

**MCB**  
**DYNAMIC STOCK FUND**

# CONTENTS

---

<b>Fund's Information</b>	<b>154</b>
<b>Report of the Directors of the Management Company</b>	<b>155</b>
<b>Report of the Trustee to the Unit Holders</b>	<b>156</b>
<b>Report on Review of Condensed Interim Financial Information to the Unit Holders</b>	<b>157</b>
<b>Condensed Interim Statement of Assets and Liabilities</b>	<b>158</b>
<b>Condensed Interim Income Statement (Un-audited)</b>	<b>159</b>
<b>Condensed Interim Statement of Other Comprehensive Income (Un-audited)</b>	<b>160</b>
<b>Condensed Interim Distribution Statement (Un-audited)</b>	<b>161</b>
<b>Condensed Interim Statement of Movement in Unit Holders' Funds (Un-audited)</b>	<b>162</b>
<b>Condensed Interim Cash Flow Statement (Un-audited)</b>	<b>163</b>
<b>Notes to and forming part of the Condensed Interim Financial Information (Un-audited)</b>	<b>164</b>

## FUND'S INFORMATION

<b>Management Company</b>	Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Board of Directors of the Management Company</b>	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 Shahr-e-Faisal, Karachi-74400	
<b>Bankers</b>	MCB Bank Limited Bank Alfalah Limited Faysal Bank Limited NIB Bank Limited	
<b>Auditors</b>	KPMG Taseer Hadi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Buliding No.1 Beaumont Road, Civil Lines Karachi. 75530.	
<b>Legal Advisor</b>	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
<b>Transfer Agent</b>	Arif Habib Investments Limited 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.	
<b>Rating</b>	AM2 (Positive Outlook) – Management Quality Rating assigned by PACRA	

# **REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011**

---

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **MCB Dynamic Stock Fund's** accounts review for the first half ended December 31st 2011.

## **EQUITIES MARKET OVERVIEW**

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.

## **FUND PERFORMANCE**

During the period under review, MCB-DSF outperformed its benchmark KSE-30 Index by delivering -5.5% return while KSE 30 index delivered -12.1% return. Substantial changes were made in sector and company allocations during the quarter on the back of changing fundamentals, although the overall equity exposure of the fund remained largely unchanged. Sector-wise, exposure towards Banks, Electricity, Oil & Gas and Construction Materials was increased while allocation to Chemicals was substantially reduced. The fund also built its exposure in Fixed Line Telecom sector during the period under review.

## **FUTURE OUTLOOK**

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.

## **ACKNOWLEDGMENT**

The Board is thankful to the Fund's valued investors, the Securities and Exchange Commission of Pakistan and the Trustees of the Fund for their continued cooperation and support. The Directors also appreciate the efforts put in by the management team.

On behalf of Directors,

---

Yasir Qadri  
Chief Executive Officer  
Dated: January 27, 2012

## TRUSTEE REPORT TO THE UNIT HOLDERS

---

### Report of the Trustee pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We Central Depository Company of Pakistan Limited, being the Trustee of MCB Dynamic Stock Fund (the Fund) are of the opinion that Arif Habib Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2011 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

**Muhammad Hanif Jakhura**

Chief Executive Officer

Central Depository Company of Pakistan Limited

Karachi: February 23, 2012

# REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE UNIT HOLDERS

---

## *Introduction*

We have reviewed the accompanying condensed interim statement of assets and liabilities of **MCB Dynamic Stock Fund** ("the Fund") as at 31 December 2011 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes to the accounts for the six months period then ended (here-in-after referred to as the "interim financial information"). Management Company is responsible for the preparation and presentation of this 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 interim financial information based on our review.

## *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 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 annexed condensed interim financial information as at and for the six months period 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.

## *Other matters*

The figures for the three months period ended 31 December 2011 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.

The condensed interim financial information of the Fund for the six months period ended 31 December 2010 and financial statements for the year ended 30 June 2011 were reviewed and audited by another firm of auditors whose reports dated 28 January 2011 and 25 October 2011, expressed an unqualified conclusion and opinion thereon respectively.

