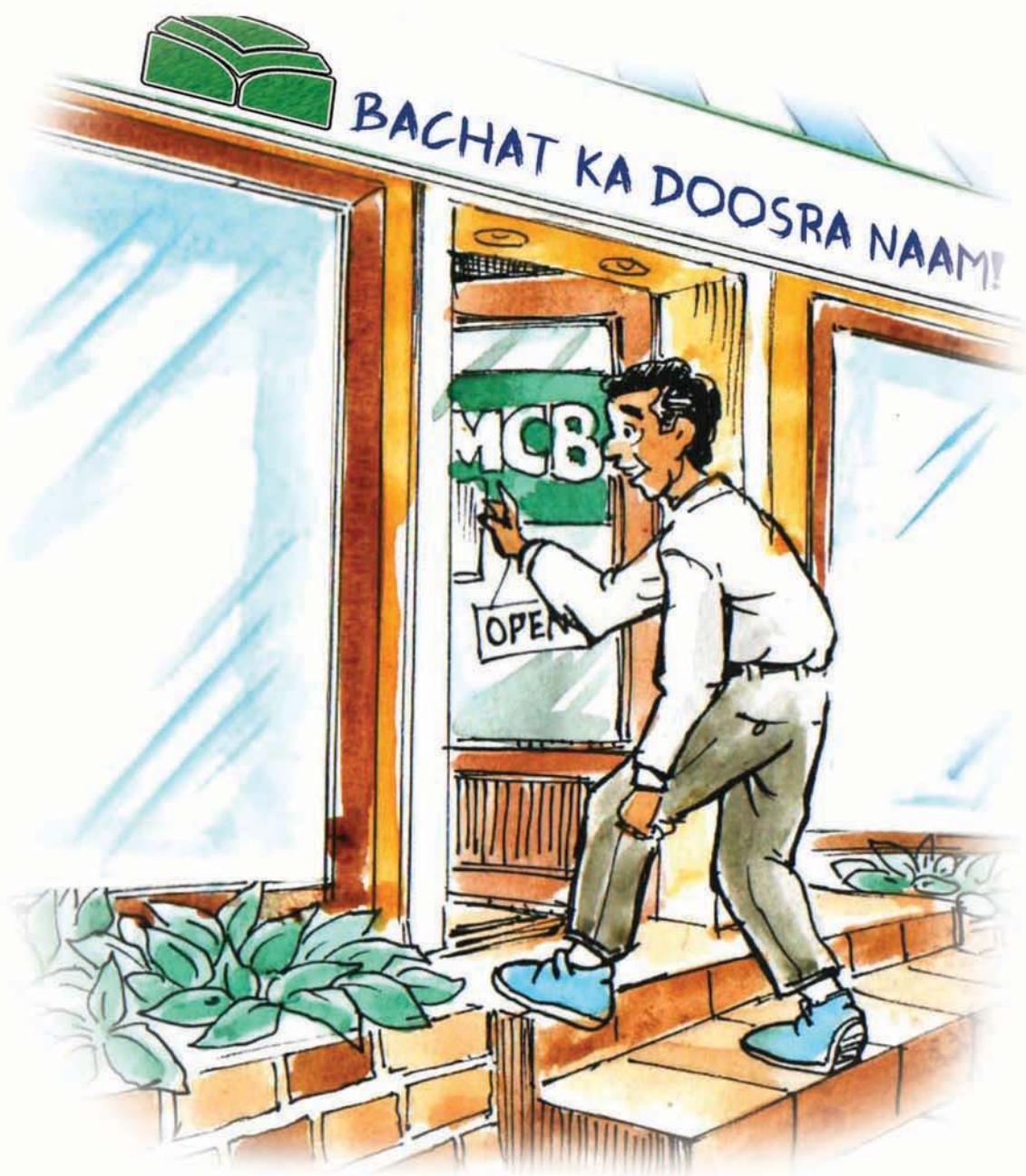




**Bachat** ka Doosra Naam

**Quarterly Report**  
September 30, 2012  
(Unaudited)



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

**PAKISTAN  
STRATEGIC ALLOCATION FUND**

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# FUND'S INFORMATION

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<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 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)
<b>Audit Committee</b>	Mr. Haroun Rashid Mr. Nasim Beg Mr. Samad A. Habib Mr. Ali Munir	Chairman Member Member Member
<b>Human Resource Committee</b>	Dr. Salman Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jehangir Mr. Yasir Qadri	Chairman Member Member Member Member
<b>Company Secretary &amp; CFO of the Management Company</b>	Mr. Muhammad Saqib Saleem	
<b>Trustee</b>	Central Depository Company of Pakistan Limited CDC House, 990B, Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
<b>Bankers</b>	Bank AL Habib Limited MCB Bank Limited Habib-Metro Bank Limited	
<b>Auditors</b>	M. Yousuf Adil Saleem & Co.- Chartered Accountants Cavish Court, A-35, Block 7 & 8, KCHSU, Sharae Faisal, Karachi-75350	
<b>Legal Advisor</b>	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
<b>Registrar</b>	JWAFFS Registrar Services (Private) Limited Kashif Centre, Room No. 505, 5th Floor, Near Hotel Mehran, Main Shahrah-e-Faisal, Karachi.	
<b>Rating</b>	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 Strategic Allocation 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, PSAF underperformed KSE100 index by delivering 6.7% return as compared to KSE100 index return of 11.9%. Overall equity exposure of the fund was increased by around 19.8% which stood at 92.8% 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 Chemicals while increasing its allocations in Electricity, Fixed Line Telecommunication, Personal Goods and Construction & Materials. The fund took new positions in Engineering and Non-Life Insurance sectors during the quarter.

