



Arif Habib  
Investments  
Limited

**Quarterly Report**  
**September 30, 2010**  
(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

<b>Mr. Muhammad Shafi Malik</b>	Chairman
<b>Mr. Nasim Beg</b>	Chief Executive
<b>Syed Ajaz Ahmed</b>	Director
<b>Mr. Sirajuddin Cassim</b>	Director
<b>Mr. Muhammad Akmal Jameel</b>	Director
<b>Mr. Muhammad Kashif</b>	Director
<b>Mr. S. Gulrez Yazdani</b>	Director

### Share Registrar

Noble Computer Services (Private) Limited  
Mezzanine Floor, House of Habib Building (Siddiqsons Tower),  
3-Jinnah Cooperative Housing Society,  
Main Shahrah-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)

### Audit Committee

<b>Mr. Muhammad Shafi Malik</b>	Chairman
<b>Syed Ajaz Ahmed</b>	Member
<b>Mr. Muhammad Akmal Jameel</b>	Member
<b>Mr. Muhammad Kashif</b>	Member

### 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 FIRST QUARTER ENDED SEPTEMBER 30, 2010

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 quarter ended September 30, 2010.

### Financial Highlights

	September 30, 2010 Pak Rupees (Million)
Assets under Management	15,417
Revenue	119.36
Net profit after tax	38.1
Total Assets	794.44
Shareholders' Equity	528.77
Earnings Per Share (EPS - Basic) Pak Rupees	1.27
Earnings Per Share (EPS - Diluted) Pak Rupees	1.06

### Performance Review

During the quarter, AHI recorded a gross income of Rs.119.36 million, which includes management / investment advisory fee of Rs.65.96 million and dividend income of Rs.49.6 million. After accounting for administrative, operating, financial & other expenses and income sharing of Rs.79.44 million, the company earned the profit before tax of Rs.40.72 million. The net profit after tax for the quarter amounted to Rs.38.1 million as compared to net profit of Rs. 69.25 million for the corresponding quarter ended September 30, 2009. Earnings per share - (basic) during the quarter ended September 30, 2010 remains Rs.1.27 as compared to Earnings per share - (basic) of Rs.2.31 in the corresponding quarter during 2009-10. Earnings per share - (diluted) during the quarter ended September 30, 2010 is Rs.1.06 as compared to Earnings per share - (diluted) of Rs.1.92 in the corresponding quarter during 2009-10. Diluted Earnings per share has been calculated taking into account the effect of Bonus Shares (as approved in the Annual General Meeting of the Company held on September 25, 2010) issued subsequent to the quarter ended on September 30, 2010.

**Possible merger with MCB Asset Management Company Limited**

We reproduce here with contents of a letter sent by the company to KSE on September 02, 2010:

*"Further to our letter on the above subject dated March 9, 2010, we are pleased to inform you that Arif Habib Securities Limited, the sponsors of our company have signed a Memorandum of understanding with MCB Bank Limited to proceed with the merger of Arif Habib Investments Limited with MCB Asset Management Company Limited, subject to all regulatory approvals and compliances.*

*Sponsors of both companies feel that the merger will strengthen business and benefit investing public. With shared resources, the merged entity shall be able to offer better service to investors. Any further development in this regard will be finalized subject to agreement on valuations and due diligence. We will keep you informed about the 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. In this regards, PPFL convened a General Meeting of the share holders of PPFL on September 25, 2010 to seek the approval of share holders (through Special Resolution) for the conversion of PPFL. Share Holders of PPFL in their meeting have unanimously approved the conversion of PPFL. Subsequently, Securities and Exchange Commission of Pakistan has conveyed its "no-objection" to the conversion on October 8, 2010.

The Board of Directors in its meeting held on June 17, 2010 passed a resolution that Pakistan Strategic Allocation Fund (PSAF) 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 8, 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, Securities and Exchange Commission of Pakistan has conveyed its "no-objection" to the conversion on September 23, 2010.

Currently, the Company is in process of finalizing the conversion of PPFL and PSAF into open end schemes. The conversion of the Funds into open end schemes will not affect the business and operations of the Funds.

### **Maturity of Fund**

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.