**Date:** January 27, 2012

**Karachi**

---

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Mazhar Saleem**

# CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED)

## As at 31 December 2011

	Note	31 December 2011 (Unaudited) (Rupees in '000)	30 June 2011 (Audited)
<b>Assets</b>			
Balances with banks	6	85,792	59,684
Investments	7	624,188	607,079
Dividend and other receivables		1,424	1,902
Receivable against sale of investments		-	30,195
Security deposits and prepayments		4,021	3,952
Preliminary expenses and floatation charges		101	422
<b>Total assets</b>		<b>715,526</b>	<b>703,234</b>
<b>Liabilities</b>			
Payable to the Management Company		2,068	1,719
Payable to Trustee		132	148
Annual fee payable to Securities and Exchange Commission of Pakistan		319	635
Payable against purchase of investment		14,866	-
Payable against redemption of units		2	2
Accrued expenses and other liabilities		7,463	7,858
<b>Total liabilities</b>		<b>24,850</b>	<b>10,362</b>
<b>Net assets</b>		<b>690,676</b>	<b>692,872</b>
<b>Unit holders' funds</b>		<b>690,676</b>	<b>692,872</b>
<b>Contingency</b>	8		
		(Number of units)	
<b>Number of units in issue (face value of units is Rs. 100 each)</b>		<b>8,833,495</b>	<b>8,377,549</b>
		(Rupees)	
<b>Net asset value per unit</b>		<b>78.19</b>	<b>82.71</b>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited  
(Management Company)

Yasir Qadri  
Chief Executive Officer

Nasim Beg  
Director

# CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE HALF ENDED 31 DECEMBER 2011

	Note	Half year ended		Quarter ended	
		31 December 2011	31 December 2010	31 December 2011	31 December 2010
		<b>(Rupees in '000)</b>			
<b>Income</b>					
Capital (loss) / gain on sale of investments - net		(6,108)	63,014	(2,608)	53,422
Dividend income		23,831	18,821	16,614	13,274
Income from government securities		-	5,948	-	3,606
Profit on bank deposits		4,318	2,119	2,094	929
		<b>22,041</b>	<b>89,902</b>	<b>16,100</b>	<b>71,231</b>
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'at fair value through profit or loss'	7.1	(48,990)	81,568	(63,042)	61,258
<b>Total (loss) / income</b>		<b>(26,949)</b>	<b>171,470</b>	<b>(46,942)</b>	<b>132,489</b>
<b>Expenses</b>					
Remuneration to the Management Company	9	11,673	10,417	6,089	5,275
Remuneration to Trustee		671	695	350	352
Annual fee to Securities and Exchange Commission of Pakistan		319	330	166	167
Auditor's remuneration		318	286	161	155
Amortisation of preliminary expenses		321	321	160	160
Brokerage expenses		2,275	3,080	1,173	1,842
Other expenses		417	346	285	119
<b>Total operating expenses</b>		<b>15,994</b>	<b>15,475</b>	<b>8,384</b>	<b>8,070</b>
<b>Net operating (loss) / income for the period</b>		<b>(42,943)</b>	<b>155,995</b>	<b>(55,326)</b>	<b>124,419</b>
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		3,043	(9,660)	(25,949)	(8,854)
Provision for workers' welfare fund	8	-	(2,927)	-	(2,312)
<b>Net (loss) / income for the period</b>		<b>(39,900)</b>	<b>143,408</b>	<b>(81,275)</b>	<b>113,253</b>
<b>Earnings / (loss) per unit</b>	11				

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited  
(Management Company)

Yasir Qadri  
Chief Executive Officer

Nasim Beg  
Director



# CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE HALF ENDED 31 DECEMBER 2011

	Half year ended		Quarter ended	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
	(Rupees in '000)			
Net (loss) / income for the period	(39,900)	143,408	(81,275)	113,253
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive (loss) / income for the period</b>	<b>(39,900)</b>	<b>143,408</b>	<b>(81,275)</b>	<b>113,253</b>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited  
(Management Company)