The Net Assets of the Fund as at September 30, 2012 stood at Rs. 342.079 million as compared to Rs 351.503 million as at June 30, 2012 registering a decrease of 2.68%.

The Net Asset Value (NAV) per unit as at September 30, 2012 was Rs. 9.14 as compared to opening NAV of Rs. 8.57 per unit as at June 30, 2012 registering an increase of Rs. 0.57 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.

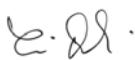
On behalf of Directors,

**Yasir Qadri**  
Chief Executive Officer  
Dated: October 25, 2012

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

		Un-Audited September 30 2012	Audited June 30 2012
ASSETS	Note	(Rupees in '000)	
Balances with banks		18,241	42,371
Investments	4	338,358	326,351
Receivable against sale of investments		1,405	550
Dividend and profit receivable		3,661	892
Advances, deposits and other receivables		2,971	2,971
<b>Total Assets</b>		<b>364,636</b>	<b>373,135</b>
<b>LIABILITIES</b>			
Payable to Management Company		659	668
Payable to Central Depository Company of Pakistan Limited - Trustee		57	58
Payable to Securities and Exchange Commission of Pakistan		84	476
Unclaimed dividend		12,469	12,492
Accrued expenses and other liabilities		9,288	7,938
<b>Total Liabilities</b>		<b>22,557</b>	<b>21,632</b>
<b>NET ASSETS</b>		<b>342,079</b>	<b>351,503</b>
<b>Unit holders' fund ( as per statement attached) / CONTINGENCY</b>	5	<b>342,079</b>	<b>351,503</b>
(Number of Units / Certificates)			
Number of units		37,444,810	41,032,844
.....(Rupees ).....			
Net assets value per unit (Face Value per unit Rs 10/- each)		9.14	8.57

The annexed notes from an integral part of these financial statements.

  
\_\_\_\_\_  
Chief Executive Officer

For Arif Habib Investments Limited  
(Management Company)

