



**Arif Habib
Investments
Limited**

**Quarterly Report
March 31, 2011
(Unaudited)**



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Vision

- To use our financial and risk management expertise, product innovation ability, professionalism and quality of service to be Pakistan's premier fund management company, reaching out to all segments of investors - domestic and international.
- To contribute to the economic development of the country and benefit our investor community by providing them access to the investment returns generated by Pakistan's growing economy, while diversifying the investment exposure into international opportunities as well.
- To accelerate our corporate growth significantly through investment in human resource and technology and through our physical presence in locations having proximity to our investors.

Mission

To establish a centre of excellence in the Pakistan Fund Management Community, utilizing the best local and international expertise to provide value-for-money products, which meet the needs of Pakistani and overseas investors.

Core Values

The Company takes pride in its orientation towards client service. It believes that its key success factors include continuous investment in staff, systems and capacity building, and its insistence on universal best practices at all times.

COMPANY INFORMATION

Board of Directors

Mr. Muhammad Shafi Malik	Chairman
Mr. Nasim Beg	Chief Executive
Syed Ajaz Ahmed	Director
Mr. Sirajuddin Cassim	Director
Mr. Muhammad Akmal Jameel	Director
Mr. Muhammad Kashif	Director
Mr. S. Gulrez Yazdani	Director
Mr. Samad A.Habib	Director

Audit Committee

Mr. Muhammad Shafi Malik	Chairman
Syed Ajaz Ahmed	Member
Mr. Muhammad Akmal Jameel	Member
Mr. Samad A.Habib	Member

Share Registrar

Noble Computer Services (Private) Limited
Mezzanine Floor, House of Habib Building (Siddiqsons Tower),
3-Jinnah Cooperative Housing Society,
Main Shahrāh-e-Faisal, Karachi, Pakistan.
Tel: (021) 34325482-87
Fax: (021) 34325442
Website: www.noble-computers.com

Registered Office

Arif Habib Centre, 23 M.T. Khan Road, Karachi-74000
Tel: (92-21) 111-468-378 (111-INVEST)
Fax: (021) 32470351, 32470337
E-mail: marketing@arifhabib.com.pk
Website: www.arifhabib.com.pk

Bankers

Summit Bank Limited
(Formerly: Arif Habib Bank Limited)
Bank Al-Habib Limited
Allied Bank Limited
MCB Bank Limited
Deutsche Bank AG

Ratings (PACRA)

Entity
A (Long Term) / A-1 (Short Term)
Asset Manager
AM2 (Positive Outlook)



Mr. Zeeshan
CFO & Company Secretary

Auditors

M/s. Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants



Legal Advisors

M/s. Bawaney & Partners
Mr. Shamsuddin Khan

REPORT OF THE DIRECTORS FOR THE NINE MONTHS ENDED MARCH 31, 2011

The Board of Directors of Arif Habib Investments Limited (AHI) is pleased to present its report together with the Condensed Interim Financial Statements for the nine months ended March 31, 2011.

Financial Highlights

	March 31, 2011 Pak Rupees (Million)
Assets under Management	12,978
Revenue	326.36
Net profit after tax	105.87
Total Assets	627.40
Shareholders' Equity	575.70
Earnings Per Share (Basic and diluted) Pak Rupees	2.94

Performance Review

During the nine months, AHI recorded a gross income of Rs.326.36 million, which includes management / investment advisory fee of Rs.179.47 million, dividend income of Rs.54.71 million and capital gain of Rs.82.72 million. After accounting for administrative, operating, financial & other expenses and income sharing of Rs.220.74 million, the company earned a profit before tax of Rs.98.62 million. Due to deferred tax adjustment, the net profit after tax for the nine months amounted to Rs.105.87 million as compared to net profit of Rs.75.65 million for the corresponding nine months ended March 31, 2010. Consequently, the Earnings per share - (Basic and diluted - restated) of Rs.2.10 in the corresponding nine months in 2009-10 have increased to Earnings per share - (Basic and diluted) of Rs.2.94 during the nine months ended March 31, 2011.

Possible merger with MCB Asset Management Company Limited

During the current financial year, Arif Habib Corporation Limited (AHCL), the sponsors of AHI, have signed a Memorandum of Understanding with MCB Bank Limited to proceed with the merger of AHI with MCB Asset Management Company Limited, subject to all regulatory approvals and compliances. The Board of Directors of AHI has also approved the merger subject to relevant approvals. The shareholders' agreement has been signed for the merger of AHI with MCB Asset Management Company Limited. The Competition Commission of Pakistan has issued its certificate of 'No Objection' to the said merger. Subsequent to the balance sheet date, SECP has also accorded NOC subject to compliance and fulfillment of certain conditions. Presently, completion of remaining formalities of the merger are in progress.

Conversion of Closed end Funds to Open end Funds

The Board of Directors of Pakistan Premier Fund Limited (PPFL) in its meeting held on June 17, 2010 passed a resolution that the company be converted into an open end scheme subject to all regulatory approvals and compliances. The Fund was converted into an open-end scheme with effect from December 22, 2010.

The Board of Directors in its meeting held on June 17, 2010 also passed a resolution that Pakistan Strategic Allocation Fund (PSAF) be converted into an open end scheme subject to all regulatory approvals and compliances. The Fund was accordingly converted into an open-end scheme with effect from November 11, 2010.