Yasir Qadri  
Chief Executive Officer

Nasim Beg  
Director

# CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE HALF ENDED 31 DECEMBER 2011

	Half year ended		Quarter ended	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
	----- (Rupees in '000) -----			
Accumulated (losses) / undistributed income brought forward	(144,892)	(22,327)	(117,997)	(148,493)
Final distribution for the year ended 30 June 2010 at Rs 18.6601 per unit distributed on 01 July 2010				
- Bonus units	-	(120,916)	-	-
- Cash distribution	-	(4,697)	-	-
Net (loss) / income for the period	(39,900)	143,408	(81,275)	113,253
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - amount representing unrealised (diminution) / appreciation	(7,883)	(14,880)	6,597	15,828
	(47,783)	2,915	(74,678)	129,081
Accumulated (loss) / undistributed income carried forward	(192,675)	(19,412)	(192,675)	(19,412)

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited  
(Management Company)

Yasir Qadri  
Chief Executive Officer

Nasim Beg  
Director

# CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED) FOR THE HALF ENDED 31 DECEMBER 2011

	Half year ended		Quarter ended	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
	(Rupees in '000)			
<b>Net assets at beginning of the period</b>	<b>692,872</b>	<b>650,847</b>	<b>636,041</b>	<b>664,421</b>
Issue of 1,813,361 units (2010: 430,080 units) and 124,443 units (2010: 53,439 units) for the half year and quarter ended respectively	152,404	35,539	142,427	4,794
Issue of nil bonus units relating to the year ended 30 June 2011 (2010: 1,609,919 units)	-	125,613	-	-
Redemption of 1,357,415 units (2010: 1,362,881 units) and 961,713 units (2010: 773,700 units) for the half year and quarter ended respectively	(111,657)	(117,980)	(32,466)	(69,848)
	<b>40,747</b>	<b>43,172</b>	<b>109,961</b>	<b>(65,054)</b>
Element of (income) / loss and capital gains / (losses) included in prices of units issued less those in units redeemed				
-amount representing (income) / loss and capital (gains) / losses transferred to income statement	(3,043)	9,660	25,949	8,854
-amount representing loss / (income) that forms part of unit holder's fund transferred to distribution statement	7,883	14,880	22,363	(15,828)
	<b>4,840</b>	<b>24,540</b>	<b>48,312</b>	<b>(6,974)</b>
Element of (loss) / income that forms part of unit holder's fund transferred to distribution statement	(7,883)	(14,880)	(22,363)	15,828
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'at fair value through profit or loss'	(48,990)	81,568	(63,042)	61,258
Net income / (loss) for the period	9,090	61,840	(18,233)	51,995
Total comprehensive (loss) / income for the period	<b>(39,900)</b>	<b>143,408</b>	<b>(81,275)</b>	<b>113,253</b>
Final distribution for the year ended 30 June 2010 at Rs 18.6601 per unit	-	(125,613)	-	-
- Bonus units	-	(125,613)	-	-
<b>Net assets at end of the period</b>	<b>690,676</b>	<b>721,474</b>	<b>690,676</b>	<b>721,474</b>
	(Rupees)			
Net asset value per unit at the end of the period	<b>78.19</b>	<b>97.38</b>	<b>78.19</b>	<b>97.38</b>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited  
(Management Company)