  
\_\_\_\_\_  
Director

# CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)


## FOR THE THREE MONTHS AND QUARTER ENDED SEPTEMBER 30, 2012

	Note	September 30, 2012	September 30, 2011
		(Rupees in '000)	
<b>Income</b>			
Capital gain / (loss) on sale of investments - net		9,986	(5,186)
Income from government securities		1,881	837
Dividend income		3,244	5,898
Profit on bank deposits		1,049	1,257
		<u>16,160</u>	<u>2,806</u>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		(1,418)	366
Unrealised appreciation on revaluation of investments 'at fair value through profit or loss' - net		10,004	6,563
<b>Total income</b>		<u>24,746</u>	<u>9,735</u>
<b>Operating expenses</b>			
Remuneration of the Management Company		1,776	2,948
Sindh Sales Tax on Management Company's remuneration		284	472
Remuneration of Central Depository Company of Pakistan Limited - Trustee		179	295
Annual fee - Securities and Exchange Commission of Pakistan		84	140
Securities transaction cost		697	881
Custody, settlement and bank charges		100	78
Fees and subscription		61	50
Printing and related cost		108	57
Auditors' remuneration		138	93
<b>Total operating expenses</b>		<u>3,428</u>	<u>5,014</u>
<b>Net income for the period</b>		<u>21,318</u>	<u>4,721</u>
Taxation	6	-	-
<b>Net income after taxation</b>		<u>21,318</u>	<u>4,721</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>			
Unrealised appreciation in value of investments classified as 'available for sale'		-	591
<b>Total comprehensive income for the period</b>		<u>21,318</u>	<u>5,312</u>
<b>Earning per unit</b>	7		

The annexed notes from an integral part of these financial statements.

  
\_\_\_\_\_  
Chief Executive Officer

For Arif Habib Investments Limited  
(Management Company)

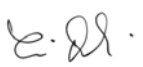
  
\_\_\_\_\_  
Director

# CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)

## FOR THE THREE MONTHS AND QUARTER ENDED SEPTEMBER 30, 2012

	September 30, 2012	September 30, 2011
	(Rupees in '000)	
Accumulated loss brought forward	(58,825)	(92,629)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised capital gains / (losses) and capital gains / (losses) that forms part of the unit	5,149	(1,614)
Total comprehensive income for the period	21,318	4,721
	26,467	3,107
Final distribution for the year ended June 30, 2011: Rs. 0.4035 per unit announced on July 04, 2011)	-	(28,253)
Accumulated loss carried forward	(32,358)	(117,775)

The annexed notes from an integral part of these 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 THREE MONTHS AND QUARTER ENDED SEPTEMBER 30, 2012**

	September 30, 2012	September 30, 2011
	(Rupees in '000)	
Net assets at beginning of the period	351,503	608,242
Issue of 6,297 units ( 2011 : 23,823 units)	57	190
Redemption of 3,594,331 units ( 2011 : 2,484,019 units)	(32,217)	(20,212)
	(32,160)	(20,022)
	319,343	588,220
Final distribution Rs. Nil (2011: Rs. 0.4035 per unit announced on July 04, 2011)	-	28,253
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed :		
- amount representing accrued (income) / loss and capital (gains) / losses - transferred to income statement	1,418	(366)
- amount representing unrealised capital (gains) / losses and capital (gains) / losses that forms part of the unit holders' fund transferred to distribution statement	(5,149)	1,614
	(3,731)	1,248
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		
- amount representing unrealised capital gains / (losses) and capital gains / (losses) that forms part of	5,149	(1,614)
Net income for the year transferred from the distribution statement	21,318	4,721
Unrealised appreciation in value of investment classified as 'available for sale'	-	591
Final distribution for the year ended June 30, 2011: Rs. 0.4035 per unit announced on July 04, 2011)	-	(28,253)
Net assets at end of the period	342,079	593,166

The annexed notes from an integral part of these financial statements.

  
\_\_\_\_\_  
Chief Executive Officer

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

  
\_\_\_\_\_  
Director

# CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

## FOR THE THREE MONTHS AND QUARTER ENDED SEPTEMBER 30, 2012

September 30,      September 30,  
2012                      2011  
(Rupees in '000)