### **Industry Performance**

Net assets of the mutual fund industry witnessed a slight increase of 1.4% to Rs.201 billion on a quarterly basis during first quarter of the Financial Year 2010-11. Growth in assets under Management (AUM) remained slow with only cash funds category able to attract new inflows, while equity and income funds categories witnessed outflows. Investors continue to be extremely risk averse as reflected in movement of investment inflows towards low risk cash funds, which primarily invest in short term Government Treasury Bills.

At quarter end, AUMs of equity funds increased 5% to Rs.46 billion. The positive performance of local equities is primarily driven by foreign investors, with net new inflows of US\$105 million, while domestic investors remaining net sellers. This continuing low appetite of domestic investors for equity investments is reflected in outflow of money from equity mutual funds as well. Local investors' sentiments remained negative as the country is going through a period of unstable political government and the economy witnessing high interest rates and slow economic growth.

Income fund category, which invests in diverse areas of fixed income avenues, witnessed 7.5% reduction in funds size to Rs.63 billion from Rs.69 billion. The returns of these funds were impacted due to further fall in TFC (corporate bonds) prices amid rising interest rates. Bond (TFC) market remained depressed, with secondary market witnessing declining activity and majority of the instruments remaining in the non-traded category (having no trading volume). During the quarter, income fund category was also impacted by rising interest rates as the Central bank increased the discount rate twice (July and September) by 50 basis points (bps) each to 13.5%, resulting in fall in government bonds (PIBs) prices. Investors' interest into income funds is likely to return once interest rates stabilize and domestic liquidity improves amid improvement in macroeconomic outlook.

Cash fund category, which primarily invests in short dated treasury bills, was the only recipient of new inflows of Rs.10 billion, with total AUM under this category reaching Rs.47.5 billion by September end. Higher inflows into cash funds is the reflection of continuing risk aversion with emphasize on quality of assets and low volatility. Amid rising domestic interest rates, cash funds are able to deliver stable returns closer to the short end of the yield curve and are an ideal vehicle for liquidity management and parking excess liquidity of corporate entities.



**Outlook**

The near term outlook for mutual funds sector remains challenging in the backdrop of low savings in the country and slow economic growth. Higher inflation and continuing tighter monetary policy have reduced investment inflows into mutual funds in general, but at the same time, cash funds are expected to attract new inflows due to better returns on their higher yield government securities portfolios.

**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

Karachi: October 25, 2010

**Nasim Beg**  
Chief Executive



## CONDENSED INTERIM BALANCE SHEET AS AT SEPTEMBER 30, 2010

		(Unaudited) September 30, 2010	(Audited) June 30, 2010
ASSETS	Note	----- Rupees -----	
<b>Non-Current Assets</b>			
Property and equipment	6	118,968,383	122,537,826
Intangible assets	7	6,372,494	6,060,959
Available-for-sale investments	8	205,088,235	200,232,141
Long-term loans, advances and receivables		19,285,294	18,307,708
Long-term deposits		507,000	507,000
Deferred tax asset		24,939,086	21,844,744
<b>Total Non-Current Assets</b>		<b>375,160,492</b>	<b>369,490,378</b>
<b>Current Assets</b>			
Receivable from related parties		35,864,125	75,007,967
Loans and advances		8,080,444	8,929,222
Prepayments and other receivables		71,973,176	60,559,037
Available-for-sale investments	9	278,476,878	281,471,672
Cash and bank balances		24,889,502	26,428,134
<b>Total Current Assets</b>		<b>419,284,125</b>	<b>452,396,032</b>
<b>Total Assets</b>		<b>794,444,617</b>	<b>821,886,410</b>
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized 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	10	300,000,000	300,000,000
Unappropriated profit		76,154,759	98,057,373
Reserve for issue of bonus shares		60,000,000	-
Fair value reserve - unrealized gain in value of investments - available for sale		92,620,063	90,008,246
<b>Total Equity</b>		<b>528,774,822</b>	<b>488,065,619</b>
<b>Non-Current Liabilities</b>			
Long term financing	11	82,000,000	82,000,000
<b>Total Non-Current Liabilities</b>		82,000,000	82,000,000
<b>Current Liabilities</b>			
Trade and other payables		56,722,576	75,326,874
Mark-up accrued on financing		11,492,241	6,756,348
Current portion of:			
- long-term financing	11	103,250,000	153,250,000
Short term financing		5,000,000	15,000,000
Provision for taxation		7,204,978	1,487,569
<b>Total Current Liabilities</b>		<b>183,669,795</b>	<b>251,820,791</b>
<b>Total Liabilities</b>		<b>265,669,795</b>	<b>333,820,791</b>
<b>CONTINGENCIES</b>	12		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>794,444,617</b>	<b>821,886,410</b>

