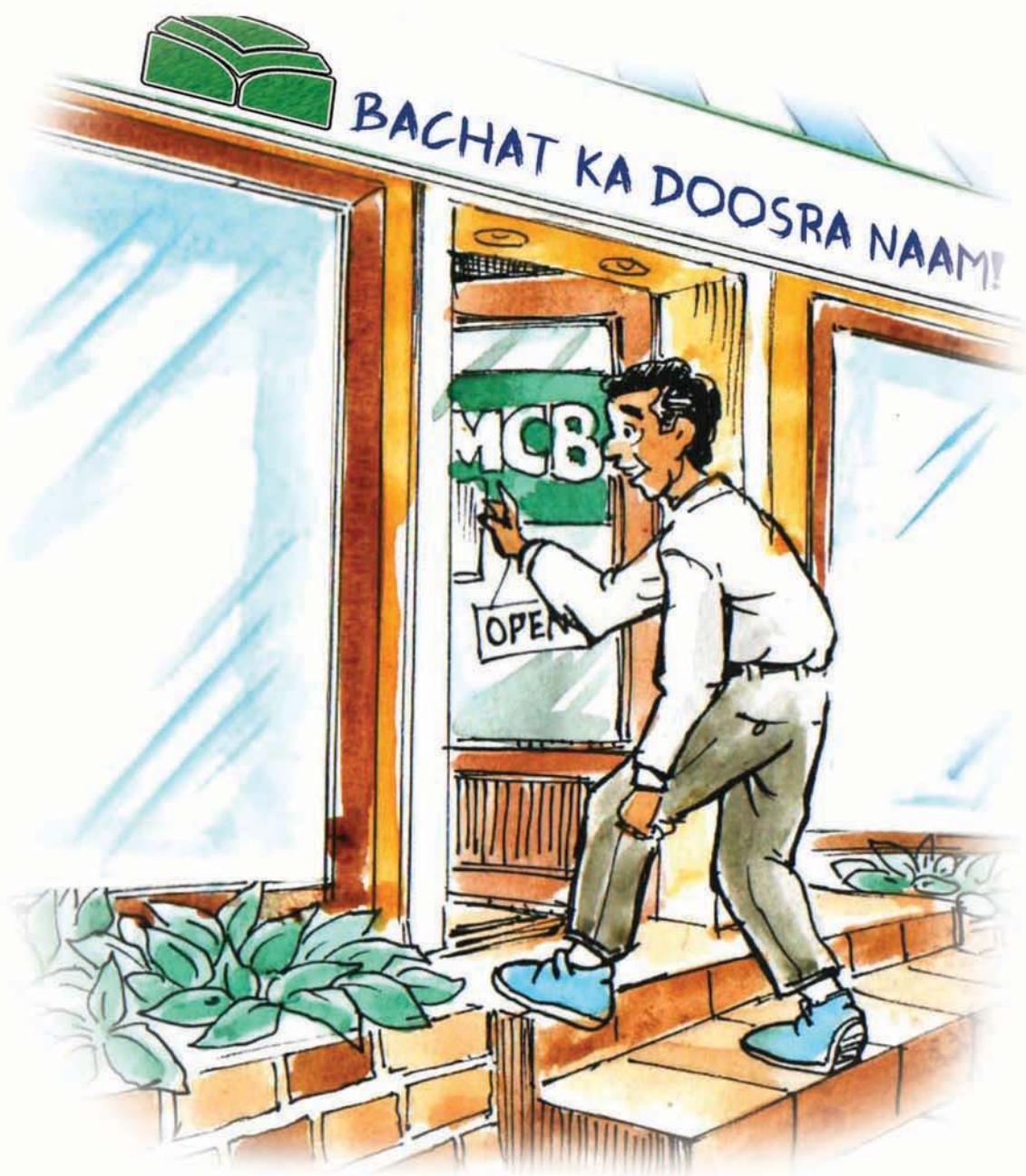




Bachat ka Doosra Naam

Quarterly Report
September 30, 2012
(Unaudited)



