

**Half Year Report**  
**December 31, 2012**  
**(Unaudited)**



**PAKISTAN  
STRATEGIC ALLOCATION FUND**

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## FUND'S INFORMATION

<b>Management Company</b>	Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Board of Directors of the Management Company</b>	Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman(subject to the approval of SECP) Executive Vice Chairman Chief Executive 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>	Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jehangir Mr. Yasir Qadri	Chairman Member Member Member Member
<b>Company Secretary &amp; Chief Operating Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Financial Officer</b>	Mr. Umair Ahmed	
<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>	Habib Metropolitan Bank Limited MCB Bank Limited Standard Chartered Bank (Pakistan) Limited Summit Bank Limited	
<b>Auditors</b>	KPMG Taseer Hadi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Building No. 2 Beaumont Road, Karachi - 75530	
<b>Legal Advisor</b>	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
<b>Transfer Agent</b>	Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Rating</b>	AM2 - Management Quality Rating assigned by PACRA	

# **REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012**

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Dear Investor,

On behalf of the Board of Directors, I am pleased to present Pakistan Strategic Allocation Fund's accounts review for the first half ended December 31st 2012.

## **EQUITIES MARKET OVERVIEW**

The KSE-100 index made an impressive start in FY13 as well and posted a return of 22.5% during the first half of 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 around US\$ 157 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 cumulative 250 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 15.9% return as compared to KSE100 index return of 22.5%. Overall equity exposure of the fund was increased by around 7.8% which stood at 75.5% at the end of the period. The fund changed its investment strategy several times during the quarter to cope with various sector and company level fundamental developments. During the period fund realigned its sector exposure by increasing allocation in Electricity, Construction & Materials and Personal Goods while reducing its allocations in Banks, Oil & Gas and Chemicals.

The Net Assets of the Fund as at December 31, 2012 stood at Rs. 302.86 million as compared to Rs 351.50 million as at June 30, 2012 registering a decrease of 13.84 %.

The Net Asset Value (NAV) per unit as at December 31, 2012 was Rs. 9.93 as compared to opening NAV of Rs. 8.57 per unit as at June 30, 2012 registering an increase of Rs. 1.36 per unit.

## **FUTURE OUTLOOK**

Investors are pinning hopes on Dec-end results, expecting strong payout from Commercial Banks, Electricity, Chemicals, and Oil & Gas sectors. However, on the account of mounting political uncertainty and precarious macroeconomic position especially on the external front reflected through depleting FX reserves and steady depreciation of Pak Rupee, the market could correct itself in the shorter term. 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

# TRUSTEE REPORT TO THE UNIT HOLDERS

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## CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

### Head Office

CDC House, 99-B, Block 'B'  
S.M.C.H.S. Main Shahra-e-Faisal  
Karachi - 74400. Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: www.cdcpakistan.com  
Email: info@cdcpak.com



ISO 27001 Certified

## TRUSTEE REPORT TO THE UNIT HOLDERS

### PAKISTAN STRATEGIC ALLOCATION FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of Pakistan Strategic Allocation Fund (the Fund) are of the opinion that Arif Habib Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2012 in accordance with the provisions of the following:

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

**Muhammad Hanif Jakhura**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: February 22, 2013



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

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**M. Yousuf Adil Saleem & Co**  
Chartered Accountants  
Cavish Court, A-35, Block 7 & 8  
KCHSU, Sharea Faisal,  
Karachi-75350  
Pakistan

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Web: [www.deloitte.com](http://www.deloitte.com)

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

### Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **Pakistan Strategic Allocation Fund** (the Fund) as at December 31, 2012, and the related condensed interim income statement, condensed interim distribution statement, condensed interim cash flow statement, and condensed interim statement of movement in unit holders' fund together with notes forming part thereof (here-in-after referred to as the 'interim financial information') for the half year ended December 31, 2012. Management Company (Arif Habib Investments Limited) is responsible for the preparation and fair 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. The figures of the condensed interim income statement, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in unit holders' fund for the quarters ended December 31, 2012 and 2011 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2012.

