| Transferred from surplus on revaluation of fixed assets on account of incremental depreciation-net of deferred tax | - | - | - | - | 60,666 | 60,666 | 60,666 |
| Balance as at 31 December 2010 | 300,000,000 | - | - | - | 203,820,795 | 203,820,795 | 503,820,795 |
| Bonus Share Issued @ 20% of Share Capital | 60,000,000 | - | - | - | - | - | 60,000,000 |
| Issue of Share Capital on Amalgamation | 360,000,000 | - | - | - | - | - | 360,000,000 |
| Share Premium on Issue of Share Capital | - | 396,000,000 | - | 396,000,000 | - | - | 396,000,000 |
| Deficit arising on account of difference in share capital of AHIL and MCB AMC | - | - | (60,000,000) | (60,000,000) | - | - | (60,000,000) |
| Total comprehensive income for the half year | - | - | - | - | 29,637,178 | 29,637,178 | 29,637,178 |
| Transferred from surplus on revaluation of fixed assets on account of incremental depreciation-net of deferred tax | - | - | - | - | 258,283 | 258,283 | 258,283 |
| Unrealized Loss on available for sale Investment | - | - | - | - | (986,262) | (986,262) | (986,262) |
| Dividend Paid @ 10% (Re. 1 per share) | - | - | - | - | (30,000,000) | (30,000,000) | (30,000,000) |
| Balance as at 30 June 2011 | 720,000,000 | 396,000,000 | (60,000,000) | 336,000,000 | (986,262) | 203,716,256 | 1,258,729,994 |
| Dividend paid @ 15% for the year ended 30 June 2011 | - | - | - | - | - | (108,000,000) | (108,000,000) |
| Total comprehensive income for the half year | - | - | - | - | 3,936,765 | 61,551,784 | 65,488,549 |
| Transferred from surplus on revaluation of fixed assets on account of incremental depreciation-net of deferred tax | - | - | - | - | - | 263,710 | 263,710 |
| Balance as at 31 December 2011 | 720,000,000 | 396,000,000 | (60,000,000) | 336,000,000 | 2,950,503 | 157,531,750 | 1,216,482,253 |

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

Yasir Qadri
Chief Executive Officer

Nasim Beg
Director

**SELECTED NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

1. STATUS AND NATURE OF BUSINESS

1.1 Arif Habib Investments Limited (the Company) was incorporated on 30 August 2000, as an unquoted public limited company under the Companies Ordinance, 1984. During 2008, the Company was listed on the Karachi Stock Exchange by way of offer for sale of shares by a few of the existing shareholders of the Company to the general public. In the same financial year, the name of the Company was changed from Arif Habib Investment Management Limited to Arif Habib Investments Limited. The registered office of the Company is situated at 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan. The Company is a subsidiary of MCB Bank Limited (MCB) which has 51.33% (30 June 2011: 51.33%) direct holding in the Company.

1.2 During the year ended 30 June 2011, a transfer agreement was signed on 19 January 2011 between Arif Habib Corporation Limited (AHCL) [the then parent of the Company] and MCB Bank Limited (MCB Bank) [the then parent of MCB Asset Management Company Limited (MCB AMC)] for the transfer of entire business of MCB AMC to the Company to achieve synergies in business and access to a wider distribution network. The scheme of amalgamation (the scheme) was approved by the shareholders of the Company and MCB AMC in their respective extra ordinary general meetings held on 21 May 2011. The Securities and Exchange Commission of Pakistan (SECP) vide its order dated 10 June 2011 under Section 282(L) of the Companies Ordinance, 1984 (the Sanction Order) approved the Scheme. As per the Sanction Order, the effective date of amalgamation was 27 June 2011 (the effective date).

Pursuant to amalgamation, the entire undertaking of MCB AMC including all properties, assets, liabilities, receivables, payables and all other rights and obligations was transferred into and vested in the Company as on the effective date. As part of the Scheme, the Company issued and allotted 36 million Ordinary shares of Rupees 10 each, as fully paid shares, to registered Ordinary shareholders of MCB AMC in the ratio of 1.2 Ordinary shares of the Company for each share of Rupees 10 of MCB AMC as consideration. The fair value of the shares issued to the shareholders of MCB AMC was based on the published quoted price of the Ordinary shares of the Company as at 24 June 2011 (25 June 2011 and 26 June 2011 being public holidays) being Rupees 21 per share.

