

## **PAKISTAN PREMIER FUND CONTENTS**

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## **PAKISTAN PREMIER FUND FUND'S INFORMATION**

### **Management Company**

Arif Habib Investments Limited  
8th Floor, Techno City, Corporate Tower,  
Hasrat Mohani Road, Karachi

### **Board of Directors of the Management Company**

Mian Mohammad Mansha	Chairman(subject to the approval of SECP)
Mr. Nasim Beg	Executive Vice Chairman
Mr. Yasir Qadri	Chief Executive (subject to the approval of SECP)
Syed Salman Ali Shah	Director (subject to the approval of SECP)
Mr. Haroun Rashid	Director (subject to the approval of SECP)
Mr. Ahmed Jahangir	Director (subject to the approval of SECP)
Mr. Samad A. Habib	Director
Mr. Mirza Mahmood Ahmad	Director (subject to the approval of SECP)

### **Company Secretary & CFO of the Management Company**

Mr. Muhammad Saqib Saleem

### **Audit Committee**

Mr. Nasim Beg  
Mr. Haroun Rashid  
Mr. Samad A. Habib  
Mr. Ali Munir

### **Trustee**

Central Depository Company of Pakistan Limited  
CDC House, 990B, Block 'B', S.M.C.H.S,  
Main Shahrah-e-Faisal, Karachi-74400

### **Bankers**

Habib Metropolitan Bank Limited  
Summit Bank Limited

### **Auditors**

KPMG Taseer Hadi & Co.  
Chartered Accountants  
1st Floor, Sheikh Sultan Trust Building No. 2  
Beaumont Road, Karachi - 75530

### **Legal Advisor**

Bawaney & Partners  
404, 4th Floor, Beaumont Plaza,  
Beaumont Road, Civil Lines, Karachi-75530

### **Registrar**

Gangjees Registrar Services (Pvt.) Limited.  
Room No. 516, 5th Floor, Clifton Centre,  
Kehkashan, Clifton, Karachi.

### **Rating**

AM2 (Positive Outlook) –  
Management Quality Rating assigned by PACRA

# PAKISTAN PREMIER FUND REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2011

The Board of Directors of Arif Habib Investment Limited, the Management Company of Pakistan Premier Fund (PPF), is pleased to present the Annual Report on the affairs of PPF for the period from 22nd Dec, 2010 to 30th June 2011.

## Equities Market Overview

Equities recorded second consecutive year of stellar performance with the KSE-100 index rising by about 29% in FY11 on top of 36% return posted in FY10. Pakistan equity market also remained the 3rd best performing market in the region after Indonesia and Thailand which posted 33% and 31% returns respectively.

KSE -100 Index made the fresh start with 76 points plus at 9,740 on its 1st day and closed the first month in same zeal at +8.2%. However the momentum halted abruptly as severe floods hit across provinces causing substantial damages and losses. Economic gloom pulled the index in the negative territory making a low of 9,488 on August 17, 2010. However persistent foreign inflow amounting to USD 105 m in the first quarter, turned the sentiment at KSE positive and second quarter proved to be the best performing period of the year and about 74% of the total annual performance could be attributed to this period. With the exception of initial period, market remained lackluster during most part of the 2nd half of the year where major dampeners included the political unrest in MENA region and highly volatile US-Pak diplomatic relationship. KSE-100 index closed the year at 12,496, down 2.1% from its year high of 12,768 made on Jan 17, 2011; overall 29% up YoY.

While returns remained impressive, volumes were unprecedentedly low. In its first year, post imposition of CGT, retail investors remained largely inactive as foreign investors and local institutions including Banks, Corporates and Mutual Funds demonstrated marginal interest. During the year, average daily turnover declined significantly to about 95 million shares, down 40% on YoY basis. KSE Management attempted to enthrone the market by introducing leverage products including Margin Trading System and Market Financing System and made few modifications in futures market, but to no avail.