Yasir Qadri  
Chief Executive Officer

Nasim Beg  
Director

# CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

## FOR THE HALF ENDED 31 DECEMBER 2011

	Half year ended		Quarter ended	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
	(Rupees in '000)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net (loss) / income for the period	(39,900)	143,408	(81,275)	113,253
<b>Adjustments for:</b>				
Amortisation of preliminary expenses	321	321	160	160
Profit on bank deposits	(4,318)	(2,119)	(2,094)	1,413
Capital loss / (gain) on sale of investments - net	6,108	(63,014)	2,608	(53,422)
Dividend income	(23,831)	(18,821)	(16,614)	(13,274)
Net unrealised diminution / (appreciation) on re-measurement of investments classified as 'at fair value through profit or loss'	48,990	(81,568)	63,042	(61,258)
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(3,043)	9,660	25,949	8,854
	24,227	(155,541)	73,051	(117,527)
Net cash used in operations before working capital changes	(15,673)	(12,133)	(8,224)	(4,274)
<b>Working capital changes</b>				
<i>(Increase) / decrease in assets</i>				
Investments	(42,013)	156,203	(117,850)	(9,007)
Security deposits and prepayments	(69)	(70)	(104)	(115)
	(42,082)	156,133	(117,954)	(9,122)
<i>Increase / (decrease) in liabilities</i>				
Payable to the Management Company	349	127	289	128
Payable to Trustee	(16)	10	23	9
Payable to Securities and Exchange Commission of Pakistan	(316)	(348)	166	167
Payable against purchase of investment	14,866	24,710	14,866	24,710
Accrued expenses and other liabilities	(394)	3,135	56	2,869
	14,489	27,634	15,400	27,883
Dividend received	24,945	20,128	17,728	17,128
Profit received on bank deposits	3,682	2,030	1,458	(1,480)
<b>Net cash (used in) / generated from operating activities</b>	<b>(14,639)</b>	<b>193,792</b>	<b>(91,592)</b>	<b>30,135</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Receipts from issuance of units	152,404	35,539	142,427	4,794
Payments against redemption of units	(111,657)	(113,283)	(32,466)	(69,848)
Cash distribution	-	(4,697)	-	-
<b>Net cash generated / (used in) from financing activities</b>	<b>40,747</b>	<b>(82,441)</b>	<b>109,961</b>	<b>(65,054)</b>
Net increase / (decrease) in cash and cash equivalents	26,108	111,351	18,369	(34,919)
Cash and cash equivalents at beginning of the period	59,684	48,508	67,423	194,778
<b>Cash and cash equivalents at end of the period</b>	<b>85,792</b>	<b>159,859</b>	<b>85,792</b>	<b>159,859</b>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited  
(Management Company)

Yasir Qadri  
Chief Executive Officer

Nasim Beg  
Director

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF ENDED 31 DECEMBER 2011

## 1. LEGAL STATUS AND NATURE OF BUSINESS

MCB Dynamic Stock Fund ("The Fund") was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and was approved as a collective investment scheme by the Securities and Exchange Commission of Pakistan ("SECP") on 12 December 2006. It was constituted under a Trust Deed dated 10 November 2006 amended by a Supplemental Trust Deed dated 21 January 2007 between MCB Asset Management Company Limited as the Management Company, a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited ("CDC") as the Trustee, also incorporated under the Companies Ordinance, 1984.

Based on shareholders' resolutions of MCB Asset Management Company Limited and Arif Habib Investments Limited the two companies have merged as of 27 June 2011 through operation of an order from the SECP issued under Section 282L of the Companies Ordinance 1984 (Order through letter no. SCD/NBFC-II/MCBAMCL & AHIL/271/2011 dated 10 June 2011). Arif Habib Investments Limited being a listed company is the surviving entity and in compliance of SBP's approval, it is a subsidiary of MCB Bank. However subsequent to the completion of the merger, the SECP issued an order postponing the effective date of the merger to 30 July 2011 (through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AH/348/2011 dated 27 June 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 honorable Sindh High Court (SHC). The honorable 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.

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

1.2 The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units of the fund can be transferred to / from the funds managed by the Management Company and can also be redeemed by surrendering to the Fund. The units are listed on the Lahore Stock Exchange.

The Principal activity of the Fund is to make investments in securities listed on stock exchanges. The Fund is an equity fund and its objective is to provide long term capital appreciation.

1.3 The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of 'AM2' (positive outlook) to the Management Company and has assigned a short-term ranking of "4-Star" & long-term of "5-Star" to the Fund.

1.4 Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited, as the trustee of the Fund.

## 2. BASIS OF PRESENTATION

### 2.1 Statement of compliance

These condensed interim financial information have been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting, the requirements of the Trust Deed, the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations 2008) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations 2008 and the said directives differ with the requirements of these standards, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations 2008 and the said directives shall prevail.

The comparative in the statement of assets and liabilities presented in the condensed interim financial information as at 31 December 2011 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2011, where as the comparatives in the condensed interim income statement, condensed interim cash flow statement, condensed interim distribution statement and condensed interim statement of movement in unit holders' funds are stated from unaudited condensed interim financial information for the half year ended 31 December 2010.

The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information are unaudited. However, a limited scope review has been performed by the external auditors in accordance with the requirements of clause (xxi) of the Code of Corporate Governance.