Accordingly, the Company is a subsidiary of MCB Bank Limited from the end of the preceding year which owns 51.33% Ordinary shares in the Company (30 June 2011: 51.33% Ordinary shares as at the effective date).

After the close of business on 27 June 2011, the SECP issued another order under Section 484(2) of the Companies Ordinance, 1984 (the Extension Order) to extend the effective date from 27 June 2011 to 30 July 2011.

Based upon legal advice, the Company filed a constitutional petition before the Honorable High Court of Sindh (the Court) on 02 July 2011 pleading that the merger is a past and closed transaction and the Extension Order was illegal and not tenable under law. On 04 July 2011, the Court suspended the operation of the Extension Order till the disposal of the application.

On the basis of the order of the Honorable High Court of Sindh dated 04 July 2011 and the legal advice regarding merits of the case, management strongly believes that the outcome of the petition would be in its favor.

1.3 The Company is registered as an Asset Management Company and Investment Advisor under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Pension Fund Manager under Voluntary Pension System Rules 2005. The Company also manages discretionary portfolio accounts.

1.4 The Company is currently acting as Asset Management Company of the following open ended funds:

| | Net Asset Value as at | |
|---|-----------------------|-----------------|
| | 31 December 2011 | 30 June 2011 |
| | Rupees in million | |
| | (Unaudited) | (Audited) |
| Open-end mutual funds | | |
| Pakistan Income Fund | 1,685 | 1,814 |
| Pakistan Stock Market Fund | 940 | 1,244 |
| Metro Bank-Pakistan Sovereign Fund | 6,303 | 2,999 |
| Pakistan International Element Islamic Fund | 272 | 337 |
| Pakistan Capital Market Fund | 332 | 390 |
| Pakistan Cash Management Fund | 1,898 | 2,711 |
| Pakistan Income Enhancement Fund | 1,332 | 1,624 |
| Pakistan Capital Protected Fund - Fixed Income Securities | 241 | 237 |
| AH Dow Jones SAFE Pakistan Titans 15 Index Fund | 108 | 123 |
| Pakistan Premier Fund | 516 | 688 |
| Pakistan Strategic Allocation Fund | 547 | 608 |
| MCB Islamic Income Fund | 645 | 182 |
| MCB Dynamic Allocation Fund | 309 | 333 |
| MCB Dynamic Stock Fund | 691 | 693 |
| MCB Cash Management Optimizer | 11,216 | 10,393 |
| MCB Dynamic Cash Fund | 5,801 | 5,020 |
| Pension Funds | | |
| Pakistan Pension Fund | 206 | 221 |
| Pakistan Islamic Pension Fund | 129 | 127 |
| Discretionary portfolio | 1,060 | 801 |

The company is also managing investors under discretionary portfolio management agreement, the details of which is given below:

| | | |
|------------------------------------|-------------|-------------|
| Number of accounts | 8 | 8 |
| Cost of the Portfolio - Rupees | 964,980,286 | 706,469,688 |
| Market Value of Portfolio - Rupees | 978,070,742 | 718,679,880 |
| Management Fee earned - Rupees | 640,385 | 221,203 |

1.5 The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2 to the Company.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

This condensed interim financial report of the Company for the half year ended 31 December 2011 has been prepared in accordance with the requirements of the International Accounting standard (IAS) 34- 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984, the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non

Banking Finance Companies and Notified Entities Regulations, 2008. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non Banking Finance Companies and Notified Entities Regulations, 2008 have been followed.

- 2.2** This condensed interim financial report is un-audited but subject to limited scope review by the statutory auditors and is being submitted to the shareholders as required by section 245 of the Companies' Ordinance, 1984.

2.3 Basis of Measurement

This condensed interim financial information has been prepared under the historical cost convention except that office premises are stated at revalued amount in accordance with International Accounting Standard (IAS) 16 'Property, Plant and Equipment' and investments are stated at fair value in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'. Accrual basis of accounting has been used except for the cash flow statement.

- 2.4** This condensed interim financial information is presented in Pak Rupees, which is the Company's functional and presentation currency.

3. ACCOUNTING POLICIES

The accounting policies and the method of computation adopted in preparation of this condensed interim financial report are the same as those applied in the preparation of the annual financial statements for the year ended 30 June 2011.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Judgments and estimates made by the management in preparation of this condensed interim financial information are the same as those applied to the annual financial statements for the year ended 30 June 2011 except for the effects of finalization of fair values of the assets assumed under amalgamation during the last year as stated in Note 5.