### CASH FLOW FROM OPERATING ACTIVITIES

Net income for the period	21,318	4,721
<b>Adjustments for:</b>		
Impairment loss on financial assets classified as 'available for sale'	-	-
Element of loss and capital gains / (losses) included in prices of units issued less those in units redeemed	1,418	(366)
Unrealised appreciation in value of investments 'at fair value through profit or loss' - net	(10,004)	(6,563)
	<u>12,732</u>	<u>(2,208)</u>
<b>(Increase) / decrease in assets</b>		
Receivable against sale of investments	(855)	144
Investments - net	(2,003)	29,498
Dividend and profit receivable	(2,769)	467
Advances, deposits and other receivables	-	1
	<u>(5,627)</u>	<u>30,110</u>
<b>Increase / (decrease) in liabilities</b>		
Payable to Management Company	(9)	(14)
Payable to Central Depository Company of Pakistan Limited - Trustee	(1)	(17)
Payable to Securities and Exchange Commission of Pakistan	(392)	(1,345)
Unclaimed dividend	(23)	-
Accrued expenses and other liabilities	1,350	185
	<u>925</u>	<u>(1,191)</u>
<b>Net cash generated from operating activities</b>	<u>8,030</u>	<u>26,711</u>

### CASH FLOW FROM FINANCING ACTIVITIES

Cash received from units sold	57	190
Cash paid on units redeemed	(32,217)	(20,212)
<b>Net cash used in financing activities</b>	<u>(32,160)</u>	<u>(20,022)</u>
<b>Net (Decrease) / increase in cash and cash equivalents</b>	<u>(24,130)</u>	<u>6,689</u>
Cash and cash equivalent at beginning of the period	42,371	42,757
<b>Cash and cash equivalents at end of the period</b>	<u>18,241</u>	<u>49,446</u>

The annexed notes from an integral part of these 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 THREE MONTHS AND QUARTER ENDED SEPTEMBER 30, 2012

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### 1. LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Strategic Allocation Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (AHIL) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee on May 26, 2004. The Management Company of the Fund obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake asset management services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

Formation of the Fund as a closed-end fund was authorised by SECP on May 13, 2004, however with effect from November 11, 2010 the Fund was converted into open-end fund. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.

Arif Habib Investments Limited entered into a Supplemental Trust Deed with Central Depository Company of Pakistan Limited (the Trustee) on October 6, 2010 in order to initiate the conversion of the Fund from a closed end fund to an open-end fund pursuant to the resolution passed at a meeting of the Certificate Holders' held on September 8, 2010. The conversion of the Fund from a closed end fund to an open-end fund was authorised by Securities & Exchange Commission of Pakistan (SECP) vide its letter No. SCD/NBFC/MF-RS/PSAF/717/2010 dated September 23, 2010. The post conversion Trust Deed and post conversion Offering Document were approved by the SECP vide letter no. SCD/NBFC-II/PSAF/760/2010 dated October 4, 2010 and letter no. SCD/NBFC-II/PSAF/820/2010 dated October 28, 2010 respectively. The Fund was converted into an open-end fund with effect from November 11, 2010. Each certificate holder was allotted units according to their respective holdings as at that date on the basis of a ratio of 1 certificate : 1 unit. Accordingly 300,000,000 units were issued on the date of conversion.

Based on shareholders' resolutions of MCB Asset Management Company Limited (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.

The Fund is an open-ended 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 Pakistan Credit Rating Agency Limited (PACRA) has assigned asset manager rating of 'AM2' (Positive Outlook) to the Management Company and 4-Star Normal and 4-Star Long Term ranking to the Fund.

The Fund primarily invests in listed equity securities. It also invest in cash instruments and treasury bills not exceeding 90 days maturities.

### 2. STATEMENT OF COMPLIANCE

2.1 These 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 (IFRSs) 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 (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP prevail. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'.

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 for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the Fund for the period ended September 30, 2012.