Maturity of Fund

Pakistan Capital Protected Fund - I was launched in 2007 with a fixed term of three years. During the nine months, the Fund has completed its term of three years.

Industry Performance

Assets under management (AUM) of the industry increased by 5% during the quarter and reached Rs.202 billion by the end of March 2011. Cash Funds remained the major recipient of fresh inflows where asset under management grew by 24%. Equity Funds grew marginally by 2.9% while Fixed Income Funds almost remained stagnant at around Rs.70 billion.

Equity Funds' net assets were Rs.65.3 billion by March end showing 2.9% growth as compared to end December 2010. Equity market return during the third quarter was negative (1.77%) due to the underperformance of a few index heavy weights mainly OGDC (20% Weight in the index), which fell by 20.6%. Majority of the Equity Funds had outperformed the index and had given positive returns for the quarter. Hence, the growth in Equity Funds size during the quarter is primarily due to rise in asset prices.

Income Funds' AUM remained stagnant at Rs 70 billion, with no new inflows. This category of Funds invest in corporate bonds (Term Finance Certificates) between 25%-50% of Fund sizes. Secondary market of TFCs has seen slight improvement during the quarter, with prices of quality issues recovering amid stable interest rates (State Bank of Pakistan kept the discount rate unchanged during the quarter at 14%). However, there remains a serious concern about price discovery of low rated TFCs, for which there is hardly any demand. Given the risks associated with low rated TFCs, investors remained hesitant to invest in those Income Funds that have low rated TFCs in their portfolios.

Cash Funds, which primarily invest in short dated government securities, remained the preferred Funds to attract new inflows and recorded a substantive growth of 24% in AUM during the quarter. This reflects that the investors' preference is still tilted towards risk aversion. These Funds have the inherent characteristics of superior asset quality (mainly short dated government securities), relatively lower return, low volatility in returns and high liquidity.

Outlook

The outlook of the industry is still challenging in near future. This is mainly due to lower savings and slower economic growth in the country. Higher inflation and tight monetary policy are other factors that are adversely affecting the fresh flow of money in the industry as bulk of the savings mobilized in the country gets diverted to National Saving Schemes (NSS). Given the overall risk aversion and higher interest rates offered on Government Securities, Cash Funds are expected to remain the major growth segment of Mutual Funds.

Acknowledgment

The Board is thankful to Securities and Exchange Commission of Pakistan and the management of Karachi Stock Exchange for their continued support and cooperation. The Directors also appreciate the efforts put in by the employees of the company for their commitment and dedication and the shareholders for their confidence in the company.

For and on behalf of the Board

Nasim Beg
Chief Executive

Karachi: April 23, 2011

**CONDENSED INTERIM BALANCE SHEET
AS AT MARCH 31, 2011**

		(Un-audited) March 31, 2011	(Audited) June 30, 2010
	Note	----- (Rupees) -----	
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	6	121,557,069	122,537,826
Intangible assets	7	5,915,616	6,060,959
Investments	8	257,652,427	200,232,141
Long-term loans, advances and receivables		10,355,827	18,307,708
Long-term deposits		517,000	507,000
Deferred tax asset		36,553,650	21,844,744
		432,551,589	369,490,378
CURRENT ASSETS			
Receivable from related parties	9	39,414,970	75,007,967
Loans and advances		6,036,248	8,929,222
Prepayments and other receivables		54,818,677	60,559,037
Investments	10	91,857,133	281,471,672
Cash and bank balances	11	2,723,941	26,428,134
		194,850,969	452,396,032
TOTAL ASSETS		627,402,558	821,886,410
SHARE CAPITAL AND RESERVES			
Authorised capital 36,000,000 Ordinary shares of Rs.10 each (June 30, 2010: 30,000,000 Ordinary shares of Rs.10 each)		360,000,000	300,000,000
Issued, subscribed and paid-up capital	12	360,000,000	300,000,000
Unappropriated profit		143,926,471	98,057,373
Fair value reserve - unrealized gain in value of available-for-sale investments		71,770,806	90,008,246
TOTAL EQUITY		575,697,277	488,065,619
NON-CURRENT LIABILITIES			
Long-term financing	13	-	82,000,000
CURRENT LIABILITIES			
Trade and other payables		49,797,461	75,326,874
Mark-up accrued on financing		-	6,756,348
Current portion of long term financing	13	-	153,250,000
Short term financing		-	15,000,000
Taxation - net		1,907,820	1,487,569
		51,705,281	251,820,791
TOTAL LIABILITIES		51,705,281	333,820,791
CONTINGENCIES AND COMMITMENTS			
TOTAL EQUITY AND LIABILITIES	14	627,402,558	821,886,410