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

### 2.2 Basis of measurement

This condensed interim financial information have been prepared on the basis of historical cost convention except that investments have been included at fair value.

### 2.3 Functional and presentation currency

This condensed interim financial information is presented in Pak Rupees which is the functional and presentation currency of the Fund and rounded to the nearest thousand rupees.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation followed in the preparation of this condensed interim financial information are the same as those applied in the preparation of financial statements for the year ended 30 June 2011.

#### 3.1 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 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. Management is currently considering the impact of said disclosures on the financial statements.

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.

#### 3.2 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 01 July 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.

### 4. ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to financial statements as at and for the year ended 30 June 2011.

### 5. FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2011.

### 6. BALANCES WITH BANKS

		<b>31 December 2011 (Unaudited)</b>	<b>30 June 2011 (Audited)</b>
		<b>(Rupees in '000)</b>	
Saving accounts	6.1	<b>85,751</b>	59,643
Current account		<b>41</b>	41
		<b>85,792</b>	<b>59,684</b>

6.1 These carry mark-up at rates ranging between 5% to 13.5% per annum (30 June 2011: 5% to 13.3% per annum).

### 7. INVESTMENTS

		<b>31 December 2011 (Unaudited)</b>	<b>30 June 2011 (Audited)</b>
		<b>(Rupees in '000)</b>	
'At fair value through profit or loss' - 'held for trading'			
- Quoted equity securities	7.1	<b>624,188</b>	607,079

