

**PAKISTAN
CAPITAL PROTECTED FUND
(Fixed Income Securities)**

CONTENTS

Fund's Information	300
Report of the Directors of the Management Company	301
Report of the Trustee to the Unit Holders	302
Report on review of Condensed Interim Financial Information to Unit Holders	303
Condensed Interim Statement of Assets and Liabilities	304
Condensed Interim Income Statement (Un-audited)	305
Condensed Interim Distribution Statement (Un-audited)	306
Condensed Interim Statement of Movement in Unit Holders' Funds (Un-audited)	307
Condensed Interim Cash Flow Statement (Un-audited)	308
Notes to and forming part of the Condensed Interim Financial Information (Un-audited)	309

FUND'S INFORMATION

Management Company	Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi.	
Board of Directors of the Management Company	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)
Chief Financial Officer & Company Secretary of the Management Company	Mr. Muhammad Saqib Saleem	
Audit Committee	Mr. Nasim Beg Mr. Haroun Rashid Mr. Samad A. Habib Mr. Ali Munir	
Trustee	MCB Financial Services Limited 3rd Floor, Adamjee House, I.I. Chundrigar Road, Karachi.	
Bankers	Habib Metropolitan Bank Limited	
Auditors	KPMG Taseer Hadi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Buliding No.1 Beaumont Road Karachi. 75530.	
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
Registrar	Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi.	
Rating	AM2 (Positive Outlook) Management Quality Rating assigned by PACRA	

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2011

Dear Investor,

On behalf of the Board of Directors, I am pleased to present accounts review of **Pakistan Capital Protected Fund - Fixed Income Securities** for the first half ended December 31, 2011.

ECONOMY AND MONEY MARKET OVERVIEW

On the macroeconomic front, inflationary pressures have remained largely on the lower side during the period with YoY CPI inflation averaging 10.9% 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.

FUND PERFORMANCE

During the quarter under review, the fund generated an annualized return of 6.0% as against its benchmark return of 12.0%, an under-performance of 6.0%.

Committed with the objective of providing 100% capital protection, the fund had allocations of 65% in Term Deposit with Habib Metropolitan Bank as capital protection segment of the fund as of the period-end. Around 9% of the fund's net assets were invested in Treasury Bills, 7% in Term Finance Certificates and the rest in cash and other assets as of December 31, 2011.

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.

In a fast changing interest rate environment, the fund would continue to maintain its focus on the credit quality of the portfolio while exploiting attractive opportunities in the market.

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

REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

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

Pakistan Capital Protected Fund (Fixed Income Securities), an open-end scheme established under a Trust Deed dated June 15, 2009 executed between Arif Habib Investments Limited, as the Management Company and MCB Financial Services Limited, as the Trustee. The Scheme was authorized by Securities and Exchange Commission of Pakistan (Commission) on August 07, 2009.

1. Arif Habib Investments Limited, the Management Company of Pakistan Capital Protected Fund (Fixed Income Securities), has in all material respects managed Pakistan Capital Protected Fund (Fixed Income Securities), during the six months period ended December 31, 2011 in accordance with the provisions of the following.
 - (i) the limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
 - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
 - (iii) the creation and cancellation of units are carried out in accordance with the deed;
 - (iv) and any regulatory requirement

For the purpose of information, the attention of unit holder's is drawn towards auditor's report and note 8 to the condensed interim financial information which refers to pending outcome of the litigation regarding contribution to Worker's Welfare Fund in Honorable High Court of Sindh. Provision against WWF amount to Rs. 0.752 million in aggregate is not being maintained by the Fund.

Karachi: February 07, 2012

Khawaja Anwar Hussain
Chief Executive Officer
MCB Financial Services Limited

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 **Pakistan Capital Protected Fund - Fixed Income Securities** ("the Fund") as at 31 December 2011 and the related condensed interim income statement, 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 "condensed 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.