The annexed notes from 1 to 20 form an integral part of these condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

	Note	Quarter ended September 30	
		2010 Rupees	2009 Rupees
<b>REVENUE</b>			
Management fee / Investment advisory fee	13	65,955,372	62,733,264
Processing and other related income		1,918,571	1,583,704
Return on bank deposits		961,610	94,591
Dividend income		49,600,052	-
Realised gain on sale of available-for-sale investment - net		924,781	66,624,421
		119,360,386	131,035,980
<b>EXPENSES</b>			
Administrative and operating expenses	14	(61,522,916)	(47,541,810)
Worker's welfare fund		(831,030)	-
Management / Investment advisory fee / Processing and other related income sharing		(8,194,442)	(5,777,285)
Finance cost	15	(8,891,768)	(13,741,133)
		(79,440,156)	(67,060,228)
Impairment loss on available-for-sale investments		-	(181,050)
Other income		800,223	5,328,498
<b>PROFIT BEFORE TAXATION</b>		40,720,453	69,123,200
<b>Taxation</b>			
- Current		(5,717,409)	(322,058)
- Deferred		3,094,342	452,627
		(2,623,067)	130,569
<b>PROFIT FOR THE QUARTER</b>		38,097,386	69,253,769
<b>Earnings per share - Basic</b>		1.27	2.31
<b>Earnings per share - Diluted</b>	(a) & 10.2	1.06	1.92

(a) Diluted earnings per share has been calculated taking into account the effect of Bonus Shares (as approved in the Annual General Meeting of the Company held on September 25, 2010) issued subsequent to the quarter ended on September 30, 2010.

The annexed notes from 1 to 20 form an integral part of these condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

**CONDENSED INTERIM STATEMENT OF  
COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

Quarter ended September 30,  
2010                      2009  
----- Rupees -----

Net profit for the period	38,097,386	69,253,769
<b>Other comprehensive income :</b>		
Net unrealized gain on available-for-sale investments	3,361,234	15,502,908
Transfer to profit and loss on disposal of available-for-sale investments	(749,417)	(1,807,334)
Other comprehensive income for the period	2,611,817	13,695,574
<b>Total comprehensive income for the period</b>	<b>40,709,203</b>	<b>82,949,343</b>

The annexed notes from 1 to 20 form an integral part of these condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

	2010	2009
	----- ( Rupees ) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	40,720,453	69,123,200
Adjustments:		
Depreciation	3,707,843	1,785,884
Amortisation	313,465	336,679
Impairment loss on available-for-sale investments	-	181,050
Realised gain on sale of available-for-sale investment - net	(924,781)	(66,624,421)
Loss on sale of property and equipment	-	237,964
Reversal of interest expense on financial assets measured at amortized cost	(243,568)	(4,139,445)
Finance cost	8,891,768	13,741,133
	<u>52,465,180</u>	<u>14,642,044</u>
Decrease / (Increase) in current assets		
Receivable from related parties	39,143,842	(20,889,605)
Loans and advances	848,778	(52,033)
Prepayments and other receivables	(4,711,177)	(1,089,221)
	<u>35,281,443</u>	<u>(22,030,859)</u>
(Decrease) / Increase in current liabilities		
Trade and other payables	(18,604,298)	333,983
<b>Cash generated / (used in) from operations</b>	<u>69,142,325</u>	<u>(7,054,832)</u>
Taxes paid	(6,702,962)	(2,833,480)
Finance cost paid	(4,155,875)	(6,628,312)
Long-term loans, advances and receivables	(734,018)	27,722,397
Long-term deposits	-	151,025
<b>Net cash from operating activities</b>	<u>57,549,470</u>	<u>11,356,798</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(138,400)	(1,326,749)
Payments against intangible assets	(625,000)	(410,000)
Proceeds from sale of property and equipment	-	282,628
Purchases of available-for-sale investments	(30,201,900)	(46,102,228)
Proceeds from sale of available-for-sale investments	31,877,198	41,218,291
<b>Net cash from / (used in) investing activities</b>	<u>911,898</u>	<u>(6,338,058)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long-term finance	(50,000,000)	150,000,000
Short-term finance	(10,000,000)	-
Short-term running finance	-	(160,716,447)
Dividend paid	-	(5,250)
<b>Net cash used in financing activities</b>	<u>(60,000,000)</u>	<u>(10,721,697)</u>
Net decrease in cash and cash equivalents	(1,538,632)	(5,702,957)
Cash and bank balances at the beginning of the period	26,428,134	12,558,793
<b>Cash and bank balances at the end of the period</b>	<u>24,889,502</u>	<u>6,855,836</u>