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

Chief Executive

Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2011**

	Note	Nine months ended		Three months ended	
		March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
----- (Rupees) -----					
REVENUE					
Management fee / investment advisory fee	15	179,468,257	197,852,704	52,036,817	68,435,990
Processing and other related income		4,853,521	11,017,758	2,029,369	3,390,848
Return on bank deposits		2,742,602	1,139,415	622,323	723,160
Dividend income	16	54,706,206	-	-	-
Gain on sale of available-for-sale investments - net		82,718,211	79,188,593	-	2,250,854
Unrealised appreciation in fair value of investments at fair value through profit or loss - net		1,869,044	-	1,869,044	-
		326,357,841	289,198,470	56,557,553	74,800,852
EXPENSES					
Administrative and operating expenses	17	(184,113,760)	(152,359,398)	(56,391,521)	(49,832,089)
Management / processing and other related income sharing		(19,148,897)	(33,693,095)	(4,588,930)	(11,975,881)
Finance cost	18	(15,463,476)	(40,192,587)	(7,393)	(16,822,339)
Worker's Welfare Fund		(2,012,677)	(1,413,429)	56,747	(1,413,429)
		(220,738,810)	(227,658,509)	(60,931,097)	(80,043,738)
		105,619,031	61,539,961	(4,373,544)	(5,242,886)
Impairment on available-for-sale investments		(2,407,000)	(181,050)	-	-
Impairment loss on property and equipment		(1,377,225)	-	-	-
Provision against expenses incurred on proposed funds		(6,930,844)	-	-	-
Other income		3,717,568	9,932,726	1,592,696	2,272,063
		98,621,530	71,291,637	(2,780,848)	(2,970,823)
PROFIT BEFORE TAXATION					
Taxation					
- Current		(7,441,621)	(1,050,050)	(562,714)	(362,751)
- Prior year		(19,719)	-	-	-
- Deferred		14,708,908	5,413,200	3,411,087	1,074,608
		7,247,568	4,363,150	2,848,373	711,857
NET PROFIT FOR THE PERIOD		105,869,098	75,654,787	67,525	(2,258,966)
Earnings per share - basic and diluted (a)		2.94	2.10	-	(0.06)

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

- (a) Earnings per share - basic and diluted for the three months ended March 31, 2011 is Paisa 0.2. However, to remain consistent with reporting practice of disclosing Earnings per share - basic and diluted upto two decimal places, the same is disclosed as Rs.-Nil- during the current quarter.

Chief Executive

Director

**CONDENSED INTERIM STATEMENT
OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2011**

	Nine months ended		Three months ended	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
	----- (Rupees) -----			
Net profit / (loss) for the period	105,869,098	75,654,787	67,525	(2,258,966)
Other comprehensive income / (loss):				
Net unrealised gain on available-for-sale investments	30,491,305	7,841,923	6,788,450	13,516,317
Transfer to profit and loss on disposal of available-for-sale investments	(48,728,745)	(7,568,640)	-	(52,614)
	(18,237,440)	273,283	6,788,450	13,463,703
Total comprehensive income for the period	87,631,658	75,928,070	6,855,975	11,204,737

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

Chief Executive

Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2011**

	March 31, 2011	March 31, 2010
	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	98,621,530	71,291,637
Adjustments:		
Depreciation	12,378,799	9,739,002
Amortisation	993,204	1,040,370
Impairment loss on available-for-sale investments	2,407,000	181,050
Provision for bad debt	-	448,070
Provision against expenses incurred on proposed funds	6,930,844	-
Dividend income	(54,706,206)	-
Gain on sale of available-for-sale investments - net	(82,718,211)	(79,188,593)
Unrealised appreciation in fair value of investments at fair value through profit or loss - net	(1,869,044)	-
Loss on sale of property and equipment	231,903	914,019
Impairment loss on property and equipment	1,377,225	-
Finance cost	15,463,476	37,048,669
	(99,511,010)	(29,817,413)
(Increase) / decrease in current assets		
Receivable from related parties	35,592,997	17,726,971
Loans and advances	2,892,974	(13,632,044)
Prepayments and other receivables	(1,419,324)	3,087,095
	37,066,647	7,182,022
Increase in current liabilities trade and other payables	(25,529,413)	(3,882,651)
Cash generated from operations	10,647,754	44,773,595
Taxes paid	(78,345)	(5,548,175)
Finance cost paid	(22,219,824)	(35,696,860)
Long-term loans, advances and receivables	(1,092,163)	1,189,423
Long-term deposits	(10,000)	(120,775)
Net cash (used in) / from operating activities	(12,752,578)	4,597,208
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(9,055,371)	(3,381,531)
Additions of capital work in progress	(3,500,000)	-
Payments against intangible assets	(847,861)	(610,000)
Proceeds from sale of property and equipment	1,858,342	747,673
Purchases of available-for-sale investments	(103,214,180)	(638,383,369)
Proceeds from sale of available-for-sale investment	299,351,249	710,881,761
Dividend received	54,706,206	-
Net cash from investing activities	239,298,385	69,254,534
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term finance obtained	-	150,000,000
Repayment of long-term financing	(235,250,000)	(26,625,000)
Repayment of short-term financing	(15,000,000)	(160,716,447)
Net cash used in financing activities	(250,250,000)	(37,341,447)
Net (decrease) / increase in cash and cash equivalents	(23,704,193)	36,510,295
Cash and bank balances at the beginning of the period	26,428,134	12,558,793
Cash and bank balances at the end of the period	<u>2,723,941</u>	<u>49,069,088</u>