Emphasis of matter

We draw attention to note 8 to the financial information relating to provision for Workers' Welfare Fund (WWF) which refers to the pending outcome of the litigation regarding contribution to WWF in Honourable Sind High Court. In view of the matter more fully discussed in the above note, provision against WWF amounting to Rs. 0.752 million in aggregate is not being maintained by the Fund. Our conclusion is not qualified in respect of this matter.

Other matters

The figures for the quarter ended 31 December 2011 and 31 December 2010 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 have not been reviewed and we do not express a conclusion on them.

Date: January 27, 2012

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2011

		(Unaudited) 31 December 2011	(Audited) 30 June 2011
	Note	(Rupees in '000)	
Assets			
<i>Capital protection segment</i>			
Term deposit receipts	5	160,136	162,136
Profit receivable		<u>35,808</u>	<u>26,488</u>
		<u>195,944</u>	<u>188,624</u>
<i>Investment segment</i>			
Balances with banks	6	<u>11,405</u>	<u>12,807</u>
Profit receivable		<u>554</u>	<u>858</u>
Investments	7	<u>37,379</u>	<u>36,096</u>
Deposits, prepayments and other receivables		<u>356</u>	<u>2,028</u>
		<u>49,694</u>	<u>51,789</u>
Preliminary expenses and floatation costs		<u>249</u>	<u>451</u>
Total assets		<u>245,887</u>	<u>240,864</u>
Liabilities			
Payable to Management Company		<u>354</u>	<u>292</u>
Payable to MCB Financial Services Limited - Trustee		<u>42</u>	<u>41</u>
Payable to Securities and Exchange Commission of Pakistan - Annual fee		<u>90</u>	<u>188</u>
Accrued expenses and other liabilities		<u>4,622</u>	<u>3,668</u>
Total liabilities		<u>5,108</u>	<u>4,189</u>
Contingency	8		
Net assets		<u>240,779</u>	<u>236,675</u>
Unit holders' funds (as per statement attached)		<u>240,779</u>	<u>236,675</u>
		(Number of units)	
Number of units in issue		<u>22,944,088</u>	<u>21,439,398</u>
		(Rupees)	
Net asset value per unit		<u>10.49</u>	<u>11.04</u>

The annexed notes from 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 SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2011

	Six months period ended 31 December		Quarter ended 31 December	
	2011	2010	2011	2010
	----- (Rupees in '000) -----			
Income				
Income from term deposit receipts - capital protection segment	9,673	10,875	4,824	5,437
Capital loss on sale of investments	-	(71)	-	(71)
Income from government securities	641	682	576	648
Income from term finance and sukuk certificates	1,112	2,878	202	1,334
Profit on bank deposits	660	840	312	432
Income from commercial papers	585	-	-	-
Other income	123	84	-	84
Unrealised diminution in fair value of investments classified as 'at fair value through profit or loss'	7.2 (1,594)	(185)	(584)	(458)
Total income	11,200	15,103	5,330	7,406
Expenses				
Remuneration of Arif Habib Investments Limited - Management Company	1,791	1,888	901	954
Service tax charges	287	-	143	-
Remuneration of the MCB Financial Services Limited - Trustee	251	302	125	126
Annual fee - Securities and Exchange Commission of Pakistan	90	94	45	47
Securities transaction cost	5	2	3	2
Bank charges	7	17	3	8
Fees and subscriptions	176	55	73	28
Legal and professional charges	38	38	19	19
Auditor's remuneration	213	187	114	94
Amortisation of preliminary expenses and floatation costs	202	202	101	101
Printing and related costs	63	63	32	31
Others	917	1,183	362	591
Total expenses	4,040	4,031	1,921	2,001
	7,160	11,072	3,409	5,405
Net element of income / (loss) and capital gains / (losses) for the period included in prices of units issued less those in units redeemed	(12)	(13)	-	(78)
Net income for the period	7,148	11,059	3,409	5,327