The annexed notes from 1 to 20 form an integral part of these condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

**CONDENSED INTERIM STATEMENT  
OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

	Issued , subscribed and paid-up capital	Reserve for issue of bonus shares	Unappropriated profit	Unrealized (loss) / gain in value of investments available for sale	Total
	----- Rupees -----				
Balance as at July, 01 2009	300,000,000	-	33,807,704	20,881,617	354,689,321
Total comprehensive income for period ended September 30, 2009	-	-	69,253,769	13,695,574	82,949,343
<b>Balance as at September, 30 2009</b>	<b><u>300,000,000</u></b>	<b><u>-</u></b>	<b><u>103,061,473</u></b>	<b><u>34,577,191</u></b>	<b><u>437,638,664</u></b>
Balance as at July, 01 2010	300,000,000	-	98,057,373	90,008,246	488,065,619
Appropriation of reserve for issue of bonus shares	-	60,000,000	(60,000,000)	-	-
Total comprehensive income for period ended September 30, 2010	-	-	38,097,386	2,611,817	40,709,203
<b>Balance as at September, 30 2010</b>	<b><u>300,000,000</u></b>	<b><u>60,000,000</u></b>	<b><u>76,154,759</u></b>	<b><u>92,620,063</u></b>	<b><u>528,774,822</u></b>

The annexed notes from 1 to 20 form an integral part of these condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM  
FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

**1. 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. 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 Securities Limited (AHSL) which has 60.18% (June 30, 2010: 60.18%) direct holding in the Company.

The Company is registered as an Asset Management Company, 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 following funds / schemes. The Company also manages discretionary portfolio accounts.

	Net Asset Value as at	
	September 30, 2010 (Unaudited)	June 30, 2010 (Audited)
	Rupees in million	
<b>Open-end</b>		
Pakistan Income Fund	2,123	2,101
Pakistan Stock Market Fund	1,683	1,841
MetroBank-Pakistan Sovereign Fund	1,722	1,507
Pakistan International Element Islamic Fund	394	410
Pakistan Capital Market Fund	438	445
Pakistan Cash Management Fund	2,295	2,061
Pakistan Income Enhancement Fund	2,089	2,224
Pakistan Capital Protected Fund - Fixed Income Securities	250	245
AH Dow Jones Safe Pakistan Titans 15 Index Fund	100	-
<b>Closed-end</b>		
Pakistan Capital Protected Fund-I	-	617
Pakistan Premier Fund Limited	1,464	1,750
Pakistan Strategic Allocation Fund	2,248	2,531
<b>Pension Funds</b>		
Pakistan Pension Fund	183	176
Pakistan Islamic Pension Fund	112	110
<b>Discretionary Portfolio</b>	315	322

- 1.1 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.
- 1.2 Subsequent to the balance sheet date, Arif Habib Investments has launched a new Fund, AH Dow Jones SAFE Pakistan Titans 15 Index Fund (AHDJPF). 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 AHDJPF will employ a passive management approach to replicate the performance of the constituents of Dow Jones SAFE Pakistan Titans 15 Index. The Fund will invest all or substantially all, of its assets in securities that make up the target index. Excess cash, if any, may be 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 on the basis of free float market capitalization and liquidity. The initial public offer of AHDJPF was started from October 12, 2010 and ended on October 14, 2010.
- 1.3 During the period Arif Habib Securities Limited, the sponsors of Arif Habib Investments Limited, have signed a Memorandum of understanding with MCB Bank Limited to proceed with the merger of Arif Habib Investments Limited with MCB Asset Management Company Limited, subject to all regulatory approvals and compliances.

## 2. STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with the requirements of International Accounting Standard 34, "Interim Financial Reporting" as applicable in Pakistan and the requirements of 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).