Funds Under Management
of
Arif Habib Investments Limited (A subsidiary of MCB Bank Limited)

**PAKISTAN
STOCK MARKET FUND**

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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 Officer (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. Haroun Rashid Mr. Nasim Beg Mr. Samad A. Habib Mr. Ali Munir	Chairman Member Member Member
Human Resource Committee	Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jehangir Mr. Yasir Qadri	Chairman Member Member Member Member
Company Secretary & CFO of the Management Company	Mr. Muhammad Saqib Saleem	
Trustee	Central Depository Company of Pakistan Limited CDC House, 990B, Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
Bankers	Bank AL Habib Limited Summit Bank Limited (formerly :Arif Habib Bank Limited) Meezan Bank Limited Bank Alfalah Limited Habib Metropolitan Bank Limited Soneri Bank Limited United Bank Limited Allied Bank Limited Standard Chartered Bank Limited Faysal Bank Limited Habib Bank Limited MCB Bank Limited Askari Bank Limited Deutsche Bank Limited NIB Bank Limited	
Auditors	KPMG Taseer Hadi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Building No. 2 Beaumont Road, Karachi - 75530	
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
Transfer Agent	Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Rating	AM2 - Management Quality Rating assigned by PACRA	

REPORT TO THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2012

Dear Investor,

On behalf of the Board of Directors, I am pleased to present Pakistan Stock Market Fund's accounts review for the first quarter ended September 30th 2012.

EQUITIES MARKET OVERVIEW

The KSE-100 index made an impressive start in FY13 and posted a return of 11.9% during 1Q FY13, outperforming most of the regional players. Although the market remained strong as far as returns are concerned, activity remained dull in terms of both volumes and turnover. Foreigners, however, made a strong return to the local market with a cumulative net inflow of US\$ 92 million during the period under review.

Major interest during the period remained in Construction & Materials, Consumer and Electricity Sectors where strong inherent bottom line growth, healthy payouts and favorable projected impact of fall in interest rates thrived investor interest. Highly levered companies were also remained in the limelight during the period amid aggressive policy rate cut of 150 bps by the SBP during the period. Strong corporate results as well as healthy payouts by key companies served to keep the positive momentum intact in the market.

FUND PERFORMANCE

During the period, PSMF delivered 11.8% return as compared to KSE100 index return of 11.9%. Overall equity exposure of the fund was reduced by around 1.4% which stood at 93.7% at the end of the quarter. The fund changed its investment strategy several times during the quarter to cope with various sector and company level fundamental developments. During the quarter fund realigned its sector exposure by reducing allocation in Banks, Oil & Gas and Chemicals while increasing its allocations in Electricity, Fixed Line Telecommunication, Personal Goods and Engineering.

The Net Asset of the Fund as at September 30, 2012 stood at Rs. 1,085.127 million as compared to Rs 921.464 million as at June 30 2012 registering an increase of 17.76 %

The Net Asset Value (NAV) per unit as at September 30, 2012 was Rs. 58.06 as compared to opening NAV of Rs. 51.92 per unit as at June 30, 2012 registering an increase of Re. 6.14 per unit

FUTURE OUTLOOK

Along with attractive valuations and earnings growth, anticipation of accommodative govt. policies before upcoming general elections has also contributed towards strong investors' confidence. A sustained momentum, however, would require continued support on this front along with an improved fiscal and external account management. We therefore prefer to remain vigilant of fading triggers on macro front and potential opportunities arising out of micro dynamics in stock and sector allocation.