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

Chief Executive

Director

**CONDENSED INTERIM STATEMENT
OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2011**

	Issued, subscribed and paid-up capital	Unappropriated profit	Fair value reserve - Unrealised gain / (loss) in value of available-for-sale investments	Total
	----- (Rupees) -----			
Balance as at July 01, 2009	300,000,000	33,807,704	20,881,617	354,689,321
Total comprehensive income for nine months period ended March 31, 2010	-	75,654,787	273,283	75,928,070
Balance as at March 31, 2010	<u>300,000,000</u>	<u>109,462,491</u>	<u>21,154,900</u>	<u>430,617,391</u>
Balance as at July 01, 2010	300,000,000	98,057,373	90,008,246	488,065,619
Total comprehensive income for nine months period ended March 31, 2011	-	105,869,098	(18,237,440)	87,631,658
Bonus shares issued @ 20% of issued share capital	60,000,000	(60,000,000)	-	-
Balance as at March 31, 2011	<u>360,000,000</u>	<u>143,926,471</u>	<u>71,770,806</u>	<u>575,697,277</u>

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

Chief Executive

Director

**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM
FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2011**

1. LEGAL STATUS AND NATURE OF BUSINESS

Arif Habib Investments Limited (the Company) was incorporated on August 30, 2000, as an unquoted public limited company under the Companies Ordinance, 1984. During 2008, the Company was listed on the Karachi Stock Exchange by way of offer for sale of shares by a few of the existing shareholders of the Company to the general public. In the same financial year, the name of the Company was changed to Arif Habib Investments Limited (AHI). The registered office of the Company is situated at Arif Habib Centre, 23 M. T. Khan Road, Karachi, Pakistan. The Company is a subsidiary of Arif Habib Corporation Limited (AHCL) (Formerly: Arif Habib Securities Limited) which has 60.18% (June 30, 2010: 60.18%) direct holding in the Company.

The Company is registered as an Asset Management Company and Investment Advisor under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC) and Pension Fund Manager under Voluntary Pension System Rules 2005. The Company is currently acting as Asset Management Company / Pension Fund Manager for the funds / schemes hereunder. The Company also manages discretionary portfolio accounts.

During the period, AHCL, the sponsors of AHI, have signed a Memorandum of Understanding with MCB Bank Limited to proceed with the merger of AHI with MCB Asset Management Company Limited, subject to all regulatory approvals and compliances. The Board of Directors of AHI has also approved the merger subject to relevant approvals. The shareholders' agreement has been signed for the merger of AHI with MCB Asset Management Company Limited. The Competition Commission of Pakistan has issued its certificate of 'No Objection' to the said merger. Subsequent to the balance sheet date, SECP has also accorded NOC subject to compliance and fulfillment of certain conditions. Presently, completion of remaining formalities of the merger are in progress.

		(Un-audited)	(Audited)
		Net asset value	
		March 31, 2011	June 30, 2010
	Note	----- (Rupees in million) -----	
Open-end mutual funds			
Pakistan Income Fund		1,896	2,101
Pakistan Stock Market Fund		1,359	1,841
MetroBank-Pakistan Sovereign Fund		1,908	1,507
Pakistan International Element Islamic Fund		371	410
Pakistan Capital Market Fund		427	445
Pakistan Cash Management Fund		2,389	2,061
Pakistan Income Enhancement Fund		1,678	2,224
Pakistan Capital Protected Fund - Fixed Income Securities		260	245
AH Dow Jones SAFE Pakistan Titans 15 Index Fund	1.1	121	-
Pakistan Premier Fund Limited	1.2	728	1,750
Pakistan Strategic Allocation Fund	1.3	995	2,531
Close-end mutual funds			
Pakistan Capital Protected Fund-I	1.4	-	617
Pension Funds			
Pakistan Pension Fund		203	176
Pakistan Islamic Pension Fund		124	110
Discretionary Portfolio		519	322

- 1.1 AH Dow Jones SAFE Pakistan Titans 15 Index Fund (AHDJPF) was launched during the current period. AHDJPF is an Open End Index Tracker Fund which aims to provide investors with a total return that closely corresponds to the return of the Dow Jones SAFE Pakistan Titans 15 Index. The Fund employs a passive management approach to replicate the performance of the constituents of Dow Jones SAFE Pakistan Titans 15 Index. The Fund invests all or substantially all, of its assets in securities that make up the target index. Excess cash, if any, is kept in daily-return bank deposits or short term money market instruments. This Fund also provides a low cost exposure to a portfolio primarily holding blue-chip liquid stocks selected by index provider on the basis of free float market capitalisation and liquidity. The initial public offer of AHDJPF started from October 12, 2010 and ended on October 14, 2010.
- 1.2 The Board of Directors of Pakistan Premier Fund Limited (PPFL) in its meeting held on June 17, 2010 passed a resolution that the Fund be converted into an open-end scheme subject to all regulatory approvals and compliances. In this regard, PPFL convened a General Meeting of the shareholders of PPFL on September 25, 2010 to seek the approval of shareholders (through Special Resolution) for the conversion of PPFL. Shareholders of PPFL in their meeting have unanimously approved the conversion of PPFL. Subsequently, the Securities and Exchange Commission of Pakistan has conveyed its "No-Objection" to the conversion on October 08, 2010. The Fund was converted into an open-end scheme with effect from December 22, 2010.
- 1.3 The Board of Directors of Pakistan Strategic Allocation Fund (PSAF) in its meeting held on June 17, 2010 passed a resolution that the Fund be converted into an open end scheme subject to all regulatory approvals and compliances. In this regard, Arif Habib Investments Limited, the Management Company of the Fund, convened an Extra Ordinary General Meeting of the certificate holders of PSAF on September 08, 2010 to seek the approval of certificate holders (through Special Resolution) for the conversion of PSAF. Certificate Holders of PSAF in their meeting have unanimously approved the conversion of PSAF. Subsequently, the Securities and Exchange Commission of Pakistan has conveyed its "No-Objection" to the conversion on September 23, 2010. The Fund was accordingly converted into an open-end scheme with effect from November 11, 2010.
- 1.4 Pakistan Capital Protected Fund - I was launched in 2007 with a fixed term of three years. During the current period, the Fund has completed its term of three years.