## 3. 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.

## 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 that as disclosed in the financial statements of the company for the year ended June 30, 2010.

6. PROPERTY AND EQUIPMENT

		(Unaudited) September 30, 2010	(Audited) June 30, 2010
	Note	----- Rupees-----	
Operating fixed assets	6.1	118,697,463	122,266,906
Capital work-in-progress		<u>270,920</u>	<u>270,920</u>
		<u><b>118,968,383</b></u>	<u><b>122,537,826</b></u>

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

	----- (Unaudited) -----			
	----- Quarter ended September 30 -----			
	2010	2009	2010	2009
	----- Cost of Additions -----		----- Cost of Disposals -----	
	----- Rupees-----			
<b>Operating fixed assets</b>				
Generator	-	-	-	495,000
Office equipments	7,500	-	-	-
Telecommunications	63,000	80,250	-	56,730
Computer equipments	67,900	1,218,499	-	741,433
Furniture and fixtures	-	28,000	-	-
	<u><b>138,400</b></u>	<u><b>1,326,749</b></u>	<u><b>-</b></u>	<u><b>1,293,163</b></u>

7. INTANGIBLE ASSETS

Following additions in intangible assets were made during the period.

Software	<u><b>625,000</b></u>	<u><b>410,000</b></u>	<u><b>-</b></u>	<u><b>-</b></u>
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8. AVAILABLE FOR SALE INVESTMENTS

		(Unaudited) September 30, 2010	(Audited) June 30, 2010
	Note	----- Rupees-----	
In Collective Investment Schemes - related party	8.1	<u><b>205,088,235</b></u>	<u><b>200,232,141</b></u>

## 8.1 In Collective Investment Schemes - related parties

Name of the Investee Company / Fund	Rupees													
	As at September 30, 2010	Units / Shares / Certificates		As at September 30, 2010		As at September 30, 2010		As at September 30, 2010		As at June 30, 2010				
	Start of the beginning of the period	Purchase / (Sale) / Bonus Units / Net	As at September 30, 2010	Cost	Impairment upto June 30, 2010	Impairment for the period	Cost less Impairment	Market Value	Fair value reserve - unrealized gain / (loss) in value of investments - available for sale	Cost	Impairment	Cost less Impairment	Market Value	Fair value reserve - unrealized gain / (loss) in value of investments - available for sale
Pakistan Pension Fund	900,000	-	900,000	900,000.00	(11,088,000)	-	78,912,000	102,276,000	23,364,000	90,000,000	(11,088,000)	78,912,000	99,441,000	20,529,000
Pakistan Islamic Finance Fund	900,000	-	900,000	900,000.00	(6,097,000)	-	81,903,000	101,586,000	19,665,000	90,000,000	(6,097,000)	83,906,000	99,516,000	17,611,000
Pakistan Capital Protected Fund - FIS	1,22,257	4,245	1,26,502	1,222,570	-	-	1,222,570	1,394,235	81,665	1,222,570	-	1,222,570	1,275,141	52,571
				18,122,270	(19,185,000)	-	(162,037,570)	205,088,235	43,059,665	181,222,570	(19,185,000)	162,037,570	200,232,141	38,194,971

8.2 The carrying value of "Available - for - sale investments" is denominated in Pak Rupees. Above includes investments valuing Rs. 203.78 Million pledged against financing from Allied Bank Ltd (ABL) and Summit Bank Ltd (SBL) (June 30, 2010: 198.957 Million against financing from ABL and SBL).

## 9. AVAILABLE-FOR-SALE INVESTMENTS

In Collective Investment Schemes - related parties  
In unquoted equity instrument

Note	September 30, 2010		June 30, 2010	
	Rupees			
9.1	273,828,878	276,823,672		
9.2	4,648,000	4,648,000		
	<u>278,476,878</u>	<u>281,471,672</u>		