### 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 accompanying interim financial information as of and for the half year ended December 31, 2012 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Member of  
**Deloitte Touche Tohmatsu Limited**

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

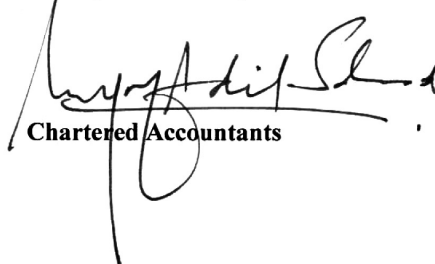
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## Deloitte.

M. Yousuf Adil Saleem & Co  
Chartered Accountants

### Emphasis of Matter

We draw attention to note 7 to the accompanying interim financial information which refers to an uncertainty relating to the future outcome of matter regarding contribution to the Workers' Welfare Fund, which is currently pending adjudication at the Honorable High Court of Sindh. Our conclusion is not qualified in respect of this matter.



Chartered Accountants

**Engagement Partner**  
Mushtaq Ali Hirani

Karachi  
Dated: February 4, 2013

Member of  
Deloitte Touche Tohmatsu Limited



# CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2012

		(Un-audited) December 31 2012	(Audited) June 30 2012
	<i>Note</i>	----- (Rupees in '000') -----	
<b>Assets</b>			
Balances with banks		48,820	42,371
Investments	5	264,642	326,351
Receivable against sale of investments		7,203	550
Dividend and profit receivable		267	892
Advances, deposits and other receivables		2,924	2,971
<b>Total assets</b>		<u>323,856</u>	<u>373,135</u>
<b>Liabilities</b>			
Payable to the Arif Habib Investments Limited - Management Company		627	668
Payable to the Central Depository Company of Pakistan Limited- Trustee		60	58
Payable to Securities and Exchange Commission of Pakistan		165	476
Unclaimed dividend		12,469	12,492
Accrued expenses and other liabilities	6	7,679	7,938
<b>Total liabilities</b>		<u>21,000</u>	<u>21,632</u>
<b>NET ASSETS</b>		<u><u>302,856</u></u>	<u><u>351,503</u></u>
Contingency	7		
<b>Unit holder's funds (as per statement attached)</b>		<u><u>302,856</u></u>	<u><u>351,503</u></u>
		(Number of Units)	
Number of units in issue		<u><u>30,492,920</u></u>	<u><u>41,032,844</u></u>
		----- (Rupees) -----	
Net assets value per unit		<u><u>9.93</u></u>	<u><u>8.57</u></u>

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

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

For Arif Habib Investment Limited  
(Management Company)

  
\_\_\_\_\_  
Director

# CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

		Half year ended		Quarter ended	
		December 31,		December 31,	
	Note	2012	2011	2012	2011
		------(Rupees in '000')-----			
<b>Income</b>					
Capital gain / (loss) on sale of investments - net		19,687	(5,675)	9,701	(489)
Dividend income		10,627	16,860	7,383	10,962
Income from government securities		2,796	2,800	915	1,963
Profit on bank deposits		1,764	3,777	715	2,520
		<b>34,874</b>	<b>17,762</b>	<b>18,714</b>	<b>14,956</b>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		(9,072)	400	(7,654)	34
Unrealised appreciation / (diminution) in value of investments					
'at fair value through profit or loss' - net	5.3	22,526	(38,939)	12,522	(45,502)
Total income / (loss)		<b>48,328</b>	<b>(20,777)</b>	<b>23,582</b>	<b>(30,512)</b>
<b>Operating expenses</b>					
Remuneration of the Arif Habib Investments Limited - Management Company		3,475	5,846	1,699	2,898
Sales tax on remuneration of Management Company		556	935	272	463
Remuneration of the Central Depository Company of Pakistan Limited - Trustee		355	585	176	290
Annual fee - Securities and Exchange Commission of Pakistan		165	278	81	138
Securities transaction cost		1,311	1,693	614	812
Custody, settlement and bank charges		189	152	89	74
Fees and subscription		122	200	61	150
Printing and related cost		180	285	72	228
Auditors' remuneration		300	251	162	158
<b>Total operating expenses</b>		<b>6,653</b>	<b>10,225</b>	<b>3,226</b>	<b>5,211</b>
<b>Net income / (loss) for the period</b>		<b>41,675</b>	<b>(31,002)</b>	<b>20,356</b>	<b>(35,723)</b>
Taxation	8	-	-	-	-
Net income / (loss) after taxation		<b>41,675</b>	<b>(31,002)</b>	<b>20,356</b>	<b>(35,723)</b>
<b>Other comprehensive loss for the period</b>					
Unrealised diminution in value of investments classified as 'available for sale'		-	(672)	-	(1,263)
<b>Total comprehensive income / (loss) for the period</b>		<b>41,675</b>	<b>(31,674)</b>	<b>20,356</b>	<b>(36,986)</b>
Earnings per unit	9				