5. BUSINESS COMBINATION - FINALIZATION OF FAIR VALUES

The Company's financial statements for the year ended 30 June 2011 were prepared using reverse acquisition method in accordance with the requirements of the International Financial Reporting Standard – 3 (revised) 'Business Combinations'. As permitted under IFRS – 3, the fair values of the assets of the Company assumed and accounted for under reverse acquisition method were incorporated provisionally in the aforementioned financial statements based on limited information. IFRS 3 requires to retrospectively adjust such provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. The provisional amounts recognized were required to be adjusted during the 'Measurement period' which cannot exceed one year from the acquisition date.

During the half year ended 31 December 2011, the management has finalized the fair values of such assets. The retrospective adjustment has been made in the balance sheet and the comparatives have been revised as under:

| | Carrying amount as at 26 June 2011 | Fair values provisionally determined as at 26 June 2011 | Further adjustments to finalize the fair values identified during the period | Fair values finalized and adjusted retrospectively |
|--|--|---|--|---|
| | Rupees | | | |
| Fixed assets | 35,752,429 | 34,654,895 | - | 34,654,895 |
| Investments | 262,261,172 | 262,261,172 | - | 262,261,172 |
| Long-term loans and receivables | 6,051,191 | 6,051,191 | - | 6,051,191 |
| Long-term deposits | 115,000 | 115,000 | - | 115,000 |
| Intangible assets acquired on amalgamation | - | 109,000,000 | 83,000,000 | 192,000,000 |
| Deferred tax asset | 62,760,149 | 62,760,149 | (21,572,968) | 41,187,181 |
| Cash and bank balances | 41,573,019 | 41,573,019 | - | 41,573,019 |
| Other current assets – net | 160,705,655 | 160,705,655 | 5,470,621 | 166,176,276 |
| Total assets | 569,218,615 | 677,121,081 | 66,897,653 | 744,018,734 |
| Liabilities | | | | |
| Trade and other payables | 50,535,712 | 67,776,760 | - | 67,776,760 |
| Provision for taxation | 2,368,907 | 2,368,907 | - | 2,368,907 |
| Total liabilities | 52,904,619 | 70,145,667 | - | 70,145,667 |
| Net assets acquired | 516,313,996 | 606,975,414 | 66,897,653 | 673,873,067 |
| Fair value of the consideration transferred | | 756,000,000 | - | 756,000,000 |
| Goodwill arising on acquisition – adjusted | | 149,024,586 | 66,897,653 | 82,126,933 |

This exercise has resulted in an increase in the value of 'Intangible Asset-Management Rights' by Rupees 83 million, a decrease in the 'Deferred Tax Asset' by Rupees 21.572 million, a increase in 'Other Current Assets' of Rupees 5.471 million and a corresponding decrease in the 'Goodwill' by Rupees 66.898 million.

The fair value of 'Intangible Asset-Management Rights' has been worked out by an independent valuer as at the reporting date based on future projections of earnings after taking into account reasonable assumptions and related data. The 'Deferred Tax Asset' and 'Other Current Assets' have been adjusted upon identifying further information that could not be substantiated as at the acquisition date. No change has been identified with respect to the values of all other assets due to which such values have now been treated as final. The management believes that the exercise of finalizing the fair values is now complete.

| | Un-audited 31 December 2011 Rupees | Audited 30 June 2011 Rupees |
|---|---|--------------------------------------|
| 6. PROPERTY, PLANT AND EQUIPMENT | | |
| Opening book value | 113,905,121 | 80,533,526 |
| Add: Revaluation surplus | - | 15,260,062 |
| Add: Cost of additions during the half year/year (Note 6.1) | 1,873,378 | 3,434,438 |
| Less: Deletion during the half year/ year - book value (Note 6.2) | (340,466) | (57,444) |
| Add: Assets acquired under amalgamation | - | 23,906,132 |
| | 115,438,033 | 123,076,714 |
| Less: Depreciation during the half year/year | 6,533,477 | 9,171,593 |
| | 108,904,556 | 113,905,121 |