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

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2012

	<i>Note</i>	Unaudited September 30, 2012 (Rupees in '000)	Audited June 30, 2012
Assets			
Balances with banks		22,213	55,742
Investments	4	1,055,533	903,645
Dividend and mark-up receivable		15,121	1,870
Advances, deposits, prepayments and other receivables		3,726	3,736
Receivable against sale of investments		-	1,664
Receivable against sale of units		3,884	-
Total assets		<u>1,100,477</u>	<u>966,657</u>
Liabilities			
Payable to Arif Habib Investments Limited - Management Company		2,379	2,008
Payable to Central Depository Company of Pakistan Limited - Trustee		172	166
Payable to Securities and Exchange Commission of Pakistan		243	962
Payable against purchase of investment		-	39,212
Accrued expenses and other liabilities		12,557	2,845
Total liabilities		<u>15,350</u>	<u>45,193</u>
Contingency	5		
Net assets		<u>1,085,127</u>	<u>921,464</u>
Unit holders' funds		<u>1,085,127</u>	<u>921,464</u>
		(Number of units)	
Number of units in issue		<u>18,688,522</u>	<u>17,747,185</u>
		(Rupees)	
Net asset value per unit		<u>58.06</u>	<u>51.92</u>

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2012


	September 30, 2012	September 30, 2011
Income	<i>Note</i> (Rupees in '000)	
Capital gain on sale of investments	46,067	439
Income from Government Securities	853	2,190
Dividend income	15,348	14,925
Profit on deposit accounts with banks	987	1,399
	63,254	18,953
Unrealised (diminution) / appreciation in fair value of investments ' at fair value through profit or loss - net	53,968	(2,630)
Total income	117,222	16,323
Operating Expenses		
Remuneration of Management Company	5,117	5,595
Sindh Sales Tax on Management Fee	819	895
Remuneration of Central Depository Company of Pakistan Limited - Trustee	503	528
Annual fee - Securities and Exchange Commission of Pakistan	243	269
Securities transaction cost	2,643	1,436
Settlement and bank charges	154	58
Fees and subscriptions	35	52
Legal and professional charges	25	25
Auditors' remuneration	116	86
Printing and related expenditure	115	56
Total expenses	9,771	9,001
Net income from operating activities	107,451	7,322
Element of loss and capital losses included in prices of units sold less those in redeemed	5,233	2,428
Net income for the period	112,684	9,750
Other comprehensive (loss) / income for the period		
Unrealised (diminution) / appreciation in value of investments classified as 'available for sale'	4.5 2,074	(19,294)
Total comprehensive income for the period	114,758	(9,544)

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012

	September 30, 2012 (Rupees in '000)	September 30, 2011
Undistributed Income brought forward	30,782	133,001
Final distribution for the year ended 30 th June 2011: Rs 6.3036 per unit		
Issue of bonus units	-	(130,431)
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed - amount representing unrealised appreciation / (diminution)	1,838	(3,452)
Total comprehensive income for the period	112,684	9,750
	114,522	(124,133)
Undistributed Income carried forward	145,304	8,868

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.


 Chief Executive Officer

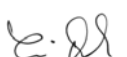
For Arif Habib Investments Limited
 (Management Company)


 Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**


	Note	September 30, 2012 (Rupees in '000)	September 30, 2011
Net assets at the beginning of the year		921,464	1,243,564
Issue of units 2,202,344 (2011: 980,672 units)		125,186	51,504
Redemption of units 1,261,007 (2011: 3,941,501 units)		(71,048)	(209,930)
		54,138	(158,426)
		975,602	1,085,138
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed			
- amount representing (gain) / loss and capital losses		(5,233)	(2,428)
- transferred to Income Statement			
- amount representing unrealised diminution in value of investments transferred directly to Distribution Statement		1,838	3,452
		(3,395)	1,024
Net unrealised (diminution) / appreciation in value of investments of investments classified as 'available for sale'	4.6	2,074	(19,294)
Capital gain on sale of investments		46,067	439
Unrealised appreciation / (diminution) in value of investments at fair value through profit or loss - net		53,968	(2,630)
Other net income for the period		12,650	11,941
Element of (loss) and (capital losses) included in prices of units issued less those in units redeemed - amount representing unrealised diminution		(1,838)	(3,452)
Final distribution of Rs 6.3036 for the year ended June 30, 2011 (2010: 9.70)			
- Cash distribution		-	-
- Issue of bonus units		-	(130,431)
		110,846	(124,133)
Issue 2,424,370 bonus units for the year ended June 30, 2011 (2010: 5,691,689)		-	130,431
Net assets at end of the period		1,085,127	1,073,166