Macro-economic factors challenging the KSE performance included strong detriments like capital gains tax, a cumulative 150 basis points increase in discount rate in an already high interest rate environment, economic loss due to floods and higher Oil prices and lower foreign flows. Some of the positives that propelled KSE in positive territory included strong external account position on the back of increased textile exports, flood-related foreign aids, coalition support fund and record-high remittances ultimately translating in a relatively stable exchange rate and record FX reserves. Moreover, strong liquidity from booming rural economy and persistent foreign interest in domestic equities, which continued to trade at a discount of around 35-40% despite strong dividend yield (near 7%) and corporate earnings growth (+20% YoY) helped the market to exhibit strong performance.

Sector wise, Food Producers, Metals and Mining, Beverages and Chemicals outperformed the KSE-100 index while the major sectors and index heavy weights including Banks and Oil & Gas Sectors remained among the underperformers while best performing stocks included Nestle, FFC, FFBL, POL and LOTPTA.

## Future Outlook

We believe that the global economic environment would remain jittery in the near term, which could provide further hiccups to the international as well as local equity markets. An unexpected 50 bps DR cut by the SBP during the early part of FY12 bodes well for the market, however, a ballooning fiscal deficit would continue to 'crowd out' domestic capital markets. Strong earnings growth, sizeable discount to regional markets, high dividend yields and relatively cheaper PE valuations warrant decent returns for long term investors in our view.

## Fund's Performance

The investment objective of the fund is to provide investors long term capital appreciation from its investment in Pakistani equities. The fund generated a return of 13.5% during the year as against its benchmark KSE-100 Index return of 28.5%.

Net assets of the fund that were Rs. 1.75 billion at the beginning of the period declined significantly to around Rs. 0.7 billion by year-end mainly due to sizeable redemptions post fund's conversion into open-ended scheme. Before the conversion into open-end scheme, the fund had sizeable exposure in illiquid stocks, which were difficult to sell in a low-volume market and hence had a higher impact cost resulting in fund's under-performance. Since inception return of the fund, on the other hand, has been staggering at 434.0% as against its benchmark return of 368.6%.

The Fund yields for the period under review remained as follows:

Performance Information (%)	PPF	Benchmark
Last twelve Months Return	13.5%	28.5%
Since Inception	434.0%	368.6%

During the year your fund earned net income of Rs 41.403 million. The Board in the meeting held on July 04, 2011 has declared final distribution amounting to Rs. 14.985 million (i.e. Rs. 0.21 per unit).

During the period, units worth Rs.13.399 million were issued and units with a value of Rs. 915.643 million were redeemed. Further, 169,804,687 units were issued against 169,804,687 shares of Pakistan Premier Fund Limited as per scheme of arrangement for conversion of the company into open-end scheme. As on 30 June 2011 the NAV of the Fund was Rs. 9.64 per unit.

# **PAKISTAN PREMIER FUND REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2011**

## **Update on Workers' Welfare Fund**

Through the Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment it appears that WWF Ordinance has become applicable to all Collective Investment Schemes (CISs) whose income exceeds Rs. 0.5 million in a tax year. In light of this, the Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honorable Sindh High Court challenging the applicability of WWF on CISs which was dismissed mainly on the ground that MUFAP is not an aggrieved party.

Subsequently, clarifications were 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. These clarifications were forwarded by the Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on these clarifications, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Other mutual funds to whom notices were issued by the FBR also took up the matter with FBR for their withdrawal.

Further, a fresh Constitutional Petition filed with the Honorable High Court of Sindh by a CIS / mutual fund and a pension fund through their trustee and an asset management company inter alia praying to declare that mutual funds / voluntary pension funds being pass through vehicles / entities are not industrial establishments and hence, are not liable to contribute to the WWF under the WWF Ordinance. The proceedings of the Honorable Court in this matter have concluded and the Honorable Court has reserved its decision.

Subsequent to the year ended June 30, 2011, the Honorable 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. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC.

In view of the afore mentioned developments, the Management Company firmly believes that there is no compelling reason to make provision on account of WWF contribution in the financial statements. Further, the Management Company also expects that the constitutional petition pending in the Honourable High Court of Sindh on the subject as referred above will be decided in favour of the Mutual Funds. However the auditor of the Fund because of pending adjudication of the Constitutional petition in Honourable Sindh High Court and included a emphasis of matter paragraph in auditor' report highlighting the said issue.

The aggregate unrecognised amount of WWF as at June 30, 2011 amounted to Rs. 11.062 million.