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

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

For Arif Habib Investment Limited  
(Management Company)

  
\_\_\_\_\_  
Director

# CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

	Half year ended December 31,		Quarter year ended December 31,	
	2012	2011	2012	2011
	----- (Rupees in '000') -----			
Accumulated loss brought forward	(58,825)	(92,629)	(32,358)	(117,775)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	-	-	-	-
- amount representing unrealised capital (gains) / losses and capital (gains) / losses that form part of the unit holders' fund transferred to distribution statement	15,090	1,502	9,941	3,116
Net income / (loss) after taxation	41,675	(31,002)	20,357	(35,723)
	56,765	(29,500)	30,298	(32,607)
Final bonus dividend @ Rs. nil per unit (2011: 0.4035 per unit)	-	(28,253)	-	-
Unallocated loss carried forward	(2,060)	(150,382)	(2,060)	(150,382)

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

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

For Arif Habib Investment Limited  
(Management Company)

  
\_\_\_\_\_  
Director



# CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

	Half year ended December 31,		Quarter ended December 31,	
	2012	2011	2012	2011
	------(Rupees in '000')-----			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net income / (loss) for the period	41,675	(31,002)	20,357	(35,723)
<b>Adjustments for :</b>				
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	9,072	(400)	7,654	(34)
Unrealised (appreciation) / diminution in value of investments 'at fair value through profit or loss' - net	(22,526)	38,939	(12,522)	45,502
Dividend income	(10,627)	(16,860)	(7,383)	(10,962)
	17,594	(9,323)	8,106	(1,217)
<b>Decrease / (increase) in assets</b>				
Investments	84,235	103,706	86,238	74,208
Receivable against sale of investments	(6,653)	4,872	(5,798)	4,728
Profit receivable	440	(1,307)	3,209	(1,245)
Advances, deposits and other receivables	47	126	47	125
	78,069	107,397	83,696	77,816
<b>Increase / (decrease) in liabilities</b>				
Payable to the Arif Habib Investments Limited - Management Company	(41)	(35)	(32)	(21)
Payable to the Central Depository Company - Trustee	2	77	3	94
Payable to Securities and Exchange Commission of Pakistan	(311)	(1,207)	81	138
Accrued expenses and other liabilities	(259)	(1,644)	(1,609)	(1,829)
	(609)	(2,809)	(1,557)	(1,618)
	95,054	95,265	90,245	74,981
Dividend received	10,812	20,378	7,568	13,951
<b>Net cash generated from operating activities</b>	105,866	115,643	97,813	88,932
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Cash received from units sold	125	4,618	68	4,428
Cash paid on units redeemed	(99,519)	(39,760)	(67,302)	(19,548)
Dividend paid	(23)	(263)	(23)	(263)
<b>Net cash used in financing activities</b>	(99,417)	(35,405)	(67,257)	(15,383)
<b>Net increase in cash and cash equivalents</b>	6,449	80,238	30,556	73,549
Cash and cash equivalents at beginning of the period	42,371	42,757	18,264	49,446
<b>Cash and cash equivalents at end of the period</b>	48,820	122,995	48,820	122,995

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

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

For Arif Habib Investment Limited  
(Management Company)

  
\_\_\_\_\_  
Director

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 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).

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

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 conversion was authorised by the 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 registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.

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

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

This condensed interim financial information is presented in Pak Rupees which is the functional and presentation currency of the Fund.

Title to the assets of the Fund is held in the name of the Trustee.

## 2. STATEMENT OF COMPLIANCE

2.1 This condensed interim financial information 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 Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations 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 the SECP shall prevail.