2. STATEMENT OF COMPLIANCE

These condensed interim financial statements of the Company for the nine months period ended March 31, 2011 have been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non Banking Finance Companies and Notified Entities Regulations, 2008, and directives issued by the Securities and Exchange Commission of Pakistan (SECP). In case where requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non Banking Finance Companies and Notified Entities Regulations, 2008 have been followed.

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2010.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation followed for the preparation of these condensed interim financial statements are same as those applied in preparing the financial statements for the year ended June 30, 2010.

During the period, following amendment, interpretation and improvements to the accounting standards became effective:

Amendments / interpretations issued by International Accounting Standards Board (IASB)

- IAS 32 - Financial Instruments: Presentation - Classification of Rights Issues (Amendment)
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

Improvements to various standards issued by International Accounting Standards Board (IASB)

Issued in May 2008

IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations

Issued in April 2009

IFRS 2 – Share-based Payments

IAS 1 – Presentation of Financial Statements

IAS 17 – Leases

IAS 38 – Intangible Assets

IAS 39 – Financial Instruments: Recognition and Measurement

IFRIC 9 – Reassessment of Embedded Derivatives

The adoption of the above standards, amendments / improvements and interpretations did not have any effect on these condensed interim financial statements.

4. TAXATION

The charge for current taxation is based on taxable income at the current rates of taxation, after taking into account tax rebates and tax credits available, if any, or minimum taxation at the rate of one percent (one-half percent for the tax year 2010) of turnover under section 113 of the Income Tax Ordinance, 2001 whichever is higher. Payment of minimum tax is subject to adjustment against tax liabilities of following three years. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

5. FINANCIAL RISK MANAGEMENT

The Financial risk management objectives and policies adopted by the Company are consistent with those as disclosed in the financial statements of the Company for the year ended June 30, 2010.

	Note	(Un-audited) March 31, 2011	(Audited) June 30, 2010
		----- (Rupees) -----	
6. PROPERTY AND EQUIPMENT			
Operating fixed assets	6.1	117,786,149	122,266,906
Capital work-in-progress		3,770,920	270,920
		<u>121,557,069</u>	<u>122,537,826</u>

6.1 Following additions and disposals in operating fixed assets were made during the period.

	----- (Un-audited) -----			
	Nine months ended			
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
	---- Cost of additions ----		---- Cost of disposals ----	
----- (Rupees) -----				
Operating fixed assets				
Generator		16,620,868	-	2,327,788
Office equipment	7,500	16,851,873	2,318,532	224,150
Telecommunication	317,096	337,600	481,240	117,480
Computer equipment	642,705	4,724,073	897,062	928,196
Leasehold improvement	-	55,321,914	-	-
Furniture and fixtures	55,670	9,640,040	13,036,657	150,400
Vehicles	10,145,600	-	3,287,818	-
	<u>11,168,571</u>	<u>103,496,368</u>	<u>20,021,309</u>	<u>3,748,014</u>

6.2 During the period, the Company has purchased two vehicles amounting to Rs.2,113,200 from its executives.

6.3 During the period, a vehicle has been sold to Chief Executive Officer at the written down value of Rs.816,217 in accordance with the Company policy.

6.4 During the period, a vehicle has been sold to an executive at the written down value of Rs.458,905 in accordance with the Company policy.

6.5 During the period, assets have been sold to Mr. Arif Habib, a related party, at the written down value of Rs.500,000/-

7. INTANGIBLE ASSETS

Following additions to and disposals in intangible assets were made during the period.

	----- (Un-audited) -----			
	Nine months ended			
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
	---- Cost of additions ----		---- Cost of disposals ----	
----- (Rupees) -----				
Software	847,861	610,000	-	-

8. INVESTMENTS

	Note	(Un-audited) March 31, 2011	(Audited) June 30, 2010
		----- (Rupees) -----	
Available-for-sale - In Collective Investment Schemes - related parties	8.1	<u>257,652,427</u>	<u>200,232,141</u>

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED MARCH 31, 2011

8.1 Available-for-sale - In collective investment schemes - related parties

Name of the investee company / fund	As at March 31, 2011				As at June 30, 2010					
	As at the beginning of the period	Purchase / (transfer) / (sale) / bonus units net	As at March 31, 2011	Impairment for the nine months ended up to June 30, 2011	Cost	Market value	Unrealized gain / (loss) on revaluation of investments	Cost less impairment (Rupees)	Market value	Unrealized gain / (loss) on revaluation of investments
Pakistan Pension Fund	900,000	-	900,000	(11,088,000)	90,000,000	111,870,000	32,958,000	78,912,000	99,441,000	20,529,000
Pakistan Islamic Pension Fund	900,000	-	900,000	(8,097,000)	90,000,000	110,112,000	20,209,000	81,903,000	99,516,000	17,613,000
Pakistan Capital Protected Fund - Fixed Income Securities (FIS)	122,257	42,46	126,502	-	1,222,570	1,362,427	139,857	1,222,570	1,275,141	52,571
AH Dow Jones SAFE Pakistan Titans 15 Index Fund (AHDJFF)	-	600,000	600,000	-	30,000,000	34,308,000	4,308,000	-	-	-
					211,222,570	257,652,427	65,814,857	182,037,570	202,232,141	38,944,571

8.2 The above includes investments valuing Rs. Nil (June 30, 2010: Rs. 198,957 million) pledged against financing from a commercial bank.