## **Corporate Governance**

The Fund is committed to high standards of corporate governance and the Board of Directors of the Management Company is accountable to the unit holders for good corporate governance. Management is continuing to comply with the provisions of best practices set out in the code of corporate governance particularly with regard to independence of non-executive directors. The Fund remains committed to conduct business in line with listing regulations of Karachi Stock Exchange.

The following specific statements are being given to comply with the requirements of the Code of Corporate Governance:

- a. Financial statements present fairly the statement of affairs, the results of operations, cash flows and Change in unit holders' fund.
- b. Proper books of accounts of the Fund have been maintained during the year.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements.  
Accounting estimates are based on reasonable prudent judgment.
- d. Relevant International Accounting Standards, as applicable in Pakistan, provisions of the Non Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- h. Key financial data as required by the Code of Corporate Governance has been summarized in the financial statements.
- i. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- j. The statement as to the value of investments of provident fund is not applicable on the Fund but applies to the Management Company, hence the disclosure has been made in the Directors' Report of the Management Company.

**PAKISTAN PREMIER FUND  
REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY  
FOR THE YEAR ENDED JUNE 30, 2011**

- k. The detailed pattern of unit holding, as required by NBFC Regulations and the Code of Corporate Governance are enclosed.
- l. As per note 1 of financial statements, MCB Asset Management Company Limited merged with and into Arif Habib Investments Limited on June 27, 2011. Statement showing attendance of Board Meeting is as under:-

**Attendance of Board Meeting  
from 1st July 2010 to 30th June 2011.**

S.#	Name	Designation	Meetings			
			Total	Attended	Eligible to Attend	Leave Granted
1.	Mr. Shafi Malik *	Former Chairman	15	15	15	-
2.	Mr. Nasim Beg **	E. Vice Chairman	15	15	15	-
3.	Mr. Muhammad Akmal Jameel *	Former Director	15	15	15	-
4.	Mr. Muhammad Kashif *	Former Director	15	11	15	4
5.	Syed Ajaz Ahmed *	Former Director	15	13	15	2
6.	Mr. Sirajuddin Cassim *	Former Director	15	4	15	11
7.	Mr. S. Gulrez Yazdani *	Former Director	15	13	15	2
8.	Mr. Samad A. Habib ***	Director	15	5	5	-
9.	Mian Mohammad Mansha ****	Chairman	15	1	1	-
10.	Mr. Yasir Qadri ****	Chief Executive	15	1	1	-
11.	Syed Salman Ali Shah ****	Director	15	1	1	-
12.	Mr. Haroun Rashid ****	Director	15	1	1	-
13.	Mr. Ahmed Jahangir ****	Director	15	1	1	-
14.	Mr. Mirza Mahmood Ahmad ****	Director	15	1	1	-

\* Resigned on 27th June, 2011

\*\* Mr. Nasim Beg resigned as Chief Executive on 27th June, 2011 and appointed as Executive Vice Chairman on the same date.

\*\*\* Mr. Samad A. Habib was elected as director on 7th February, 2011 and his appointment approved by SECP on 31st March, 2011.

\*\*\*\*Appointed on 27th June, 2011 and their approval of appointment from SECP is awaited.

- m. The trades in the units of the fund were carried out by the Directors, CEO, CFO/Company Secretary of the management company and their spouses and minor children, as are under:-

S. #	Name	Designation	Investment	Redemption	Bonus
			(Number of Units)		
1.	Mr. Nasim Baig	Executive Vice Chairman	4241	-	-
2.	Mr. Zeeshan	Former CFO & Company Secretary	500	-	-

**External Auditors**

The fund's external auditors, Messers A.F. Ferguson & Co., Chartered Accountants, have expressed their willingness to continue as the fund auditors for the ensuing year ending June 30, 2012. The audit committee of the Board has recommended reappointment of A.F. Ferguson & Co., Chartered Accountant as auditors of the fund for the year ending June 30, 2012.

**Acknowledgement**

The Board of Directors of the Management Company is thankful to the valued investors of the Fund for their reliance and trust in Arif Habib Investments Limited. The Board also likes to thank the Securities and Exchange Commission of Pakistan, State Bank of Pakistan, Central Depository Company of Pakistan Limited (the Trustee of the Fund) and the management of the Lahore Stock Exchange for their continued cooperation, guidance, substantiation and support. The Board also acknowledges the efforts put in by the team of the Management Company for the growth and meticulous management of the Fund.