2.2 This condensed interim financial information comprise of condensed interim statement of assets and liabilities, condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement together with the notes forming part thereof. The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34, 'Interim Financial Reporting'. It does not include all the information and disclosures made in the annual published financial statements and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2012. Comparative information of the condensed interim income statement, condensed interim cash flow statement, condensed interim distribution statement and condensed interim statement of movement in unit holders' fund for the half year ended December 31, 2012 and the quarter ended December 31, 2012 are un-audited and have been included to facilitate comparison.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012**

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**2.3** This condensed interim financial information is unaudited. However, limited scope review has been performed by the statutory auditors in accordance with the requirements of clause (xxi) of the Code of Corporate Governance and this condensed interim financial information are being circulated to the unit holders as required under the NBFC Regulations.

**2.4** The directors of the asset management company declare that this condensed interim financial information give a true and fair value of the Fund.

**3. SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

**3.2** The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 30 June 2012.

**3.3** Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Fund's operations and did not have any impact on the accounting policies of the fund except where changes affected presentation and disclosures 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 of the Fund as at and for the year ended 30 June 2012.

	<b>(Un-Audited)</b>	<b>(Audited)</b>
	<b>December 31</b>	<b>June 30</b>
<i>Note</i>	<b>2012</b>	<b>2012</b>
	<b>.....(Rupees in '000').....</b>	

**5. INVESTMENTS**

**At fair value through profit or loss**

Listed equity securities	5.1	<b>244,684</b>	252,754
Government securities	5.2	<b>19,958</b>	73,597
		<b><u>264,642</u></b>	<b><u>326,351</u></b>

**5.1 Listed equity securities 'at fair value through profit or loss'**  
(Face value of Rs. 10/- each unless stated otherwise)

\* The above include shares with a market value aggregating to Rs. 21.62 million (June 2012: Rs. 45.36 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular no. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.



**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012**

**5.2 Government securities - 'at fair value through profit or loss'**

		Face Value				Balance as at December 31, 2012				
Issue Date	Tenor	As at July 01, 2012	Purchases during the year	Sales / Matured during the year	As at December 31, 2012	Carrying value	Market value	Appreciation	Market value as % of net assets	Market value as % of total investments
-----Rupees in '000'-----										
Treasury Bills										
18-Oct-12 3 Months		-	50,000	30,000	20,000	19,954	19,958	5	6.59	7.54
11-Aug-11 1 Year		-	15,000	15,000	-	-	-	-	-	-
3-May-12 3 Months		30,000	-	30,000	-	-	-	-	-	-
29-Jun-12 3 Months		45,000	-	45,000	-	-	-	-	-	-
17-Nov-11 3 Months		-	25,000	25,000	-	-	-	-	-	-
17-Nov-11 3 Months		-	75,000	75,000	-	-	-	-	-	-
26-Jul-12 3 Months		-	50,000	50,000	-	-	-	-	-	-
						-	-	-	-	-
Total - December 31, 2012						19,954	19,958	5		
Total - June 30, 2012						73,605	73,597	(8)		

	<b>(Un-audited)</b>	<b>(Audited)</b>
	<b>December 31</b>	<b>June 30</b>
	<b>2012</b>	<b>2012</b>
	-----Rupees in '000'-----	

**5.3 Net unrealised (diminution) / appreciation in value of investments at fair value through profit or loss**

Market value of investments	<b>264,642</b>	326,351
Less: Carrying Value of investments	<b>(242,116)</b>	(317,353)
	<b>22,526</b>	8,998

**6. ACCRUED EXPENSES AND OTHER LIABILITIES**

Auditors' remuneration	<b>295</b>	360
Legal and professional	<b>111</b>	55
Brokerage	<b>191</b>	426
Conversion cost	<b>6,643</b>	6,643
Others	<b>439</b>	454
	<b>7,679</b>	7,938

**7. CONTINGENCY**

**7.1 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 Honourable High Court of Sindh (the Court), 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 period, 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

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012**

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which is pending in the Honorable High Court of Sindh. 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 made by the Management Company. The aggregate unrecorded amount of WWF as at December 31, 2012 amounted to Rs. 11.748 million (June 2012: Rs. 10.914 million). If the same were recorded, the net assets value per unit as at December 31, 2012 / the net income for the year then ended would have been lower by Rs. 0.38 / 28.19%.