| | | Un-audited 31 December 2011 | Audited 30 June 2011 |
|------------|---|-----------------------------------|----------------------------|
| | Note | -----Rupees----- | |
| 6.1 | Cost of additions during the half year/year | | |
| | Office furniture | 1,489,771 | 1,604,766 |
| | Office equipment | 273,607 | 982,286 |
| | Computer hardware | 110,000 | 847,336 |
| | | <u>1,873,378</u> | <u>3,434,388</u> |
| 6.2 | Book value of assets deleted during the half year/ year | | |
| | Office furniture | 203,551 | - |
| | Office equipment | - | 36,950 |
| | Motor vehicles | - | 4,884,663 |
| | Computer hardware | 136,915 | 61,712 |
| | | <u>340,466</u> | <u>4,983,325</u> |
| 7. | INTANGIBLE ASSETS | | Restated |
| | Opening book value | 280,840,816 | 2,784,373 |
| | Add: Addition during the half year/year | - | 38,144 |
| | Add: Assets acquired under amalgamation | - | 279,675,696 |
| | | <u>280,840,816</u> | <u>282,498,213</u> |
| | Less: Amortization during the half year/year | <u>1,074,594</u> | <u>1,657,397</u> |
| | 7.1 | <u>279,766,222</u> | <u>280,840,816</u> |
| 7.1 | Intangible assets includes | | |
| | Computer software | 5,639,289 | 6,713,883 |
| | Goodwill | 82,126,933 | 82,126,933 |
| | Management rights | 192,000,000 | 192,000,000 |
| | | <u>279,766,222</u> | <u>280,840,816</u> |

8. LONG TERM INVESTMENTS

In Collective Investment Schemes - related parties

Available-for-sale investments

8.1 Available-for-sale investments

| LONG TERM INVESTMENTS | | | | | | | | | | 31 December 2011 | 30 June 2011 | |
|--|-------|------------------------|----------------|------------------------------|-------------|--------------------|--|-------------|-----------------|---|----------------------|-------------|
| In Collective Investment Schemes - related parties | | | | | | | | | | Note | | |
| Available-for-sale investments | | | | | | | | | | 8.1 | 314,311,117 | 310,324,182 |
| Available-for-sale investments | | | | | | | | | | | | |
| | | As at 31 December 2011 | | | | As at 30 June 2011 | | | | | | |
| Name of the investee / fund | Note | As at 01 July 2011 | Bonus units | As at 31 December 2011 | Cost | Market value | Accumulated Unrealized gain / (loss) on revaluation of investments | Cost | Market value | Unrealized gain / (loss) on revaluation of investments | | |
| ----- Units ----- | | | | | | | | | | | ----- (Rupees) ----- | |
| Open end mutual funds | | | | | | | | | | | | |
| Pakistan Pension Fund | 8.1.1 | 900,000 | - | 900,000 | 113,328,000 | 115,365,000 | 2,037,000 | 113,328,000 | 112,992,000 | (336,000) | | |
| Pakistan Islamic Pension Fund | 8.1.1 | 900,000 | - | 900,000 | 111,534,000 | 113,811,000 | 2,277,000 | 111,534,000 | 110,991,000 | (543,000) | | |
| Pakistan Capital Protected Fund - | | | | | | | | | | | | |
| Fixed Income Securities (FIS) | 8.1.1 | 126,502 | 10,642 | 137,144 | 1,339,657 | 1,438,642 | 98,985 | 1,339,657 | 1,396,582 | 56,925 | | |
| AH Dow Jones SAFE Pakistan | | | | | | | | | | | | |
| Titans 15 Index Fund (AHDJPF) | 8.1.1 | 600,000 | 23,643 | 623,643 | 35,220,000 | 30,876,575 | (4,343,425) | 35,220,000 | 34,818,000 | (402,000) | | |
| MCMCB Islamic Income Fund | 8.1.1 | 500,000 | - | 500,000 | 50,000,000 | 52,819,900 | 2,819,900 | 50,000,000 | 50,126,600 | 126,600 | | |
| | | | | | 311,421,657 | 314,311,117 | 2,889,460 | 311,421,657 | 310,324,182 | (1,097,475) | | |

8.1.1 This represents investment in seed capital of the Fund.

9. SHORT TERM INVESTMENTS

In Collective Investment Schemes - related parties

| | | | |
|--------------------------------------|-----|--------------------|--------------------|
| At fair value through profit or loss | 9.1 | 362,218,142 | 305,785,131 |
| Available-for-sale investments | 9.2 | 900,558 | 841,143 |
| | | 363,118,700 | 306,626,274 |