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

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		<b>Un-Audited September 2012</b>	<b>Audited June 2012</b>
	<i>Note</i>	<b>(Rupees in '000)</b>	
<b>4. INVESTMENTS</b>			
<b>At fair value through profit or loss</b>			
Listed equity securities	4.1	338,358	252,754
Government Securities	4.2	-	73,597
		<u>338,358</u>	<u>326,351</u>

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

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

Name of the Investee Company	Number of shares		Balance as at Sept 30, 2012					Paid up value of shares as % of total paid up capital of the investee company			
	As at July 1, 2012	Purchases during the period	Bonus/Right issue	Sales during the period	As at Sept 30, 2012	Carrying Value	Market Value		Appreciation/ (Diminution)	Market value as % of net assets	Market value as % of total investments
SHARES OF LISTED COMPANIES - Fully paid ordinary shares of Rs. 10 each unless stated otherwise											
OIL AND GAS											
Pakistan Oilfields Limited	70,653	55,000	-	59,900	65,753	27,505	28,495	990	8.33	8.42	1.20
Pakistan Petroleum Limited	152,219	54,000	14,129	95,700	124,648	20,231	21,929	1,698	6.41	6.48	0.13
Pakistan State Oil Company Limited	90,326	-	-	36,600	53,726	12,671	11,669	(1,002)	3.41	3.45	0.57
Attock Petroleum Limited	56,384	5,000	-	7,000	54,384	25,898	28,483	2,585	8.33	8.42	4.12
National Refinery Limited	18,199	1,000	-	700	18,499	4,279	4,351	72	1.27	1.29	0.54
Oil and Gas Development Company Limited	30,376	100,000	-	-	130,376	22,048	23,387	1,339	6.84	6.91	0.05
						112,632	118,314	5,682			
CHEMICALS											
Engro Corporation Limited	100	44,600	-	9,700	35,000	3,732	3,737	5	1.09	1.10	0.07
Fauji Fertilizer Bin Qasim Limited	76,400	10,500	-	-	86,900	3,508	3,105	(403)	0.91	0.92	0.03
Fauji Fertilizer Company Limited	91,400	120,000	-	211,400	-	-	-	-	-	-	-
Fatima Fertilizer Co Limited	405,200	-	-	72,000	333,200	8,220	8,050	(170)	2.35	2.38	0.04
ICI Pakistan Limited	-	64,200	-	-	64,200	10,496	10,525	29	3.08	3.11	1.14
						25,956	25,417	(539)			
CONSTRUCTION AND MATERIALS											
Lucky Cement Limited	199,319	8,400	-	2,900	204,819	23,759	27,270	3,511	7.97	8.06	0.84
Cherat Cement Co Limited	76,775	-	-	76,775	-	-	-	-	-	-	-
D. G Khan Cement Limited	8,900	93,500	-	-	102,400	4,809	5,151	342	1.51	1.52	0.12
Kohat Cement Limited	-	70,000	-	-	70,000	3,974	4,083	109	1.19	1.21	0.32
						32,542	36,504	3,962			
GENERAL INDUSTRIALS											
Millat Tractors limited	-	28,700	-	-	28,700	13,836	13,862	26	4.05	4.10	3.79
						13,836	13,862	26			
PERSONAL GOODS											
Nishat Mills Limited	21,800	150,000	-	1,000	170,800	9,536	9,678	142	2.83	2.86	0.28
Nishat chumian Limited	911	25,000	-	-	25,911	541	575	34	0.17	0.17	0.03
						10,077	10,253	176			
FIXED LINE TELECOMMUNICATION											
Pak Telecommunication Company Limited	20,100	440,000	-	52,000	408,100	7,994	7,913	(81)	2.31	2.34	0.02
Wateen Telecom Limited	308,750	-	-	-	308,750	617	784	167	0.23	0.23	0.01
						8,611	8,697	86			
ELECTRICITY											
Hub Power Company Limited	386,171	651,500	-	290,000	747,671	33,969	35,051	1,082	10.25	10.36	0.30
Kot Addu Power Company Limited	-	1,700	-	1,700	-	-	-	-	-	-	-
Nishat Chumian power Limited	400,000	450,000	-	400,000	450,000	7,161	7,515	354	2.20	2.22	0.20
						41,130	42,566	1,436			
NON LIFE INSURANCE											
Pakistan Reinsurance Company Limited	-	596,000	-	-	596,000	12,061	12,373	312	3.62	3.66	0.41
						12,061	12,373	312			
BANKS											
Allied Bank Limited	168,196	-	-	167,500	696	45	45	-	0.01	0.01	0.00
Askari Bank Limited	-	650,000	-	-	650,000	10,066	9,932	(134)	2.90	2.94	0.12
Bank Al-Falah Limited	1,614,285	-	-	1,039,000	575,285	9,837	8,951	(886)	2.62	2.65	0.07
Bank Al-Habib Limited	590,891	605,000	-	284,500	911,391	26,057	25,801	(256)	7.54	7.63	0.26
MCB Bank Limited	64,250	-	-	43,150	21,100	3,507	3,925	418	1.15	1.16	0.04
Meezan Bank Limited	-	200,000	-	-	200,000	5,497	5,500	3	1.61	1.63	0.06
National Bank of Pakistan Limited	50000	150,000	0	50,000	150,000	6597	6591	-6	1.93	1.95	0.04
United Bank Limited	-	130,500	-	-	130,500	9903	9627	-276	2.81	2.85	0.08
						71,509	70,372	(1,137)			
Total as at September 30, 2012											
						328,354	338,358	10,004			
Total as at June 30, 2012											
						233,459	252,754	6,089			