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2012

	September 30, 2012	September 30, 2011
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period	112,684	9,750
Adjustments		
Unrealised (appreciation) / diminution in fair value of investments		
' at fair value through profit or loss - net	(53,968)	2,630
Element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units repurchased	(5,233)	(2,428)
	<u>53,483</u>	<u>9,952</u>
(Increase) / decrease in assets		
Investments	(135,058)	135,327
Receivable against continuous funding system	-	-
Dividend and markup receivable	(13,251)	(16,319)
Advances, deposits, prepayments and other receivables	10	(157)
Receivable against sale of investments	1,664	560
	<u>(146,635)</u>	<u>119,411</u>
Increase / (decrease) in liabilities		
Payable to Management Company	371	(281)
Payable to Central Depository Company of Pakistan Limited - Trustee	6	(36)
Payable to Securities and Exchange Commission of Pakistan	(719)	(1,218)
Accrued expenses and other liabilities	9,712	43,662
	<u>9,369</u>	<u>42,126</u>
Net cash (outflow) / inflow from operating activities	<u>(83,782)</u>	<u>171,490</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Net payments made against sale/ redemption of units	50,253	(158,919)
Net cash inflow/ (outflow) from financing activities	50,253	(158,919)
Net increase / (decrease) in cash and cash equivalents during the period	(33,529)	12,572
Cash and cash equivalents at the beginning of the period	55,742	28,285
Cash and cash equivalents as at the end of the period	<u>22,213</u>	<u>40,857</u>

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



Director

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

Based on shareholders' resolutions of MCB-AMC and Arif Habib Investments Limited (AHI) the two companies have merged as of 27th June 2011 through operation of an order from the SECP issued under Section 282L of the Companies Ordinance 1984 (Order through letter no. SCD/NBFC-II/MCBAMCL & AHIL/271/2011 dated June 10, 2011). AHI being a listed company is the surviving entity and in compliance of SBP's approval, it is a subsidiary of MCB Bank. However subsequent to the completion of the merger, the SECP issued an order postponing the effective date of the merger to 30th July 2011 (through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AHI/348/2011 dated June 27, 2011). Since the merger had already taken place and the subsequent order of the SECP could not be complied with, the Company has sought a ruling by the honourable SHC. The honourable SHC has held the SECP's subsequent order in abeyance and instructed SECP to treat the companies as merged pending a final ruling. Irrespective of the final ruling, the Fund's assets and NAV remain unaffected.

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

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

2. BASIS OF PRESENTATION

2.1 These unaudited condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, The requirements of the Trust Deed, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the NBFC Regulations or the directives issued by the SECP prevail. These financial statements are presented in condensed form in accordance with International Accounting Standard, 34 "Interim Financial Reporting". These do not include all the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Fund as at and for the year ended June 30, 2012.

2.2 These condensed interim financial statements are unaudited.

2.3 The directors of the asset management company declare that these financial statements give a true and fair view of the Fund.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2012

4. INVESTMENTS

At fair Value through profit or loss - held for trading

Quoted equity securities	4.1	1,019,942	845,660
Fixed income securities	4.2	24,685	49,153