9.1 At fair value through profit or loss

| Name of the investee Fund | As at 31 December 2011 | | | As at 30 June 2011 | | | | |
|-------------------------------|------------------------|-----------|------------------------|---|-------------|--------------|---|------------|
| | As at 01 July 2011 | Additions | As at 31 December 2011 | Unrealized gain on revaluation of investments | Cost | Market value | Unrealized gain on revaluation of investments | |
| | Units | | | | (Rupees) | | | |
| Open end mutual funds | | | | | | | | |
| MCB Dynamic Cash Fund | 1,920,726 | 442,425 | 2,363,151 | 244,521,804 | 10,088,331 | 172,449,232 | 194,616,986 | 22,167,754 |
| MCB Cash Management Optimizer | 608,892 | 19,077 | 627,969 | 61,041,545 | 64,608,958 | 3,567,413 | 61,041,545 | 6,381,354 |
| MCB Islamic Income Fund | 500,000 | 2,532 | 502,532 | 50,126,600 | 53,087,389 | 2,960,780 | 50,126,600 | 126,600 |
| | | | | 345,601,618 | 362,218,142 | 16,616,524 | 305,785,131 | 28,675,708 |

9.2 Available-for-sale investments

| Name of the investee Fund | As at 31 December 2011 | | | As at 30 June 2011 | | |
|------------------------------------|------------------------|-----------|--------------------|--------------------|---|---|
| | As at 01 July 2011 | Additions | As at 30 June 2011 | Market value | Accumulated unrealized gain on revaluation of | Unrealized gain on revaluation of investments |
| | | | | | | |
| | (Rupees) | | | | | |
| Open end mutual funds | | | | | | |
| Metro Bank-Pakistan Sovereign Fund | 16,494 | 1,589 | 18,083 | 839,515 | 61,043 | 841,143 |
| | | | | 839,515 | | 1,628 |

10. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

| (Unaudited) 31 December 2011 | (Audited) 30 June 2011 | | (Unaudited) 31 December 2011 | (Audited) 30 June 2011 |
|------------------------------------|------------------------------|--|------------------------------------|------------------------------|
| ----- Number of Shares ----- | | | ----- Rupees ----- | |
| 5,000,000 | 5,000,000 | Ordinary shares of Rupees 10 each fully paid in cash | 50,000,000 | 50,000,000 |
| 31,000,000 | 31,000,000 | Issued as fully paid bonus shares of Rupees 10 each | 310,000,000 | 310,000,000 |
| 36,000,000 | 36,000,000 | Ordinary shares of Rupees 10 each issued for consideration other than cash | 360,000,000 | 360,000,000 |
| 72,000,000 | 72,000,000 | | 720,000,000 | 720,000,000 |

10.1 At 31 December 2011, MCB Bank Limited, the holding company, held 36,956,768 (30 June 2011 : 36,956,768) ordinary shares of Rupees 10 each.

11. CONTINGENCIES AND COMMITMENTS

11.1 Bank Guarantee of Rupees Nil (30 June 2011 : Rupees.1,550,000) against the limit of Rupees Nil (30 June 2011: Rupees 2,100,000) issued by Summit Bank Limited, a related party, in favour of a commercial bank in relation to credit cards issued to the employees of the Company by the said commercial bank.

11.2 There were no capital or other commitments as at 31 December 2011 (30 June 2011 : Nil).

| (Un-audited) | | | |
|----------------------|---------------------|---------------------|---------------------|
| Half year ended | | Quarter ended | |
| 31 December 2011 | 31 December 2010 | 31 December 2011 | 31 December 2010 |
| ----- (Rupees) ----- | | | |

12. OPERATING INCOME

| | | | | |
|------------------------------------|--------------------|--------------------|--------------------|-------------------|
| From collective investment | | | | |
| Schemes - related party | 256,605,678 | 116,192,536 | 128,649,358 | 59,006,511 |
| Less : Sindh Sales Tax (Note 12.1) | (35,409,494) | - | (17,761,211) | - |
| | 221,196,184 | 116,192,536 | 110,888,147 | 59,006,511 |
| From discretionary portfolio | 640,385 | 32,458 | 333,404 | 19,148 |
| Sales Load Income | 2,041,880 | 24,018 | - | 2,185 |
| | 223,878,449 | 116,249,012 | 111,221,551 | 59,027,844 |