9. RECEIVABLE FROM RELATED PARTIES

The above includes investments valuing Rs. Nil (June 30, 2010: Rs. 36,038 million). During the current period, an amount of Rs. 43,799 million has been received from the Fund against outstanding management fee / formation cost on completion of term of the Fund. See note 14.

10. INVESTMENTS

At fair value through profit or loss - In Collective Investment Schemes - related parties

Available-for-sale - In Collective Investment Schemes - related parties

Available-for-sale - In unquoted equity instrument

Name of the investee company / fund	As at March 31, 2011		As at June 30, 2010	
	Units	Market value / fair value (Rupees)	Units	Market value / fair value (Rupees)
Pakistan Cash Management Fund	1,481,893	1,481,893	-	-
		74,869,043		1,859,043

10.1 At fair value through profit or loss - In Collective Investment Schemes - related parties

Name of the investee company / fund	As at March 31, 2011				As at June 30, 2010					
	As at the beginning of the period	Purchase / (transfer) / (sale) / bonus units net	As at March 31, 2011	Impairment for the nine months ended up to June 30, 2011	Cost	Market value / fair value	Unrealized gain / (loss) on revaluation of investments	Cost less impairment (Rupees)	Market value / fair value	Unrealized gain / (loss) on revaluation of investments
Pakistan Premier Fund Limited	16,975,034	(16,900,000)	75,034	-	805,795	727,081	221,326	805,795	137,497,775	23,680,555
Pakistan Strategic Allocation Fund	15,629,000	(14,127,000)	1,502,000	-	7,630,586	13,367,800	5,737,214	7,630,586	107,058,650	27,658,910
MetroBank-Pakistan Sovereign Fund	12,738	3,762	16,500	-	620,800	818,209	197,409	608,520	767,313	168,793
Pakistan Capital Protected Fund-I	3,329,893	(3,329,893)	-	-	-	-	-	-	31,499,934	749,417
					8,957,141	14,913,090	8,155,949	8,957,141	225,175,987	51,647,675
					9,777,400	16,295,000	6,407,000	2,075,000	4,482,000	166,000

10.2 Available-for-sale - In Collective Investment Schemes - related parties

10.3 Available-for-sale - in unquoted equity instrument

Name of the investee company / fund	As at March 31, 2011		As at June 30, 2010	
	Units	Market value / fair value (Rupees)	Units	Market value / fair value (Rupees)
Cheepax Limited	830,000	-	830,000	-
		5,295,000		6,407,000

10.4 The above includes investments valuing Rs. Nil (June 30, 2010: Rs. 224.9 million) pledged against financing from a commercial bank.

11. CASH AND BANK BALANCES

This includes cash at bank in deposit accounts with Summit Bank Limited (formerly: Arif Habib Bank Limited), a related party, amounting to Rs. 1.22 (June 30, 2010: Rs.24.839) million carrying mark-up at the rate of 11% (June 30, 2010: 11.5%) per annum.

12. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

(Un-audited) March 31, 2011 ----- (Number of shares) -----	(Audited) June 30, 2010	Note	(Un-audited) March 31, 2011 ----- (Rupees) -----	(Audited) June 30, 2010
		Ordinary shares of Rs.10 each		
5,000,000	5,000,000	- Fully paid in cash	50,000,000	50,000,000
<u>31,000,000</u>	<u>25,000,000</u>	- Issued as bonus shares	<u>310,000,000</u>	<u>250,000,000</u>
<u>36,000,000</u>	<u>30,000,000</u>		<u>360,000,000</u>	<u>300,000,000</u>

12.1 As at March 31, 2011, AHCL, the Holding Company, held 21,664,167 (June 30, 2010: 18,053,473) Ordinary shares of Rs.10 each.

13. LONG TERM FINANCING

From Bank - Secured				
Allied Bank Limited - DF I			-	49,000,000
Allied Bank Limited - DF II			-	86,250,000
Summit Bank Limited (Formerly: Arif Habib Bank Limited) - a related party			-	100,000,000
	13.1		-	235,250,000
Less: Current portion			-	(153,250,000)
			<u>-</u>	<u>82,000,000</u>

13.1 During the current period, the Company has exercised the early repayment option and repaid the entire amount of financing.

14. CONTINGENCIES

14.1 Bank guarantees

Bank Guarantee of Rs.1,550,000 (June 30, 2010: Rs.1,550,000) against the limit of Rs.2,100,000 (June 30, 2010: Rs.2,100,000) has been issued by SBL, a related party, in favour of third party.