**For and on behalf of the board**

**Yasir Qadri**  
Chief Executive

**Karachi: September 20, 2011**

# PAKISTAN PREMIER FUND FUND MANAGERS' REPORT UNDER MANAGEMENT OF ARIF HABIB INVESTMENTS LIMITED FOR THE YEAR ENDED JUNE 30, 2011

## Fund Type and Category

Pakistan Premier Fund PPFL is an Open-End Equity Scheme.

## Fund Benchmark

The benchmark for PPFL is KSE 100 Index.

## Investment Objective

The objective of the fund is to provide investors long term capital appreciation from its investments in Pakistani equities.

## Investment Strategy

Pakistan Premier Fund Limited (PPFL) is an open end equity fund. The fund takes a long term value investing approach and the portfolio is diversified across all major sectors with stocks having long term positive fundamentals. PPFL is a long only fund. The funds which are not invested in equities are required to be kept in bank deposits and short-term money market instruments/Placements.

## Manager's Review

PPF delivered 13.5% return vis-à-vis KSE100 return of 28.5% in FY11. Net assets of the fund which were Rs 1.75bn at the beginning of the period were reduced by 60.6% to Rs 0.688 bn. Average equity allocation of the fund comes out to be around 69.7% for the year. Main reason behind this huge depletion in fund's net assets and low average allocation is that PPF was converted from closed end scheme to open end scheme during the year and most investors preferred to materialize capital gains occurred due to market price and NAV differential of the fund.

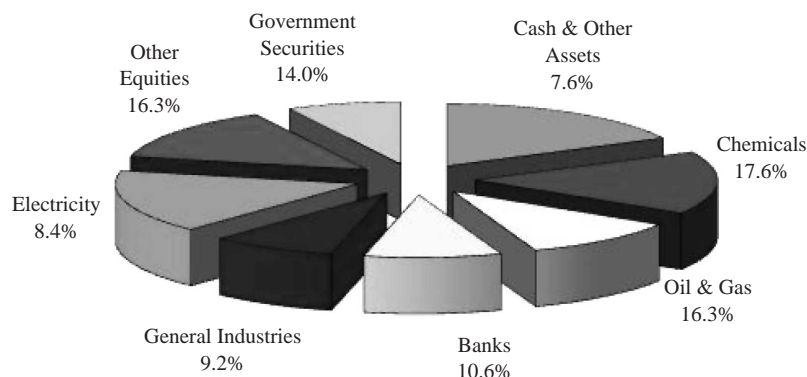
Before conversion PPF's portfolio had substantial investments in illiquid value stocks which are hard to sell and therefore have high impact cost. Anticipating heavy redemptions after conversion fund manager started reducing equities from July 2010 and brought down equity allocation from June 2010 allocation of 76.5% to 38.1% in November 2010 and protected investor's value by reducing impact cost. Equity allocation automatically improved to around 72% after major redemption run. Equity allocation was further improved as fund size stabilized and fund manager took new positions.

During the year fund liquidated its positions in BAH, IGIL, ADMM, WTCL, PAEL, CSUML, NESTLE, LAKST, PAKT, PSO, SEARL, ICI and CEPB. Fund took new position in LUCK during the period. Apart from these major changes partial selling of some major holding had to be done to generate cash for redemptions. Later exposures of various holdings were adjusted considering varying market conditions and changing risk profiles of companies and sectors.

Substantial portion of the portfolio remained concentrated in Oil and Gas and Chemicals sectors during the year which performed well. Out of the major holdings NESTLE, FFC, POL, PPL and ICI outperformed the benchmark KSE100 while ABL, NML, LUCK, PICT, KAPCO, HUBC, PAKT, PKGS, SEARL, INIL, ENGRO and PSMC underperformed the Index. Underperformance of the fund is mainly attributed to PKGS, ABL, HUBC, KAPCO, PSMC, INIL, SEARL and ENGRO in which fund has major investments and which could not perform up to the mark. Another reason for large underperformance was that fund had very low equity exposure for several months due to conversion factor.