12.1 Through Sindh Sales Tax on Services Act 2011, sales tax on asset management services has been imposed at the rate of 16 percent effective from 01 July 2011.

| | (Un-audited) | | | |
|--|---------------------|---------------------|---------------------|---------------------|
| | Half year ended | | Quarter ended | |
| | 31 December 2011 | 31 December 2010 | 31 December 2011 | 31 December 2010 |
| | (Rupees) | | | |
| 13. OPERATING AND ADMINISTRATIVE EXPENSES | | | | |
| Salaries, allowances and other benefits | 62,458,956 | 34,080,448 | 31,606,930 | 18,648,452 |
| Marketing and advertising expenses | 2,303,425 | 1,893,066 | 911,764 | 524,067 |
| Legal and professional charges | 7,677,912 | 1,376,430 | 4,029,553 | 606,490 |
| Traveling and conveyance charges | 1,452,767 | 488,504 | 848,879 | 226,930 |
| Repairs and maintenance | 13,045,837 | 3,891,806 | 6,238,155 | 2,797,323 |
| Office supplies | 256,865 | 716,156 | 170,703 | 392,038 |
| Directors' meeting fee | 625,000 | 100,000 | 125,000 | - |
| Insurance | 688,606 | 1,158,187 | 300,244 | 577,389 |
| Depreciation | 6,533,703 | 4,659,876 | 3,225,491 | 2,310,237 |
| Amortisation | 1,074,594 | 944,772 | 533,067 | 472,148 |
| Stamp duty and taxes | 103,764 | 105,550 | 32,850 | - |
| Registrar fee | 2,188,919 | - | 1,061,463 | - |
| Printing and stationery | 2,025,707 | 1,368,469 | 908,985 | 549,610 |
| Utilities | 3,227,319 | 831,592 | 2,160,329 | 414,334 |
| Telephone expenses | 2,847,943 | 1,256,969 | 1,360,018 | 642,545 |
| Entertainment expenses | 664,555 | 393,192 | 346,239 | 216,667 |
| Books, periodicals and subscription | 3,609,779 | 1,563,195 | 2,630,833 | 891,264 |
| Miscellaneous expenses | 1,980,216 | 1,056,088 | 791,604 | 272,533 |
| | <u>112,765,867</u> | <u>55,884,300</u> | <u>57,282,107</u> | <u>29,542,027</u> |
| 14. OTHER OPERATING INCOME | | | | |
| Capital gain on sale of marketable securities | 3,816,476 | - | 3,161,309 | - |
| Mark-up on bank deposits | 1,441,346 | 712,426 | 209,945 | 421,022 |
| Unrealised appreciation in fair value of investments | 16,616,358 | 21,693,900 | 6,180,404 | 9,838,743 |
| Other income | 2,742,707 | 175,700 | 2,184,480 | 15,250 |
| | <u>24,616,887</u> | <u>22,582,026</u> | <u>11,736,138</u> | <u>10,275,015</u> |
| 15. TRANSACTIONS WITH RELATED PARTIES | | | | |

The related parties comprise of related group companies, collective investment schemes managed by the company, associated companies, directors and their close family members and post employment contribution plans. The company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables. Other significant transactions with related parties are as follows: -

| | Un-audited 31 December 2011 | Un-audited 31 December 2010 |
|--|-----------------------------------|-----------------------------------|
| 15.1 Transactions with related parties during the half year | | |
| MCB BANK LIMITED | | |
| Return on bank deposits | 610,469 | 576,139 |
| Reimbursement of expenses | 7,754,325 | 2,760,268 |
| Commission on distribution of units | 8,528,671 | 6,369,417 |