14.2 Tax demand

During the current period, the tax department has amended the assessment order for the tax year 2008 and has raised income tax demand for Rs.49.33 million primarily based on proration of expenses against income covered under Normal Tax Regime and Final Tax Regime relating to exempt capital gain and dividend income. Consequently, the tax refund claimed by the Company for the relevant tax year amounting to Rs.29.39 million turned into tax liability of Rs.19.94 million. On the request of rectification of order by the Company, the demand was reduced by the tax department to Rs.40.12 million making the tax liability Rs.10.73 million. The Company has also requested for rectification of Rs.0.72 million against which tax had already been paid.

The Company has filed an appeal before the Commissioner Inland Revenue (CIR) against the amended assessment order, which is in progress. The Company has also filed appeal for the stay of demand with the CIR, which has been granted.

The management maintains that management fee / investment advisory fee is the core business income of the Company and, hence, no specific expenses were incurred for earning the capital gain and dividend income. Based on the merits of the above case, the Company's management, based on the opinion of tax advisor, believes that the ultimate decision will be in its favour and therefore, no provision has been made for the liability in these condensed interim financial statements.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED
INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**

FOR THE NINE MONTHS ENDED MARCH 31, 2011

	Note	----- (Un-audited) -----			
		Nine months ended		Three months ended	
		March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
----- (Rupees) -----					
15. MANAGEMENT FEE / INVESTMENT ADVISORY FEE					
From collective investment Schemes - related parties	15.1	178,915,280	197,252,319	51,824,998	68,231,848
From discretionary portfolio		552,977	600,385	211,819	204,142
		179,468,257	197,852,704	52,036,817	68,435,990

15.1 In collective investment schemes - related parties

Pakistan Income Fund	22,719,394	26,590,251	7,045,268	8,278,514
Pakistan Stock Market Fund	24,655,310	32,855,958	7,173,598	10,978,661
MetroBank-Pakistan Sovereign Fund	15,833,423	8,101,411	6,010,426	3,959,907
Pakistan Premier Fund Limited	19,653,812	26,175,900	3,707,655	9,073,956
Pakistan Capital Market Fund	6,596,500	8,084,562	2,138,749	2,363,503
Pakistan Strategic Allocation Fund	27,075,558	42,117,868	5,043,965	13,380,485
Pakistan International Element Islamic Fund	7,704,052	10,632,118	2,519,590	3,037,254
Pakistan Capital Protected Fund - I	710,292	13,353,401	-	4,470,573
Pakistan Pension Fund	2,139,035	1,627,898	745,764	568,701
Pakistan Islamic Pension Fund	1,304,615	1,132,124	447,857	388,001
Pakistan Cash Management Fund	25,426,381	10,397,032	9,406,430	5,338,777
Pakistan Income Enhancement Fund	21,720,016	15,757,604	6,333,115	5,967,324
Pakistan Capital Protected Fund (Fixed Income Securities)	2,835,485	426,192	947,780	426,192
AH Dow Jones SAFE Pakistan Titans 15 Index Fund	541,407	-	304,801	-
	178,915,280	197,252,319	51,824,998	68,231,848

16. DIVIDEND INCOME

This include dividend amounting to Rs.36.66 million (March 31, 2010: Rs.Nil) received during the period from Pakistan Premier Fund and Rs.18.03 million (March 31, 2010: Rs.Nil) from Pakistan Strategic Allocation Fund.

	Note	----- (Un-audited) -----			
		Nine months ended		Three months ended	
		March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
----- (Rupees) -----					
17. ADMINISTRATIVE AND OPERATING EXPENSES					
Salaries and benefits	17.1	102,502,891	82,414,849	29,057,585	27,717,904
Marketing and advertising		15,629,863	21,027,339	4,648,158	7,448,057
Training and development		1,579,379	970,587	507,135	600,953
Rent, rates and taxes		14,553,983	4,975,047	6,104,306	(1,933,058)
Electricity		1,671,666	3,407,705	474,428	1,168,251
Communication		3,449,277	3,464,358	1,152,673	1,133,806
Printing, stationery and other supplies		1,805,747	1,967,834	614,183	547,687
Staff welfare		932,804	1,199,642	296,936	339,934
Insurance		460,169	334,770	151,861	255,720
Repairs and maintenance		2,893,318	1,180,556	371,354	396,282
IT related maintenance		3,408,902	2,670,258	1,340,776	1,413,007
Fees and subscriptions		3,319,211	2,303,467	1,456,687	631,395
Legal and professional fee		7,089,047	3,809,826	2,518,237	1,245,587
SECP fee		2,203,217	1,357,708	746,962	505,174
Technical fee		1,457,999	1,588,097	489,102	688,097
Auditors' remuneration		489,954	419,036	149,918	134,499
Travelling and conveyance		1,568,827	2,238,526	218,065	787,659
Registrar fee		3,199,295	2,566,085	1,174,089	802,618
Depreciation		12,378,799	9,739,002	4,044,838	5,098,073
Amortisation		993,204	1,040,370	345,441	353,511
Donation		974,867	304,320	171,020	145,690
Brokerage expenses		-	1,650,019	-	-
Provision for bad debt		-	448,070	-	-
Directors' meeting fee		1,400,000	1,080,000	325,000	280,000
Others		151,341	201,927	32,767	71,243
		184,113,760	152,359,398	56,391,521	49,832,089

17.1 This amount includes contribution to pension fund amounting to Rs. 5.558 (March 31, 2010: Rs. 5.440) million and allocation to Profitability bonus amounting to Rs. 15.902 (March 31, 2010: Rs. 1.121) million.