Available for Sale

Quoted equity securities	4.3	10,905	8,832
		1,055,533	903,645

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

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

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

Name of the investee company	As at 1 July 2012	Purchases during the period	Bonus / right issue during the period	Sales during the period	As at 30 September 2012	Cost as at 30 September 2012	Market value as at 30 September 2012	(Diminution) / appreciation as at 30 September 2012	Market value as a percentage of investment net assets		Paid up value of shares held as a percentage of total paid up capital
Number of shares					(Rupees in 000)						
OIL & GAS											
Attock Petroleum	174,506	11,000	-	57,825	127,681	60,691	66,872	6,181	0.06	0.06	0.18%
National Refinery Ltd	-	45,000	-	-	45,000	10,691	10,584	(106)	0.01	0.01	0.06%
Oil & Gas Development Co. Ltd.	212,081	375,300	-	300,000	287,381	48,614	51,550	2,937	0.05	0.05	0.01%
Pakistan Oilfield Ltd	229,287	34,600	-	17,000	246,887	92,472	106,991	14,519	0.10	0.10	0.10%
Pakistan Petroleum Limited	482,839	63,000	102,709	135,000	513,548	79,172	90,348	11,177	0.09	0.08	0.03%
Pakistan State Oil Company Ltd.	40,289	110,000	-	50,289	100,000	25,769	21,720	(4,049)	0.02	0.02	0.05%
						317,409	348,066	30,657			
CHEMICALS											
Engro Corporation Limited	210,000	534,900	-	314,900	430,000	46,264	45,911	(353)	0.04	0.04	0.08%
Fatima Fertilizer Co Ltd	1,799,315	-	-	1,799,315	-	-	-	-	-	-	0.00%
Fauji Fertilizer Bin Qasim Ltd.	-	225,000	-	202,582	22,418	942	801	(141)	0.00	0.00	0.00%
Fauji Fertilizer Company Limited	496,521	174,000	-	670,345	176	20	20	(1)	0.00	0.00	0.00%
I.C.I. Pakistan Ltd.	-	205,700	-	87,200	118,500	19,795	19,427	(368)	0.02	0.02	0.13%
						67,022	66,159	(863)			
CONSTRUCTION AND MATERIALS											
Cherat Cement Co. Ltd.	411,593	397,500	-	411,347	397,746	14,955	15,783	827	0.01	0.01	0.42%
D. G. Khan Cement	187,250	882,000	-	515,000	554,250	24,578	27,879	3,301	0.03	0.03	0.13%
Fecto Cement	-	251,850	-	143,500	108,350	2,689	2,760	70	0.00	0.00	0.22%
Kohat cement	245,308	39,779	-	84,000	201,087	8,518	11,729	3,211	0.01	0.01	0.16%
Lafarge Pakistan Cement	2,381,000	732,500	-	3,113,500	-	0	0	0	0.00	0.00	0.00%
Lucky Cement	367,391	548,908	-	128,000	788,299	97,436	104,954	7,518	0.10	0.10	0.24%
						148,177	163,105	14,928			
INDUSTRIAL ENGINEERING											
Millat Tractors Limited	46,400	476,190	-	-	522,590	46,272	45,410	(862)	0.04	0.04	1.43%
						46,272	45,410	(862)			
INDUSTRIAL TRANSPORTATION											
Pakistan International Bulk Terminal Limited	301,387	-	-	-	301,387	3,014	3,014	-	-	-	0.00%
						3,014	3,014	-			
AUTOMOBILE AND PARTS											
Exide Pakistan	24,582	5,600	-	30,182	-	-	-	-	-	-	0.00%
Indus Motors Co. Ltd	-	10,000	-	9,200	800	216	204	(12)	0.00	0.00	0.00%
						216	204	(12)			
PERSONAL GOODS											
Nishat Chunian	-	270,000	-	100,000	170,000	2,975	3,776	801	0.00	0.00	0.10%
Nishat Mills Limited.	-	692,000	-	85,000	607,000	33,843	34,393	550	0.03	0.03	0.17%
						36,818	38,168	1,351			