**NOTES TO AND FORMING PART OF THE CONDENSED  
INTERIM FINANCIAL INFORMATION (UN-AUDITED)**

**FOR THE HALF ENDED  
31 DECEMBER 2011**

**7.1 Quoted equity securities**

Name of the investee company	As at 1 July 2011	Purchases during the period	Bonus / right issue during the period	Sales during the period	As at 31 December 2011	Cost	Carrying / market value	Appreciation / (diminution)	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.											
-----Number of shares-----						------(Rupees in '000)-----					
<b>Automobile and parts</b>											
Agriauto Industries Limited*	123,313	29,337	-	-	152,650	10,257	8,777	(1,480)	1.27	1.41	0.53%
Pak Suzuki Motor Corporation Limited	3,579	-	-	(3,579)	-	-	-	-	-	-	0.00%
						10,257	8,777	(1,480)	1.27	1.41	
<b>Banks</b>											
Allied Bank Limited	314,737	166,600	-	(35,102)	446,235	28,408	24,039	(4,369)	3.48	3.85	0.05%
Bank Al-Habib Limited	658,399	336,000	-	(271,763)	722,636	20,997	20,617	(380)	2.99	3.30	0.08%
MCB Bank Limited	-	330,196	-	(120,258)	209,938	33,526	28,258	(5,268)	4.09	4.53	0.03%
Meezan Bank Limited	1,291,574	16,200	-	(50,000)	1,257,774	21,996	21,860	(136)	3.17	3.50	0.16%
National Bank of Pakistan	85,000	810,000	-	(895,000)	-	-	-	-	-	-	0.00%
Soneri Bank Limited	1,910,000	300,000	221,530	(533,224)	1,898,306	8,310	7,403	(907)	1.07	1.19	0.21%
United Bank Limited	316,686	426,442	-	(318,024)	425,104	24,142	22,271	(1,871)	3.22	3.57	0.03%
						137,379	124,448	(12,931)	18.02	19.94	
<b>Chemicals</b>											
Engro Corporation Limited	310,856	488,065	-	(597,842)	201,079	23,928	18,640	(5,288)	2.70	2.99	0.05%
Fatima Fertilizers Company Limited	2,092,762	1,618,000	-	(2,800,500)	910,262	20,891	20,863	(28)	3.02	3.34	0.05%
Fauji Fertilizer Bin Qasim Limited	693,639	100,000	-	(792,001)	1,638	70	70	-	0.01	0.01	0.00%
Fauji Fertilizer Company Limited	450,215	390,935	-	(440,637)	400,513	66,309	59,893	(6,416)	8.67	9.60	0.05%
						111,198	99,466	(11,732)	14.40	15.94	
<b>Construction and materials</b>											
Lucky Cement Limited	119,635	622,936	-	(416,347)	326,224	24,242	24,480	238	3.54	3.92	0.10%
						24,242	24,480	238	3.54	3.92	
<b>Electricity</b>											
The Hub Power Company Limited	1,526,718	1,043,171	-	(566,327)	2,003,562	76,110	68,522	(7,588)	9.92	10.98	0.17%
Kot Addu Power Company Limited	363,585	557,520	-	(273,260)	647,845	28,931	26,769	(2,162)	3.88	4.29	0.07%
Nishat Chunian Power Limited	664,471	-	-	(664,471)	-	-	-	-	-	-	0.00%
Nishat Power Limited	1,645,504	226,000	-	(518,528)	1,352,976	20,821	17,521	(3,300)	2.54	2.81	0.38%
						125,862	112,812	(13,050)	16.34	18.08	
<b>Fixed line telecommunication</b>											
Pakistan Telecommunication Company Limited	-	2,805,840	-	(53,100)	2,752,740	32,457	28,601	(3,856)	4.14	4.58	0.07%
						32,457	28,601	(3,856)	4.14	4.58	
<b>Oil and gas</b>											
Attock Refinery Limited	-	135,000	-	(110,000)	25,000	2,912	2,691	(221)	0.39	0.43	0.03%
National Refinery Limited	-	117,819	-	(117,819)	-	-	-	-	-	-	0.00%
Attock Petroleum Limited	77,112	70,856	-	(30,000)	117,968	46,811	48,662	1,851	7.05	7.80	0.13%
Oil and Gas Development Company Limited	99,100	251,176	-	(169,701)	180,575	24,912	27,379	2,467	3.96	4.39	0.00%
Pakistan Oilfields Limited	151,561	207,500	-	(215,275)	143,786	51,376	49,815	(1,561)	7.21	7.98	0.06%
Pakistan Petroleum Limited	237,151	264,402	18,212	(181,422)	338,343	60,983	56,950	(4,033)	8.25	9.12	0.03%
Pakistan State Oil Company Limited	213,615	65,165	-	(110,247)	168,533	42,759	38,292	(4,467)	5.54	6.13	0.10%
						229,753	223,789	(5,964)	32.40	35.85	
<b>Personal goods</b>											
Gadoon Textile Mills Limited	3,778	-	-	(3,778)	-	-	-	-	-	-	0.00%
Nishat Mills Limited	-	50,000	-	(50,000)	-	-	-	-	-	-	0.00%
						-	-	-	-	-	
<b>Food producers</b>											
Engro Foods Limited	-	55,000	-	(35,000)	20,000	500	452	(48)	0.07	0.07	0.00%
						500	452	(48)	0.07	0.07	
<b>Non life insurance</b>											
Adamjee Insurance Company Limited	-	29,562	-	(251)	29,311	1,530	1,363	(167)	0.20	0.22	0.02%
						1,530	1,363	(167)	0.20	0.22	
<b>Total - 31 December 2011</b>						<b>673,178</b>	<b>624,188</b>	<b>(48,990)</b>	<b>90.38</b>	<b>100</b>	
<b>Total - 30 June 2011</b>						<b>589,238</b>	<b>607,079</b>	<b>17,841</b>	<b>87.64</b>	<b>100</b>	

\* the face value of shares held is Rs. 5 per share

**7.1.1** Investments include shares with market value aggregating of Rs.30.891 million (30 June 2011: 43.143 million ) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in term of Circular No. 11 dated 23 October 2007 issued by the Securities and Exchange Commission of Pakistan.

**8. CONTINGENCY**

**Provision for Worker's Welfare Fund**

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending for adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements till the year ended 30 June 2011.

Subsequent to the year ended 30 June 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on 14 December 2010 the Ministry filed its response against the Constitutional petition requesting the court to dismiss the petition. According to the legal council who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

Subsequent to 30 June 2011, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the Sindh High Court (SHC). On the basis of recent development, the Management Company has decided not to make provision in respect of WWF w.e.f. 1 July 2011 however, as a matter of abundant caution, has not reversed the existing provision of Rs. 6.457 million for WWF.

**9. REMUNERATION TO THE MANAGEMENT COMPANY**

During the current period the Sindh 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 1 July 2011. Accordingly the Management fee charged during the period includes General Sales Tax.