	----- (Un-audited) -----			
	Nine months ended		Three months ended	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
	----- (Rupees) -----			
18. FINANCE COST				
Mark-up on				
Long-term financing from bank	14,150,168	31,172,974	-	11,294,538
Short-term financing from bank	1,063,709	6,605,668	-	-
Interest income on financial assets measured at amortized cost	-	-	-	3,188,324
Bank and other financial charges	249,599	2,413,945	7,393	2,339,477
	<u>15,463,476</u>	<u>40,192,587</u>	<u>7,393</u>	<u>16,822,339</u>

	----- (Un-audited) -----		----- (Audited) -----	
	March 31, 2011		June 30, 2010	
	Cost	Market value	Cost	Market value
	----- (Rupees) -----			
19. DISCRETIONARY PORTFOLIO				
Clients	3		2	
- Equity portfolio	73,209,362	86,464,491	48,669,238	49,463,724
Clients	1		2	
- Debt portfolio	421,715,456	417,104,315	251,398,131	245,707,323

20. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are carried out by the Company on agreed terms. The related parties comprise of AHCL (the Holding Company), associates, directors of the Company, key management personnel, post employment benefit plans and other related parties. Other related parties include the Collective Investment Schemes managed by the Company. Transactions / Balances with / investments in related parties, other than those as disclosed in Notes 6.2, 6.3, 6.4, 6.5, 8.1, 9, 10.1, 10.2, 11, 12.1, 14.1, 15.1, 16 and 17.1, are disclosed as follows:

	----- (Un-audited) -----	
	Nine months ended	
	March 31, 2011	March 31, 2010
	----- (Rupees) -----	
Transactions with related parties during the period		
i) Associates		
Legal advisor fee paid to director of CIS under management (Pakistan Premier Fund Ltd.)	143,616	143,616
Director's meeting fee / travelling expenses	1,616,502	1,294,380

	----- (Un-audited) ----- Nine months ended	
	March 31, 2011	March 31, 2010
	----- (Rupees) -----	
ii) Other related parties		
Management fee / investment advisory fee	178,915,280	197,252,319
Processing and other related income	4,853,520	11,017,758
Investment / conversion in Funds at cost	103,012,280	638,383,369
Sale proceeds against redemption from Funds	299,351,249	520,739,507
Return on bank deposit - SBL	2,733,288	1,080,506
Mark-up on balances with CIS under management	-	2,706,662
IPO profit on core investment	474,805	1,783,288
Mark-up accrued on employees loan	182,682	566,775
Reimbursement to CIS / Pension funds against expenses / issuance of units to investors	127,500	632,129
SBL - accrual against facilitation / distribution / bank charges / mark-up expenses	5,096,760	18,275,297
Expenses sharing with Arif Habib Limited (AHL); Arif Habib Corporation Limited (AHCL); Arif Habib REIT Management Limited (AHRML); and Pakistan Private Equity Management	-	709,326
Brokerage expenses	-	1,650,019
Mark-up accrued on loan from AHCL	1,063,709	283,068
Mark-up accrued against amount receivable from RECPL	-	686,285
Arif Habib Centre rent and other expense sharing with Rotocast Engineering Company (Private) Limited	17,324,166	3,116,943
	(Un-audited) March 31, 2011	(Audited) June 30, 2010
	----- (Rupees) -----	
Amounts outstanding as at period / year end		
Long-term receivables		
From funds	600,000	6,708,351
From employees	13,311,253	17,518,043
Receivable from related parties against management fee, mark-up income, processing income and others		
From CIS and Pension Funds	36,987,930	74,652,957
From AHL, AHRML, PAFL and Employees Trust	2,427,040	355,012
Loans and advances	5,061,253	5,784,196
Deposits with Summit Bank Limited (formerly: Arif Habib Bank Limited)	1,220,654	24,839,933
Trade and other payables		
To CEO / employees (against profit participation)	5,811,847	8,617,435
To Mr. Arif Habib against mark-up on loan	-	1,457,312
To AHCL against mark-up on loan	-	581,523
To SBL against mark-up on loan	-	3,866,521
To Rotocast Engineering Co. (Pvt.) Ltd. against expenses sharing	366,769	1,372,180
To offerors against payments for listing expenses	-	4,102,022

21. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions for the purposes of comparison.

Significant reclassifications made in profit and loss account are as follows:

From	To	Nature	Nine months ended March 31, 2010	Three months ended March 31, 2010
			----- (Rupees) -----	
Finance cost				
Interest income on financial assets	Other income	Un-winding of discount	3,143,918	-
Administrative expenses				
Repairs and maintenance	IT related maintenance	IT hardware and software maintenance expenses	2,670,258	1,413,007
Entertainment	Staff welfare	Cost incurred on staff welfare	1,199,642	339,934
Loss on sale of property and equipment	Other income	Loss on sale	914,019	646,243

22. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial informations were authorised for issue on **April 23, 2011** by the Board of Directors of the Company.

23. GENERAL

Figures have been rounded off to the nearest Rupee.

Chief Executive

Director

Asset Manager Rating
AM2 Positive Outlook (by PACRA)



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