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

Name of the investee company	As at 1 July 2012	Purchases during the period	Bonus / right issue during the period	Sales during the period	As at 30 September 2012	Cost as at 30 September 2012	Market value as at 30 September 2012	(Diminution) / appreciation as at 30 September 2012	Market value as a percentage of investments net assets	Paid up value of shares held as a percentage of total paid up capital
Number of shares					(Rupees in 000)					
PHARMA AND BIOTECH										
Abbot Lab (Pakistan)	109,386	-	-	109,386	-	-	-	-	-	-
Glaxosmithkline	128	-	-	128	-	-	-	-	-	-
						-	-	-		
FIXED LINE TELECOMMUNICATION										
Pakistan Telecommunication Company Ltd. "A"	-	1,577,500	-	825,000	752,500	13,424	14,591	1,167	0.01	0.01
Telecard Limited	-	108,500	-	108,500	-	-	-	-	-	-
Wateen Telecom Limited	2,747,678	1,026,500	-	-	3,774,178	8,300	9,586	1,287	0.01	0.01
						21,723	24,177	2,454		
ELECTRICITY										
Hub Power Company Ltd.	1,717,128	379,500	-	-	2,096,628	89,417	98,290	8,873	0.09	0.09
Nishat Chunian Power Limited	1,587,842	1,175,000	-	1,587,842	1,175,000	18,733	19,623	890	0.02	0.02
Nishat Power Limited	-	320,000	-	320,000	-	-	-	-	-	-
						108,150	117,912	9,763		
BANKS										
Allied Bank Limited	93,895	-	-	93,895	-	-	-	-	0.00	-
Askari Bank Ltd.	673,932	1,142,000	-	-	1,815,932	26,446	27,747	1,301	0.03	0.03
Bank Al-Falah Limited	4,436,246	598,683	-	2,138,500	2,896,429	49,976	45,068	(4,908)	0.04	0.04
Bank AL-Habib Limited	1,502,992	715,000	-	787,500	1,430,492	40,390	40,497	107	0.04	0.04
JS Bank Limited	-	750,000	-	225,000	525,000	2,893	2,804	(90)	0.00	0.00
MCB Bank Ltd	46,554	192,600	-	147,000	92,154	16,992	17,143	152	0.02	0.02
National Bank Of Pakistan	154,000	640,500	-	154,000	640,500	28,770	28,144	(626)	0.03	0.03
United Bank Limited	629,345	448,000	-	718,749	358,596	27,994	26,454	(1,540)	0.03	0.02
						193,461	187,857	(5,604)		
NON LIFE INSURANCE										
Pakistan Reinsurance Company Limited	-	1,251,100	-	5,000	1,246,100	23,714	25,869	2,155	0.02	0.02
						23,714	25,869	2,155		
Total as at 30 September 2012						965,974	1,019,942	53,968		

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

4.3 Quoted equity securities - 'Available for sale'

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

Name of the investee company	Number of shares					Cost less impairment	Market value	Appreciation (diminution)	Market value as a percentage of		Paid up value of shares held as a percentage of total paid
	As at 1 July 2012	Purchases during the year	Bonus / right issue during the year	Sales during the period	As at 30 September 2012				investments	net assets	

FORESTRY AND PAPER

Century Paper & Board Mills Ltd.	466,047	-	-	-	466,047	18,922	10,905	(8,016)	0.01	0.01	0.00
Total as at 30 September 2012						18,922	10,905	(8,016)			

- 4.4** Investments as at 30 September 2012 include shares with market value of Rs 41.641 million (2011: Rs. 65.825 million) which have been pledged with National Clearing Company of Pakistan limited guaranteeing settlement of the Fund's trades in accordance with Circular number 11 dated 23 October 2007 issued by the Securities & Exchange Commission of Pakistan.

(Unaudited)
September 30,
2012
(Rupees in '000)

(Audited)
June 30,
2012

4.5 Net unrealised appreciation in fair value of investments classified as 'available for sale'

Market value of investments	10,905	8,832
Cost less impairment	(18,922)	(18,922)
	(8,016)	(10,090)
Impairment loss on investment classified as 'available for sale'- transferred to Income Statement	13,050	13,050
	5,034	2,960
Less: Net unrealised diminution / (appreciation) in fair value of investments at the beginning of period	(2,960)	(75,686)
	2,074	(72,726)

5. CONTINGENCY

Contribution to workers' welfare fund

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

Subsequent, 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

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
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case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

During 30 June 2012, 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. In view of the afore mentioned developments and based on legal counsel, the Management Company firmly believes that there is no compelling reason to make provision on account of WWF contribution in the financial statements. Further, the Management Company also expects that the constitutional petition pending in the Honorable High Court of Sindh on the subject as referred above will be decided in favour of mutual Funds.