## 9.1 In Collective Investment Schemes - related parties

Name of the Investee Company / Fund	Rupees													
	As at the beginning of the period	Purchase / (Sale) / Bonus Units / Net	As at September 30, 2010	Cost	Impairment upto June 30, 2010	Impairment for the period	Cost less Impairment	Market Value / Fair Value	Fair value reserve - unrealized gain / (loss) in value of investments - available for sale	Cost	Impairment	Cost less Impairment	Market Value / Fair Value	Fair value reserve - unrealized gain / (loss) in value of investments - available for sale
Pakistan Premier Fund Limited	16,975,034	-	16,975,034	114,417,220	-	-	114,417,220	134,272,520	19,855,300	114,417,220	-	114,417,220	137,997,775	23,080,555
Pakistan Strategic Allocation Fund	15,629,000	-	15,629,000	79,599,740	-	-	79,599,740	108,777,840	29,178,100	79,599,740	-	79,599,740	107,088,680	27,488,940
Meehan Bank Pakistan Sovereign Fund	12,738	3,505	16,243	608,520	-	-	608,520	778,518	169,998	608,520	-	608,520	762,313	153,793
Pakistan Capital Protected Fund I	3,329,803	(3,329,803)	-	-	-	-	-	-	-	30,750,517	-	30,750,517	31,499,934	749,417
ALDew Jones Safe Pakistan Trust 15 Index Fund (AIDIFF)	-	-	-	30,000,000	-	-	30,000,000	30,000,000	-	-	-	-	-	-
				234,425,480	-	-	234,425,480	273,828,878	49,405,398	234,425,480	-	234,425,480	276,823,672	51,647,875
In unquoted equity instrument				830,000	-	-	4,648,000	4,648,000	166,000	9,777,400	(5,298,400)	4,479,000	4,648,000	166,000
Chinque Limited				830,000	-	-	4,648,000	4,648,000	166,000	9,777,400	(5,298,400)	4,479,000	4,648,000	166,000

- 9.3 Arif Habib Investments Limited has invested Rs.30,000,000/- in the core capital of AHDJPF. The initial public offer of the fund started from October 12, 2010 and ended on October 14, 2010.
- 9.4 The carrying value of "Available - for - sale investments " is denominated in Pak Rupees. Above includes investments valuing Rs. 193.24 Million pledged against financing from ABL (June 30, 2010 : Rs. 224.9 million against financing from ABL).

10. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

(Unaudited) September 30, 2010	(Audited) June 30, 2010		(Unaudited) September 30, 2010	(Audited) June 30, 2010
----- Number of Shares -----			----- Rupees -----	
		Ordinary shares of Rs. 10 each		
5,000,000	5,000,000	Fully paid in cash	50,000,000	50,000,000
25,000,000	25,000,000	As bonus shares	250,000,000	250,000,000
<u>30,000,000</u>	<u>30,000,000</u>		<u>300,000,000</u>	<u>300,000,000</u>

- 10.1 At September 30, 2010, Arif Habib Securities Limited, the holding company, held 18,053,473 (June 30, 2010 : 18,053,473 ) ordinary shares of Rs. 10 each.
- 10.2 Shareholders, in their annual general meeting held on September 25, 2010 have approved the bonus issue at the rate of 20% amounting to Rs.60,000,000/- for the year ended June 30, 2010. To give effect to the bonus issue, shareholders have also approved the increase in the authorized capital amounting to Rs.60,000,000/- by amending Memorandum and Articles of Association of the company. Subsequent to the balance sheet date, the bonus shares were allotted / issued to those shareholders whose names were appearing on the Members' Register as on close of business on September 16, 2010.

11. LONG TERM FINANCING

	Note		
From Bank - Secured			
Allied Bank Limited - DF I	11.1	49,000,000	49,000,000
Allied Bank Limited - DF II	11.2	86,250,000	86,250,000
Summit Bank Limited ( Formerly : Arif Habib Bank Limited)	11.3	50,000,000	100,000,000
		185,250,000	235,250,000
Less: Current portion		(103,250,000)	(153,250,000)
		<u>82,000,000</u>	<u>82,000,000</u>

- 11.1 This represents long term financing facility obtained from bank which is subject to mark-up at the rate of 6 month's KIBOR plus 1.5% per annum (June 30, 2010: 6 month's KIBOR plus 1.5% per annum). The principal amount of the loan is repayable in half yearly installments. Mark-up is payable on half yearly basis. The loan is secured against pledge over units/shares/certificates of various mutual funds held and owned by the Company. The agreement contains a covenant that in case of a default in payment of any installment, the bank reserves the right to demand immediate payment of outstanding balance or sell the pledged securities with the bank.