PPF's portfolio mostly consists of fundamentally strong profitable companies which have good earnings growth prospects in future. Moreover we are in process of realigning portfolio to the new economic and market realities. Although dependent on market conditions, we are confident to deliver better performance in future on the back of strategic changes we are making in the portfolio.

Asset Allocation as on June 30, 2011 (% of total assets)



**Mr. Muhammad Asim, CFA**  
Fund Manager

Karachi: September 20, 2011

# **PAKISTAN PREMIER FUND TRUSTEE REPORT TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2011**

## **Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

The Pakistan Premier Fund (the Fund), an open-end fund was constituted by virtue of a scheme of arrangement for conversion of Pakistan Premier Fund Limited, a closed- end fund into an open-end fund under a trust deed dated November 12, 2010, executed between Arif Habib Investments Limited, as the Management Company and Central Depository Company of Pakistan Limited, as a Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the period from December 22, 2010 to June 30, 2011 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: October 26, 2011**

## **PAKISTAN PREMIER FUND STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2011**

This statement is being presented by the Board of Directors of Arif Habib Investments Limited ("the Management Company"), the Management Company of **Pakistan Premier Fund** ("the Fund") to comply with the Code of Corporate Governance contained in Listing Regulations of Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Management Company has applied the principles contained in the Code in the following manner:

1. The Management Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes three independent non-executive directors out of a total strength of eight directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Management Company.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year Mr. Muhammad Shafi Malik, Mr. Sirajuddin Cassim, Mr. Muhammad Akmal Jameel, Mr. Muhammad Kashif, Mr. S. Gulrez Yazdani and Syed Ajaz Ahmed had resigned and were replaced by Mian Mohammad Mansha, Mr. Haroun Rasheed, Mr. Ahmed Jahangir, Mr. Yasir Qadri, Dr. Salman Shah and Mr. Mirza Mehmood Ahmad, respectively, as directors of the Management Company, on the same day due to merger as fully explained in note 1 to the financial statements.
5. The Management Company has prepared a 'Statement of Ethics and Business Practices', which has been approved by the Board of Directors and signed by all the directors and employees of the Management Company.
6. The Board has developed vision / mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive (CE) has been taken by the Board. As on June 30, 2011, there are no other executive directors of the Management Company besides the Executive Vice Chairman and Chief Executive.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings, except for emergency meeting for which written notice of less than seven days was served. The minutes of the meetings were appropriately recorded and circulated and signed by the Chairman of the Board of Directors.
9. The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
10. The Company has planned to conduct an orientation course for its directors, in the near future to appraise them of their duties and responsibilities.
11. The Board has approved appointment, remuneration and terms and conditions of the employment of Chief Financial Officer and Company Secretary and Head of Internal Audit, as determined by the Chief Executive.
12. The Directors' Report of the Fund for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The Directors, CE and executives of the Management Company do not hold any interest in the units of the Fund other than that disclosed in the pattern of unit holding.
14. The financial statements of the Fund were duly endorsed by CEO and CFO of the Management Company before approval of the Board.
15. The Management Company has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed an audit committee for the Management Company. It comprises of four members, out of which two are non-executive directors.
17. The meetings of the audit committee were held at least once every quarter prior to approval of the interim and final results of the Fund and as required by the Code. The terms of reference of the committee have been approved by the Board and advised to the committee for compliance.
18. The Company has an effective internal audit function which was headed by the Head of Internal Audit who resigned on amalgamation. The staff is considered to be suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company and is involved in the internal audit function on a full time basis.



**PAKISTAN PREMIER FUND  
STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE  
FOR THE YEAR ENDED JUNE 30, 2011**

19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.

**On behalf of the board**

**Karachi: September 20, 2011**

**Yasir Qadri  
Chief Executive**

# **PAKISTAN PREMIER FUND REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Arif Habib Investments Limited (the Management Company) for and on behalf of **Pakistan Premier Fund** to comply with the requirements of Chapter XI of the Listing Regulations of the Lahore Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Sub-Regulation (xiii a) of Listing Regulation No. 35 requires the Management Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length prices recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of the above requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance for and on behalf of the Fund, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the period from December 22, 2010 to June 30, 2011.