**10. TAXATION**

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance 2001. No provision for taxation has been made in this condensed interim financial information due to loss for the period.

**11. EARNING / (LOSS) PER UNIT**

Earning / (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 loss per unit is not practicable.

**12. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES**

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

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provision of the NBFC Regulations 2008 and Constitutive documents of the Fund.

The transactions with connected persons / related parties are in the normal course of business and are carried out on agreed terms.

Details of transactions with the connected persons / related parties during the period are as follows:



12.1 Transactions during the period with connected persons / related parties

	-----Unaudited-----			
	Half year ended 31 December		Quarter ended 31 December	
	2011	2010	2011	2010
	------(Rupees in '000)-----			
<b>Arif Habib Investments Limited</b>				
Remuneration to Management Company	11,673	10,417	6,089	5,275
<b>MCB Bank Limited</b>				
Profit received	2,687	934	972	436
Dividend received	703	335	583	73
<b>Nishat Mills Limited</b>				
Dividend received	-	1,625	-	1,625
<b>Central Depository Company of Pakistan Limited</b>				
Remuneration for the period	671	695	350	352
CDC settlement charges	16	53	3	17

12.2 Balance outstanding as at the period / year end

	31 December 2011 (Unaudited) (Rupees in '000)	30 June 2011 (Audited)
<b>Arif Habib Investments Limited</b>		
Payable to management company	2,068	1,713
Sales loads payable	192	6
<b>MCB Bank Limited</b>		
Bank balances	72,024	43,839
Profit receivable on bank balances	598	80
209,938 shares held by the Fund (2011: nil shares)	28,258	-
Sales load payable	-	26
<b>Nishat Power Limited</b>		
1,352,976 shares held by the Fund (2011: 1,645,504 shares)	17,521	25,407
<b>Adamjee Insurance Company Limited</b>		
29,311 shares held by the Fund (2011: nil shares)	1,363	-
<b>Fatima Fertilizer Company Limited</b>		
910,262 shares held by the Fund (2011: 2,092,762 shares)	20,863	34,823
<b>Central Depository Company of Pakistan Limited</b>		
Trustee fee payable	119	114
CDC Settlement charges payable	13	34
Security deposit	200	200

		-----Unaudited-----			
		Half year ended 31 December 2011		Half ended 31 December 2010	
		Units	(Rupees in '000)	Units	(Rupees in '000)
<b>Units sold to:</b>					
Key management personnel		2,870	230	5,051	409
<b>Bonus units issued to:</b>					
MCB Bank Limited		-	-	199,427	15,560
MCB Employees Provident Fund		-	-	192,511	15,021
MCB Employees Pension Fund		-	-	147,527	11,511
Dera Ghazi Khan Cement Company Limited Employees Provident Fund		-	-	3,259	254
Nishat Mills Limited Employees Provident Fund Trust		-	-	1,252	98
Bank of Punjab		-	-	387,024	30,197
MCB Asset Management Company Limited (Staff Provident Fund)		-	-	1,667	130
Key management personnel		-	-	1,090	84
<b>Units redeemed by:</b>					
Bank of Punjab		496,075	41,300	-	-
Key management personnel		15,157	1,214	3,956	332
MCB Asset Management Company Limited (Staff Provident Fund)		-	-	8,636	731
		Half year ended		Half year ended	
		31 December 2011	30 June 2011	31 December 2011	30 June 2011
		(Unaudited)	(Audited)	(Unaudited)	(Audited)
		Units		(Rupees in '000)	
<b>Units held by:</b>					
Bank of Punjab		2,005,311	2,501,386	156,792	206,879
MCB Employees Provident Fund		1,244,225	804,959	97,284	102,905
MCB Employees Pension Fund		953,483	616,862	74,552	78,859
Dera Ghazi Khan Cement Company Limited - Employees Provident Fund		21,065	13,629	1,647	1,742
Nishat Chunian Power Limited		-	664,471	-	9,116
Key management personnel		6,587	18,874	515	1,561

**13. DATE OF AUTHORISATION FOR ISSUE**

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

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

**Yasir Qadri**  
Chief Executive Officer

**Nasim Beg**  
Director