- 11.2** This represents long term financing facility which is subject to mark-up at the rate of 6 month's KIBOR plus 1.75% per annum (June 30, 2010: 6 month's KIBOR plus 1.75% per annum). The principal amount of the loan is repayable in half yearly installments. Mark-up is payable on half yearly basis. The loan is secured against pledge over units/shares/certificates of its sponsors. The agreement contains a covenant that in case of a default in payment of any installment, the bank reserves the right to demand immediate payment of outstanding balance or sell the pledged securities.
- 11.3** During the previous financial year, short-term running finance facility amounting to Rs. 165 million had been converted to a term finance facility of sixteen months amounting to Rs. 150 million with an early repayment option under the mark-up arrangement, from Summit Bank Limited (SBL), a related party. The principal amount of the loan was repayable in three equal installments in March, August and December 2010. The facility carries mark-up rate of 3 month's KIBOR plus 3.00% per annum (June 30, 2010: 3 month's KIBOR plus 3.00% per annum) payable on quarterly basis. The facility is secured against first registered charge over company's receivables from respective trustees of the funds managed by the Company with 30% margin and / or pledge of mutual fund / units / shares / certificates (June 30, 2010 : First registered charge over receivables of the company from the funds managed by the Company amounting to Rs. 357.14 million and / or pledge of shares acceptable to SBL).

**12. CONTINGENCIES**

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.

**13. MANAGEMENT FEE / INVESTMENT ADVISORY FEE (UNAUDITED)**

	Note	Quarter ended September 30	
		2010	2009
		----- Rupees -----	
From Collective Investment Schemes - related party	13.1	65,790,529	62,540,633
From Discretionary Portfolio		164,843	192,631
		<b>65,955,372</b>	<b>62,733,264</b>

**13.1 In Collective Investment Schemes - related parties**

Pakistan Income Fund	7,935,451	8,237,361
Pakistan Stock Market Fund	9,172,378	10,577,352
MetroBank-Pakistan Sovereign Fund	4,269,583	2,000,767
Pakistan Premier Fund Limited	8,506,303	8,232,092
Pakistan Capital Market Fund	2,237,104	3,010,698
Pakistan Strategic Allocation Fund	12,473,062	15,590,270
Pakistan International Element Islamic Fund	2,583,158	3,966,953
Pakistan Capital Protected Fund - I	710,292	4,405,423
Pakistan Pension Fund	677,316	509,991
Pakistan Islamic Pension Fund	420,340	363,103
Pakistan Cash Management Fund	7,484,780	1,855,994
Pakistan Income Enhancement Fund	8,386,173	3,790,629
Pakistan Capital Protected Fund - Fixed Income Securities	934,589	-
	<b>65,790,529</b>	<b>62,540,633</b>

14. ADMINISTRATIVE AND OPERATING EXPENSES (UNAUDITED)

	Note	Quarter ended September 30	
		2010	2009
		----- Rupees -----	
Salaries and benefits	14.1	35,468,129	27,188,321
Marketing and advertising		5,402,750	3,389,224
Training and development		475,873	201,860
Rent, rates and taxes		4,213,228	3,307,430
Electricity		673,557	1,437,007
Communication		1,333,656	1,236,136
Printing, stationery and other supplies		669,566	825,232
Staff welfare		329,688	311,991
Insurance		134,169	39,558
Repairs and maintenance		361,679	337,906
IT related maintenance		914,366	453,488
Fees and subscriptions		725,546	964,913
Legal and professional fee		2,486,857	1,053,406
SECP fee		778,742	265,751
Technical fee		524,804	450,000
Auditors' remuneration		196,285	150,038
Travelling and conveyance		793,020	320,823
Registrar fee		973,533	943,375
Depreciation		3,707,843	1,785,884
Amortization		313,465	336,679
Donation		582,677	75,510
Loss on sale of property & equipment		-	237,964
Brokerage expenses		-	1,637,269
Directors meeting fee		375,000	560,000
Others		88,483	32,045
		<b>61,522,916</b>	<b>47,541,810</b>

14.1 This amount includes contribution to provident / pension fund amounting to Rs. 1,863,841/- (September 30 2009: Rs.1,760,085/-) and allocation to Profitability bonus amounting to Rs. 5,981,206/-(September 30 2009: Rs.845,437/-).