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

### 4.2 Government securities - 'at fair value through profit or loss'

Issue Date	Tenor	Face Value				Balance as at Sept 30, 2012			Investment	
		As at July 1, 2012	Purchases during the period	Sales / Matured during the period	As at September 30, 2012	Cost	Market value	Appreciation / (Diminution)	Market value as % of net assets	Market value as % of total investments

#### Treasury Bills

June 28, 2012	3 Months	45,000	-	45,000	-	-	-	-	-	-
September 8, 2011	6 Months	30,000	-	30,000	-	-	-	-	-	-
July 26, 2012	3 Months	-	50,000	50,000	-	-	-	-	-	-
August 11, 2012	12 Months	-	15,000	15,000	-	-	-	-	-	-
November 17, 2012	12 Months	-	100,000	100,000	-	-	-	-	-	-

#### Total as at September 30, 2012

-                      -                      -

#### Total as at June 30, 2012

-                      73,605                      73,597                      (8)

## 5 CONTINGENCY

### 5.1 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 Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

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

During the year ended 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 Honourable High Court of Sindh on the subject as referred above will be decided in favour of the Mutual Funds.

The aggregate unrecognised amount of WWF as at September 30, 2012 amounted to Rs. 11.340 million. If the same were made the NAV of the fund would have been lower by Rs. 0.30 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

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

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

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### 8 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons 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 and other associated undertaking

Remuneration to the Management Company and Trustee are determined in accordance with the provisions of the NBFC Regulations and the Trust Deed of the Fund. All other transactions with connected persons are in the normal course of business and are carried out on agreed terms.

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:

	<b>Un-audited September 30</b>	
	<b>2012</b>	<b>2011</b>
	<b>(Rupees in '000)</b>	
<b>8.1 Transactions during the period</b>		
<b>Management Company</b>		
Remuneration	2,061	3,420
Redemption of 46,617 units (2010: Nil)	423,285	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration	179	295
CDC charges	66	-
<b>Arif Habib Limited - Brokerage house</b>		
Brokerage expense	39	59
<b>MCB Bank Limited</b>		
Bank Charges	4	-
<b>Directors and executives of the Management Company</b>		
Redemption of 46,617 units (2011:Nil)	423	-

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

	<b>Un-Audited Sept 30, 2012</b>	<b>Audited June 30, 2012</b>
	<b>(Rupees in '000)</b>	
<b>8.2 Balances outstanding at period end</b>		
<b>Management Company</b>		
Remuneration payable	659	668
Conversion cost payable	-	6,643
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	57	58
Other payables	-	-
Security deposits	300	300
<b>Arif Habib Limited - Brokerage house</b>		
Brokerage payable	39	33
<b>Summit Bank Limited</b>		
Balances with bank	5,173	5,173
Accrued mark-up	-	-
<b>MCB Bank Limited</b>		
Balances with Bank	2,569	5,938
Accrued mark-up	296	517
<b>Directors and executives of the Management Company</b>		
Nil units (June 30, 2012 : 46,617 units)	-	400

**9 DATE OF AUTHORIZATION OF ISSUE**

These financial statements were authorised 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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