The annexed notes from 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 SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2011

	Six months period ended 31 December		Quarter ended 31 December	
	2011	2010	2011	2010
	----- (Rupees in '000) -----			
Undistributed income brought forward - realised and unrealised	22,286	10,093	7,933	7,619
Final distribution for the year ended 30 June 2011 at the rate of Re. 0.8564 (2010: Re. 0.35) [Date of distribution: 4 July 2011 (2010: 5 July 2010)]	(18,361)	(8,206)	-	-
Net income for the period	7,148	11,059	3,409	5,327
Net element of income / (loss) and capital gains / (losses) for the period included in prices of units issued less those in units redeemed - net - amount representing unrealised capital gains - transferred to the Distribution Statement (refer note 3)	269	-	-	-
	(10,944)	2,853	3,409	5,327
Undistributed income carried forward - realised and unrealised	11,342	12,946	11,342	12,946

The annexed notes from 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 SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2011

	Six months period ended 31 December		Quarter ended 31 December	
	2011	2010	2011	2010
	(Rupees in '000)			
Net assets at the beginning of the period	236,675	244,564	237,370	250,231
Issue of 1,803,605 (2010: 814,135) bonus units for the year ended 30 June 2011 at the rate of Re. 0.8564 (2010: 0.35) per unit - Date of distribution 4 July 2011	18,361	8,206	-	-
Redemption of 298,914 (2010: nil) units during the period	(3,056)	(1,685)	-	(1,685)
	15,305	6,521	-	(1,685)
Net element of (income) / loss and capital (gains) / losses for the period included in prices of units issued less those in units redeemed				
- amount representing accrued (income) / loss and realised capital (gains) / losses transferred to the Income Statement	12	13	-	78
- amount representing unrealised capital (gains) / losses - transferred to the Distribution Statement	(269)	-	-	-
	(257)	13	-	78
Net element of income / (loss) and capital gains / (losses) for the period included in prices of units issued less those in units redeemed - net - amount representing unrealised capital gains - transferred to the Distribution Statement (refer note 3.1)	269	-	-	-
Final distribution of 1,803,605 (2010: 814,135) bonus units for the year ended 30 June 2011 at the rate of Re. 0.8564 (2010: 0.35) per unit - Date of distribution 4 July 2011	(18,361)	(8,206)	-	-
Net income for the period (excluding unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss' and capital (losses) on sale of investments)	8,742	11,315	3,993	5,856
Capital loss on sale of investments	-	(71)	-	(71)
Unrealised diminution in fair value of investments classified as 'at fair value through profit or loss'	(1,594)	(185)	(584)	(458)
Net income for the period including unrealised diminution in fair value of investments classified as 'at fair value through profit and loss'	7,148	11,059	3,409	5,327
Net assets at the end of the period	240,779	253,951	240,779	253,951

The annexed notes from 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 SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2011

	Six months period ended 31 December		Quarter ended 31 December	
	2011	2010	2011	2010
	----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	7,148	11,059	3,409	5,327
<i>Adjustments for:</i>				
Amortisation of preliminary expenses and floatation costs	202	202	101	101
Net element of income / (loss) and capital gains / (losses) for the period included in prices of units issued less those in units redeemed	12	13	-	78
Unrealised diminution in fair value of investments classified as 'at profit or loss'	1,594	185	584	458
	8,956	11,459	4,094	5,964
(Increase) / decrease in assets				
Term deposit receipts	2,000	-	-	-
Profit receivable against term deposit receipts	(9,320)	-	(4,823)	-
Profit receivable	304	(10,189)	115	(4,117)
Investments	(2,877)	(1,320)	(1,130)	66
Deposits, prepayments and other receivables	1,672	(2)	1	2
	(8,221)	(11,511)	(5,837)	(4,049)
Increase / (decrease) in liabilities				
Payable to Management Company	62	(1,170)	64	16
Payable to MCB Financial Services Limited - Trustee	1	1	1	1
Payable to Securities and Exchange Commission of Pakistan - Annual fee	(98)	28	45	47
Accrued expenses and other liabilities	954	1,292	209	716
	919	151	319	780
Net cash generated from / (used in) operating activities	1,654	99	(1,424)	2,695
CASH FLOWS FROM FINANCING ACTIVITIES				
Net (payments) / receipts from sale and redemption of units	(3,055)	(1,685)	-	(1,685)
Net (decrease) / increase in cash and cash equivalents during the period	(1,401)	(1,586)	(1,424)	1,010
Cash and cash equivalents at beginning of the period	12,806	19,840	12,829	17,244
Cash and cash equivalents at end of the period	11,405	18,254	11,405	18,254