| | Un-audited 31 December 2011 | Un-audited 31 December 2010 |
|---|-----------------------------------|-----------------------------------|
| | -----Rupees----- | |
| MCB DYNAMIC CASH FUND | | |
| Remuneration income | 46,041,540 | 44,377,355 |
| Share of sale load | 683,632 | - |
| Investment made | 168,000,000 | - |
| Investments realised | 132,000,000 | - |
| MCB DYNAMIC STOCK FUND | | |
| Remuneration income | 11,672,646 | 10,416,758 |
| MCB DYNAMIC ALLOCATION FUND | | |
| Remuneration income | 2,840,404 | 3,015,561 |
| MCB CASH MANAGEMENT OPTIMIZER | | |
| Remuneration income | 80,192,944 | 51,153,729 |
| Formation cost received | - | 5,000,000 |
| MCB SARMA YA MEHFOOZ FUND | | |
| Remuneration income | - | 7,299,133 |
| Reimbursable expenses received | - | 2,635,000 |
| Formation cost received | - | 1,330,765 |
| MCB ISLAMIC INCOME FUND | | |
| Remuneration income | 2,416,920 | - |
| Share of sale load | 494,730 | - |
| Formation cost received | 1,000,000 | - |
| PAKISTAN STOCK MARKET FUND | | |
| Remuneration income | 12,319,670 | - |
| Share of sale load | 21,241 | - |
| PAKISTAN INCOME FUND | | |
| Remuneration income | 15,116,612 | - |
| Share of sale load | 4,306 | - |
| PAKISTAN PREMIER FUND | | |
| Remuneration income | 7,012,195 | - |
| METRO BANK-PAKISTAN SOVERIGN FUND | | |
| Remuneration income | 31,246,436 | - |
| Share of sale load | 6,500 | - |
| PAKISTAN CAPITAL MARKET FUND | | |
| Remuneration income | 4,238,718 | - |
| PAKISTAN STRATEGIC ALLOCATION FUND | | |
| Remuneration income | 6,780,887 | - |

| | Un-audited 31 December 2011 | Un-audited 31 December 2010 |
|---|-----------------------------------|-----------------------------------|
| | -----Rupees----- | |
| PAKISTAN PENSION FUND | | |
| Remuneration income | 1,856,167 | - |
| Share of sale load | 156,953 | - |
| PAKISTAN INTERNATIONAL ELEMENT ISLAMIC FUND | | |
| Remuneration income | 3,137,024 | - |
| Share of sale load | 3,900 | - |
| PAKISTAN ISLAMIC PENSION FUND | | |
| Remuneration income | 1,128,437 | - |
| Share of sale load | 23,245 | - |
| PAKISTAN CAPITAL PROTECTED FUND - FIS | | |
| Remuneration income | 2,078,098 | - |
| PAKISTAN CASH MANAGEMENT FUND | | |
| Remuneration income | 15,274,064 | - |
| PAKISTAN INCOME ENHANCEMENT FUND | | |
| Remuneration income | 12,580,838 | - |
| Share of sale load | 642,359 | - |
| AH DOW JONES SAFE PAKISTAN TITANS 15 INDEX FUND | | |
| Remuneration income | 672,078 | - |
| Share of sale load | 5,014 | - |
| MCB AMC Staff Provident Fund | | |
| Contribution made to provident | 2,329,208 | 1,186,775 |
| | Un-audited 31 December 2011 | Audited 30 June 2011 |
| | -----Rupees----- | |
| 15.2 Amount outstanding as at half year / year end | | |
| MCB BANK LIMITED | | |
| Bank Balances | 3,467,999 | 16,179,858 |
| Accrued markup receivable | 648,020 | 730,957 |
| Sale commission & other payable | 6,078,553 | 3,500,000 |
| MCB DYNAMIC CASH FUND | | |
| Remuneration receivable | 8,448,163 | 5,780,321 |
| Sales load receivable | 14,581,487 | 2,836 |
| Investment 2,363,151 units (June 2011: 1,920,726 units) | 244,521,804 | 194,616,986 |
| MCB DYNAMIC STOCK FUND | | |
| Remuneration receivable | 2,068,247 | 1,712,517 |
| Sales load receivable | 200,000 | 6,445 |
| MCB DYNAMIC ALLOCATION FUND | | |
| Remuneration receivable | 463,014 | 411,462 |