15. FINANCE COST (UNAUDITED)

	Quarter ended September 30	
	2010	2009
		----- Rupees -----
Markup on:		
Long term finance from bank	8,001,730	7,121,240
Short term finance from bank	883,752	6,605,668
Bank and other financial charges	6,286	14,225
	<b>8,891,768</b>	<b>13,741,133</b>

16. DISCRETIONARY PORTFOLIO

	(Unaudited) September 30, 2010		(Audited) June 30, 2010	
	-----Rupees-----		-----Rupees-----	
	Cost	Market Value	Cost	Market Value
Number of Portfolios	2		2	
- Equity Portfolio	44,652,997	47,522,448	48,669,238	49,463,724
Number of Portfolios	2		2	
- Debt portfolio	262,137,788	256,474,195	251,398,131	245,707,323

17. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are carried out by the Company on agreed terms. The related parties comprise of 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 8.1, 9.1, 10.1, 11.3, 12, 13.1 and 14.1 are disclosed as follows:

Transactions with related parties during the period (Unaudited)

	Quarter ended September 30	
	2010	2009
	----- Rupees-----	
<b>i) Associates</b>		
Legal Advisor fees to directors of CIS under management (Pakistan Premier Fund Ltd.)	47,892	48,404
Directors meeting fee / travelling expenses	443,708	619,816
<b>ii) Other related parties</b>		
Management fee / Investment Advisory fee	65,790,529	62,540,633
Processing and other related income	1,918,571	1,583,704
Investment / conversion in funds at cost	30,201,900	46,102,228
Sale proceeds against redemption from Funds	31,877,198	38,071,974
Return on bank deposit - SBL	957,551	43,729
Markup on balances with CIS under management	392,179	875,348
Mark-up accrued on employees loan	77,392	73,642
Reimbursement to CIS / Pension funds against expenses / issuance of units to investors	67,500	405,000
SBL - Accrual against Facilitation / Distribution / Bank charges / Mark-up expenses	3,225,862	6,636,400
Expenses sharing with Arif Habib Limited (AHL); Arif Habib Securities Limited (AHSL); Arif Habib REIT Management Limited (AHRML); and Pakistan Private Equity Management Limited (PPEML)	-	362,117
Brokerage Expenses	-	1,637,269
Mark-up accrued on loan from AHSL	883,752	-
Arif Habib Centre rent and other expense sharing with RECPL	5,479,209	-

Amounts outstanding as at period / year end	(Unaudited) September 30, 2010	(Audited) June 30, 2010
	----- Rupees -----	
<b>Long-term receivables</b>		
From funds	7,730,851	6,708,351
From employees	17,235,399	17,518,043
<b>Receivable from related parties against Management fee, mark-up income, processing income and others</b>		
From CIS and Pension Funds	35,223,674	74,652,957
From AHL, AHRML and Employees Trust	640,452	355,012
<b>Loans and advances</b>	5,000,327	5,784,196
<b>Deposits with SBL</b>	23,651,208	24,839,933
<b>Trade and other payables</b>		
To CEO / employees (against profit participation)	5,067,754	8,617,435
To Mr. Arif Habib against mark-up on loan	1,457,312	1,457,312
To AHSL against markup on loan	1,182,207	581,523
To SBL against markup on loan	3,225,562	3,866,521
To Rotocast Engineering Co. (Pvt.) Ltd. against allocation of assets at Arif Habib Centre	436,306	1,372,180
To offerors against payments for listing expenses	4,102,022	4,102,022

## 18. 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	Rupees
<u>Finance cost</u>			
Interest income on financial assets measured at amortized cost	Other income	Reversal of amortization	4,139,445
<u>Administrative expenses</u>	SECP Fee	Renewal of license and annual fees paid to SECP	148,901
Fees and subscriptions			
<u>Administrative expenses</u>	SECP Fee	Annual fees for SECP for Pakistan Cash Management Fund and Pension Funds	116,850
Legal and professional fee			
<u>Administrative expenses</u>	IT related maintenance	IT hardware and software maintenance expenses	453,488
Repairs and maintenance			
<u>Administrative expenses</u>	Staff welfare	Cost incurred on staff get togethers, refreshments etc.	311,991
Entertainment			

**19. DATE OF AUTHORIZATION FOR ISSUE**

These condensed interim financial statements were authorized for issue on October 25, 2010 by the Board of Directors of the Company.

**20. GENERAL**

Figures have been rounded off to the nearest Rupee.

**CHIEF EXECUTIVE**

**DIRECTOR**





**HEAD OFFICE:**

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