The annexed notes from 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 THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2011

1. LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Capital Protected Fund - Fixed Income Securities ("the Fund") was established under a Trust Deed executed on 15 June 2009 between Arif Habib Investments Limited (a subsidiary of MCB Bank Limited) as Management Company and MCB Financial Services Limited as Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on 7 August 2009 in accordance with the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Formation of the Fund as open end fund was authorized by SECP on 7 August 2009. The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 through a certificate of registration issued by the SECP.

Based on shareholders' resolutions of MCB-Asset Management Company 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 the State Bank of Pakistan's approval it is a subsidiary of MCB Bank Limited. 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 & AHIL/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 honourable Sindh High Court. The Honourable Sindh High Court has held the SECP's subsequent order in abeyance and instructed the SECP to treat the companies as merged pending a final ruling. Irrespective of the final ruling, the Fund's assets and NAV remain unaffected.

The Fund is a capital protected fund and has an objective to pay back investors (with certain conditions) whole of their initial investment (net of Front end load) i.e. Rs. 10 per unit over the term of its life in the form of dividend or return of capital on its termination. In addition, the Fund has an objective to maximize the return by investing in fixed income instruments, money and debt market instruments to achieve the investment objective.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned asset manager rating of AM2' (Positive Outlook) to the Management Company of the Fund. Currently, the management is awaiting for assignment of stability rating of the Fund from PACRA.

The Fund consists of two segments, Capital Protected Segment and an Investment Segment. The Capital Protected Segment aims at protecting investors capital by placing the assets of the segment in bank deposits having at least long term credit rating of AA- (Double A minus) or above at the time of placement. To achieve the objective the Fund has placed 81.85% of Fund property (net of loads and charges, if any) with Habib Metropolitan Bank Limited to ensure that these funds grow to become at least 100% of the total initial investment value (net of all expenses and taxes) at the time of maturity.

The remaining assets of the Fund have been allocated to the Investment Segment that will be invested in fixed income instruments, money and debt market instruments with an objective of providing higher return than the minimum protection provided by the capital protection segment. The Fund is listed on Islamabad Stock Exchange (Guarantee) Limited. The duration of the Fund is 30 (thirty) months from the last day of initial offering / launch period. The Fund will cease to operate on 15 August 2012 and shall stand liquidated. Title to the assets of the Fund is held in the name of MCB Financial Services Limited as a trustee of the Fund. As per paragraph 17.2.4 of the Trust Deed of the Fund, the creditors of the Fund will have no claim against the assets of the Capital Protected Segment.

2. BASIS OF PREPARATION

Statement of compliance

This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. This condensed interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with the financial statements as at and for the period ended 30 June 2011.

This condensed interim financial information comprises of the condensed interim statement of assets and liabilities as at 31 December 2011 and the related condensed interim income statement, condensed interim cashflow statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' funds and notes thereto for the six months ended 31 December 2011. At 31 December 2011, the Fund has no item to be reported in other comprehensive income hence the reported net income for the period equals the total comprehensive income for the current period.

The comparatives 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, whereas for condensed interim cash flow statement is stated from unaudited condensed interim financial information for the period ended 31 December 2010.