**8. 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.

The Fund is also exempt from the provision of section 113 (minimum tax) under clause 11A of the Second Schedule to the Income Tax Ordinance, 2001.

**9. EARNINGS PER UNIT**

Earnings per unit (EPU) has not been disclosed as, in the opinion of the management, the determination of weighted average units for calculating EPU is not practicable.

**10. 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 undertakings.

Remuneration to the Management Company and Trustee are determined in accordance with the provisions of Non-Banking Finance Companies and Notified Entities Regulations, 2008 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.

Detail of transactions with connected persons during the period and balances with them at period end are as follows:

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10.1 Transactions during the period	Half year ended December 31		Quarter ended December 31	
	2012	2011	2012	2011
	------(Rupees in '000')-----			
<b>Arif Habib Investments Limited - Management Company</b>				
Remuneration	3,475	6,781	1,414	3,361
<b>Central Depository Company - Trustee</b>				
Remuneration	355	585	176	290
CDS charges for conversion	66	-	-	-
Other charges	-	13	-	13
<b>Arif Habib Limited - Brokerage house</b>				
Brokerage *	55	92	16	33
<b>Summit Bank Limited</b>				
Mark up income during the period	-	1,377	-	249
Bank charges	-	4	-	3
<b>MCB Bank Limited</b>				
Mark up income during the period	649	1,895	649	1,895
Bank charges	5	-	1	-
<b>Directors and executives of the Management Company</b>				
Bonus units issued: Nil (2011: 1,996 Units)	-	17	-	-
Redemption of 46,617 units (2011: 1,049 units) and 46,617units (2011: Nil units) for the six months and quarter respectively	423	8	-	8
<b>Next Capital</b>				
Brokerage *	34	-	34	-
<b>Nishat Mills Limited</b>				
Bonus unit issued: Nil (2011: 24,336)	-	201	-	-
<b>Mohammad Aslam Motiwala (holding 10% or more)</b>				
Bonus unit issued: Nil (2011: 625,522)	-	5,186	-	-
<b>Habib Bank Limited (holding 10% or more)</b>				
Bonus unit issued: Nil (2011: 365,048)	-	3,026	-	-
<b>DG Khan Cement Limited</b>				
Dividend received	154	-	-	-
<b>Nishat Chunian Power Limited</b>				
Dividend received	1,520	-	-	-

\* 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.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012**

	(Un-audited) December 31 2012	(Audited) June 30 2012
	----(Rupees in '000')----	
<b>10.2 Amounts outstanding as at the period / year end</b>		
<b>Arif Habib Investments Limited - Management Company</b>		
Remuneration payable	627	668
Conversion cost payable	6,643	6,643
<b>Central Depository Company - Trustee</b>		
Remuneration payable	60	58
Security deposit	300	300
<b>Arif Habib Limited - Brokerage house</b>		
Brokerage payable	-	33
<b>Summit Bank Limited</b>		
Balance with bank	-	5,173
<b>MCB Bank Limited</b>		
Balances with Bank	33,043	5,938
Accrued mark-up	55	517
<b>Next Capital</b>		
Brokerage payable	6	-
<b>Directors and officers of the Management Company</b>		
Unit held: Nil units (June 30, 2012: 46,617 units)	-	400
	(Un-audited) December 31 2012	(Audited) June 30 2012
	----(Rupees in '000')----	

**10.3 Investment in Associated undertakings**

<b>Fatima Fertilizer Company Limited</b>		
Shares held: 173,200 shares (June 30, 2012: 405,200 shares)	4,572	9,996
<b>D.G Khan Cement Limited</b>		
Shares held: 31,400 shares (June 30, 2012: 8,900 shares)	1,714	350
<b>Nishat Chunian Power Limited</b>		
Shares held: Nil shares (June 30, 2012: 400,00 shares)	-	5,932

**11. DATE OF AUTHORISATION FOR ISSUE**

This condensed interim financial information were authorised for issue on February 04, 2013 by the Board of Directors of the Management Company.

**12. GENERAL**

Figures have been rounded off to the nearest thousand Rupees.

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

For Arif Habib Investment Limited  
(Management Company)

  
\_\_\_\_\_  
Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

**Arif Habib Investments Limited (A subsidiary of MCB Bank Limited)**

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