| | Un-audited 31 December 2011 | Audited 30 June 2011 |
|--|-----------------------------------|----------------------------|
| | -----Rupees----- | |
| MCB CASH MANAGEMENT OPTIMIZER | | |
| Remuneration receivable | 12,313,147 | 11,111,400 |
| Investment units 627,969(June 2011: 608,892 units) | 64,608,958 | 61,041,545 |
| MCB SARMA MEHFOOZ FUND | | |
| Remuneration receivable | 721,399 | 721,339 |
| Other receivable | - | 55,332,624 |
| MCB ISLAMIC INCOME FUND | | |
| Remuneration receivable | 726,774 | 50,777 |
| Other receivable | 25,000 | 85,000 |
| Share of load receivable | 5,008,626 | - |
| Long term receivable - formation cost | - | 1,000,000 |
| Investment units 1,002,523(June 2011: 1,000,000 units) | 105,907,280 | 100,253,200 |
| PAKISTAN STOCK MARKET FUND | | |
| Remuneration receivable | 1,864,236 | 2,096,477 |
| Share of load receivable | 294,801 | 266,702 |
| PAKISTAN INCOME FUND | | |
| Remuneration receivable | 2,503,584 | 2,234,200 |
| Share of load receivable | 141,564 | 124,754 |
| PAKISTAN PREMIER FUND | | |
| Remuneration receivable | 1,042,988 | 1,160,319 |
| Conversion cost receivable | 5,679,560 | 5,679,560 |
| METRO BANK-PAKISTAN SOVERIGN FUND | | |
| Remuneration receivable | 6,288,575 | 1,855,296 |
| Share of load receivable | 33,238 | 2,968 |
| Investment units 18,083 (June 2011: 16,494 units) | 900,533 | 841,143 |
| PAKISTAN CAPITAL MARKET FUND | | |
| Remuneration receivable | 668,774 | 652,122 |
| PAKISTAN STRATEGIC ALLOCATION FUND | | |
| Remuneration receivable | 1,089,241 | 1,123,743 |
| Conversion cost receivable | 7,600,157 | 7,600,157 |
| PAKISTAN PENSION FUND | | |
| Remuneration receivable | 306,028 | 265,852 |
| Share of load receivable | 36,264 | 36,264 |
| Investment units 900,000 (June 2011: 900,000 units) | 115,365,000 | 112,992,000 |
| PAKISTAN ISLAMIC INTERNATIONAL ELEMENT FUND | | |
| Remuneration receivable | 480,380 | 503,002 |
| Share of load receivable | 20,228 | 45,128 |
| PAKISTAN CAPITAL PROTECTED FUND-I | | |
| Others receivable | - | 286,155 |

| | Un-audited 31 December 2011 | Audited 30 June 2011 |
|--|-----------------------------------|----------------------------|
| | -----Rupees----- | |
| PAKISTAN ISLAMIC PENSION FUND | | |
| Remuneration receivable | 191,327 | 156,708 |
| Share of load receivable | - | 15,412 |
| Investment units 900,000 (June 2011: 900,000 units) | 113,811,000 | 110,991,000 |
| PAKISTAN CAPITAL PROTECTED FUND - FIS | | |
| Remuneration receivable | 353,859 | 292,377 |
| Investment units 137,144 (June 2011: 126,502 units) | 1,438,641 | 1,396,582 |
| PAKISTAN CASH MANAGEMENT FUND | | |
| Remuneration receivable | 2,120,056 | 3,203,401 |
| Others receivable | 44,049 | 70,679 |
| Formation cost - receivable | - | 600,000 |
| PAKISTAN INCOME ENHANCEMENT FUND | | |
| Remuneration receivable | 1,933,989 | 2,003,530 |
| Share of load receivable | 153,140 | 133,472 |
| Others receivable | - | 2,000 |
| Formation cost - receivable | - | 600,000 |
| AH DOW JONES SAFE PAKISTAN TITANS 15 INDEX FUND | | |
| Remuneration receivable | 107,936 | 102,055 |
| Investment units 623,643 (June 2011: 600,000 units) | 30,876,575 | 34,818,000 |
| Others receivable | - | 2,720,000 |
| Formation cost - receivable | - | 1,000,000 |

16. EVENTS AFTER BALANCE SHEET DATE

The Board of Directors of the Company have recommended interim dividend for the half year ended 31 December 2011 amounting to Rupee 0.75 per ordinary share in their meeting held on 27 January 2012.

17. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was approved and authorized for issue by the Board of Directors of the Company in their meeting held on January 27, 2012.

18. GENERAL

18.1 No significant reclassification or rearrangement of the corresponding figures has been made except the retrospective restatements disclosed in note 5 to this condensed interim financial information.

18.2 As at 30 June 2011, the amalgamation was accounted for under reverse acquisition method. Accordingly, in this condensed interim financial information the corresponding figures of profit and loss account and statement of comprehensive income for the half year and quarter ended 31 December 2010 have been given only for MCB AMC.

18.3 Figures have been rounded off to the nearest of Rupee.

Yasir Qadri
Chief Executive Officer

Nasim Beg
Director



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