This condensed interim financial information is unaudited and is presented in Pak Rupees, which is the Fund's functional and presentation currency and has been rounded off to the nearest thousand rupees.

The directors of the Management Company declare that these condensed interim financial information give a true and fair view of the Fund.

3. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

The accounting policies adopted for the preparation of these condensed interim financial information are the same as those applied in the preparation of the annual published financial statements of the Fund for the year ended 30 June 2011.

The preparation of condensed interim financial information requires management to make judgements, 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 judgements 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 period ended 30 June 2011.

During the period, the Fund has revised the calculation for determination of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed. As per the revised calculation, element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the period is recognized in income statement and the remaining portion of element of income / (loss) and capital gains / (losses) held in separate reserve account at the end of an accounting period (whether gain or loss) is included in amount available for distribution to the unit holders.

The revised calculation, in the opinion of the management, would ensure that continuing unit holders' share of undistributed income remains unchanged on issue and redemption of units. The change did not have any impact on the net assets value (NAV) of the Fund. Had the calculation not been changed, the net income for the period ended 31 December 2011 would have been lower by Rs. 0.269 million.

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

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

IAS 24 (revised), 'Related party disclosures', issued in November 2009. 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. The Management is currently considering the impact of the stated disclosure on financial statements.

Apart from above, 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 1 July 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 1 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. FINANCIAL RISK MANAGEMENT

The Fund's risk management objectives and policies are consistent with those objectives and policies which were disclosed in the financial statements for the period ended 30 June 2011.

5. TERM DEPOSIT RECEIPTS

This represents a term deposit placed with Habib Metropolitan Bank at a fixed mark-up rate of 11.95% per annum maturing on 15 August 2012. The said deposit has been placed by the Fund to ensure that these deposits are grown to become at least 100% of the total initial invested value.

6. BALANCES WITH BANKS

This represents deposit accounts carrying mark-up at the rate of 5% to 9.5% per annum. (June 2011: 5% to 10.5% per annum)

7. INVESTMENTS

		(Unaudited) 31 December 2011 (Rupees in '000)	(Audited) 30 June 2011
<i>'At fair value through profit or loss' - held for trading</i>			
Term finance and sukuk certificates	7.1.1	16,031	16,681
Treasury bills		21,348	-
Commercial Papers - unsecured - loans and receivables		-	19,415
		<u>37,379</u>	<u>36,096</u>

7.1.1 Term finance and sukuk certificates

Name of the investee company	Issue date	As at 01 July 2011	Purchases during the period	Sales / matured during the period	As at 31 December 2011	Cost as at 31 December 2011	Market value as at 31 December 2011	Appreciation/ (diminution) as at 31 December 2011	Market value as a percentage of net assets	Market value as percentage of total investments	Percentage in relation to the size of the issue
Face value of Rs. 5,000 each unless stated otherwise											
Pak Elektron	28 September										
Limited - Sukuk	2007	4,700	-	-	4,700	8,805	9,092	287	3.78	24.32	0.76
Bank Alfalah Limited - IV	2 December 2009	500	-	-	500	2,498	2,508	10	1.04	6.71	0.05
Escort Investment Bank Limited	15 March 2007	4,016	-	-	4,016	5,305	4,431	(874)	1.84	11.85	0.09
						16,608	16,031	(577)			

7.1.2 During the period, owing to financial difficulties, Pakistan Elektron Limited has defaulted in the payment of coupon due on 28 December 2011. In accordance with the requirements of Circular 1 of 2009, issued by the SECP, no further mark-up is being accrued on such investment from the date the coupon was due.