The aggregate unrecognized amount of WWF as at September 30, 2012 amounted to Rs.18.22 million. If the same were made the NAV of the fund would have been lower by Re.0.97 per unit

6. Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded a tax liability in respect of income relating to the current period as the management company intends to distribute more than 90 percent of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders.

7. Earning per Unit

Earnings per unit has not been disclosed as in the opinion of the management determination of cumulative weighted average number of outstanding units for calculating earnings per unit is not practicable.

8 TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES

- 8.1** Connected persons of the Fund include the Management Company, other collective investment, schemes being managed by the Management Company, MCB Bank Limited being the parent company of the Management Company, the Trustee, directors and key management personnel, other associated undertaking and investors holding 10% or more units of the Fund.
- 8.2** The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 8.3** 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.
- 8.4** Details of transactions and balances at period end with related parties / connected persons, other than those which have been disclosed elsewhere in these financial statements, are as follows:

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
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Details of transactions with connected persons and balances with them at period end are as follows:

	(Unaudited)	
	September 30, 2012	September 30, 2011
	(Rupees in '000)	
Management Company		
Remuneration	5,117	6,490
Sales load	74	22
Summit Bank Limited (Formerly Arif Habib Bank Limited)		
Mark up Income	16	-
Arif Habib Limited		
Brokerage *	144	74
Next Capital Limited		
Brokerage *	7	-
Central Depository Company of Pakistan Limited-Trustee		
Remuneration of the Trustee	503	528
CDS charges	38	12
Directors and Executive of the Management Company		
Investment in the Fund Nil units (2011:54,248 units)	-	2,889
Redemption from the Fund 30,502 units (2011: 69,907 units)	1,730	3,723
Bonus units Nil units (2011: 20,721)	-	1,103

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Amounts outstanding as at the period / year end	(Unaudited) September 30, 2012 (Rupees in '000)	(Audited) June 30, 2012
Management Company		
Management fee	1,496	1,513
Sales load payable	314	253
Sindh Sales Tax on management fees	285	242
Summit Bank Limited (Formerly Arif Habib Bank Limited)		
Balance with Bank	6	1,961
Accrued Mark up	13	4
MCB Bank Limited		
Balance with Bank	8,123	7,398
Accrued Mark up	363	927
Shares held 92,154 (June 30, 2012: 46,554)	17,143	7,730
D.G Khan Cement Limited		
Shares held 554,250 (June 30, 2012: 187,250)	27,879	7,374
Nishat Chunain		
Shares held 170,000 (June 30, 2012: Nil)	3,776	-
Nishat Mills Limited		
Shares held 607,000 (June 30, 2012: 46,554)	34,393	-
Nishat Chunain Power Limited		
Shares held 1,175,000 (June 30, 2012: 1,587,842)	19,623	23,548
Directors and Executive of the Management Company		
2,892 units (June 30, 2012: 33,394 units)	168	9,911
Central Depository Company of Pakistan Limited-Trustee		
Security Deposit	200	200
Trustee fee and CDS charges	172	166

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
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* The amount disclosed represents the amount of brokerage paid to connected persons and not the purchase or sale value of securities transacted through them. The purchase or sale value has not been treated as transactions with connected persons as the ultimate counter parties are not connected persons.

9. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These condensed interim financial statements have been authorized for issue on October 25, 2012 by the Board of Directors of the Management Company.

10. GENERAL

Figures have been rounded off to the nearest thousand rupees.



Chief Executive Officer

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



Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

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