7.1.3 Treasury bills

Issue date	Tenor	As at 01 July 2011	Purchases during the period	Face value Sales / matured during the period	As at 31 December 2011	Cost as at 31 December 2011	Market value as at 31 December 2011	Appreciation /(diminution) as at 31 December 2011	Market value as a net assets	total investment
25 August 2011	12 months	-	23,000	-	23,000	21,407	21,348	(59)	8.87	57.11
		-	23,000	-	23,000	21,407	21,348	(59)		

7.2 Unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss' - held for trading

	(Unaudited) Six months ended 31 December 2011 (Rupees in '000)	(Audited) 30 June 2011
Fair value of investments	37,379	16,681
Less: Cost of investments	<u>(38,015)</u>	<u>(15,723)</u>
	(636)	958
Realised on disposal during the period	-	(78)
Unrealised appreciation in fair value of investment classified as 'at fair value through profit or loss' at beginning of the period	<u>(958)</u>	<u>(1,439)</u>
	<u>(958)</u>	<u>(1,517)</u>
	<u>(1,594)</u>	<u>(559)</u>

8. CONTINGENCY

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 an adjudication.

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

Subsequent to 30 June 2011, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company believes that the Fund is not liable to contribute to WWF and hence no provision has been recognised by the Management Company in this condensed interim financial information. The aggregate unrecognised amount of WWF as at 31 December 2011 amounted to Rs. 0.752 million.

9. SERVICE TAX CHARGES

During the current period the Sindh Government has levied General Sales Tax (GST) at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Service Tax 2011 effective from 1 July 2011.

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 Regulations, 2008, the fund is required to distribute 90% of the net accounting income other than unrealized capital gains to the unit holders. The management intends to distribute at least 90% of the income earned by the Fund by the year end 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. Accordingly, no provision for taxation has been made in this condensed interim financial information.

11. TRANSACTIONS WITH CONNECTED PERSONS/ RELATED PARTIES

Connected persons / related parties of the Fund include the Management Company, other collective investment, schemes being managed by the Management Company, MCB Bank Limited being the holding company of the Management Company, the Trustee, directors and key management personnel, other associated undertaking and investors.

Remuneration payable to the Management Company and the fee payable to the Trustee are determined in accordance with the provisions of the NBFC Rules 2003, the NBFC Regulations 2008 and Trust Deed respectively.

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

Details of the transactions with connected person / related parties for the period end and balances with them at period / year end are as follows:

	Six months ended		Quarter ended	
	31 December	31 December	2011	2010
	2011	2010	2011	2010
	(Rupees in '000)			
11.1 Transactions during the period with connected persons / related parties				
<i>Arif Habib Investments Limited - the Management Company</i>				
Remuneration for the period	1,791	1,888	901	954
Service tax charges	287	-	143	-
<i>MCB Financial Services Limited - Trustee</i>				
Remuneration for the period	251	302	125	126
Other	-	50	-	-
<i>Units issued as bonus to:</i>				
Arif Habib Investments Limited - Management Company 10,642 (2010: 4,245)	108	43	-	-
Directors / officers and employees of the management company 1,177 (2010: 647)	12	7	-	-
Summit Bank Limited - 858,202 (2010: 342,329)	8,736	3,451	-	-
11.2 Balances outstanding as at the period end			(Unaudited) 31 December 2011 (Rupees in '000)	(Audited) 30 June 2011
<i>Arif Habib Investments Limited - the Management Company</i>				
Remuneration payable			354	292
<i>MCB Financial Services Limited - Trustee</i>				
Remuneration payable			42	41
<i>Units held by:</i>				
Arif Habib Investments Limited 137,144 (2011: 126,502)			1,439	1,397
Directors / officers of the management company 15,173 (2011: 19,305)			159	213
Summit Bank Limited 11,059,617 (2011: 10,201,415)			116,015	112,616

12. DATE OF AUTHORISATION

This condensed interim financial information has been authorised for issue in the meeting of the Board of Directors of the Management Company held on January 27, 2012.

13. GENERAL

Figures have been rounded off to the nearest thousand Rupees.

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

Yasir Qadri
Chief Executive Officer

Nasim Beg
Director