**Chartered Accountants  
Karachi  
Dated: October 25, 2011**

# PAKISTAN PREMIER FUND

## INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

We have audited the annexed financial statements comprising:

- i. Balance Sheet;
- ii. Income Statement
- iii. Cash Flow Statement;
- iv. Statements of Movement in Participants' Sub-Fund;
- v. Statement of Investments by Category;
- vi. Statement of Investment Portfolio;
- vii. Statement of Other Investments;
- viii. Contribution Table;
- ix. Statement of Number Of Units in Issue; and
- x. Financial Performance Table

of Pakistan Pension Fund (the Fund) as at June 30, 2011 together with the notes forming part thereof for the year then ended.

It is the responsibility of the Pension Fund Manager to establish and maintain a system of internal control and prepare and present the financial statements of the Fund in conformity with the International Accounting Standard notified under sub-section (3) of section 234 of the Companies Ordinance, 1984, and technical releases issued by the Institute of Chartered Accountants Of Pakistan from time to time and requirements of the Voluntary Pension System Rules, 2005 and the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amount and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimated made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements for the year ended June 30, 2010 were audited by another firm of Chartered Accountants whose report dated August 03, 2010 contained a qualified opinion, on the basis of not recording provision against Workers' Welfare Fund.

In our opinion:

- a. the financial statements prepared for the year have been properly drawn up in accordance with the relevant provisions of the Trust Deed and the Voluntary Pension System Rules, 2005 including the guidelines thereunder;
- b. a true and fair view is given of the financial position of the Fund as at June 30, 2011 and of the transaction of the Fund for the year ended June 30, 2011 in accordance with the approved accounting standards as applicable in Pakistan;
- c. the allocation and reallocation of units of the sub-funds for all the participants have been made according to the Voluntary Pension System Rules, 2005;
- d. the cost and expenses debited to the Fund and apportionment of expenses between sub-funds are as specified in the constitutive documents of the Fund;
- e. proper books and records have been kept by the Fund and the financial statements prepared are in agreement with the Fund's books and records;
- f. we were able to obtain all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit; and
- g. no Zakat was deductible at source under the Zakat Ushr Ordinance, 1980.

We draw attention to note 7.1 to the accompanying financial statements which refers to an uncertainty relating to the future outcome of the litigation regarding contribution to the Workers' Welfare Fund which is currently pending adjudication at the Honorable High Court of Sindh. Our opinion is not qualified in respect of this matter.

### Chartered Accountants

Engagement Partner  
**Mushtaq Ali Hirani**

**Dated: October 25, 2011**  
**Karachi**

# **FINANCIAL STATEMENTS**

**PAKISTAN PREMIER FUND  
STATEMENT OF ASSETS AND LIABILITIES  
AS AT JUNE 30, 2011**

	Note	June 30, 2011
		(Rupees in '000)
<b>ASSETS</b>		
Bank balances	4	47,629
Investments	5	652,364
Dividend and profit receivable	6	1,340
Deposits and prepayments	7	2,700
Advance tax	8	2,655
<b>Total assets</b>		<b>706,688</b>
<b>LIABILITIES</b>		
Payable to Arif Habib Investments Limited - Management Company	9	6,840
Payable to Central Depository Company of Pakistan Limited - Trustee	10	116
Payable to Securities and Exchange Commission of Pakistan	11	1,101
Payable on redemption of units		194
Dividend payable	12	10,266
Accrued expenses and other liabilities	13	646
<b>Total liabilities</b>		<b>19,163</b>
<b>NET ASSETS</b>		<b>687,525</b>
<b>UNIT HOLDERS' FUND (as per statement attached)</b>		<b>687,525</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	14	
		(Number of Units)
<b>Number of units in issue</b>		<b>71,355,463</b>
		(Rupees)
<b>NET ASSET VALUE PER UNIT</b>	3.8	<b>9.64</b>

The annexed notes 1 to 27 form an integral part of these financial statements.

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

Chief Executive

Director

**PAKISTAN PREMIER FUND  
INCOME STATEMENT  
FOR THE PERIOD FROM DECEMBER 22, 2010 TO JUNE 30, 2011**

	Note	For the period from December 22, 2010 to June 30, 2011
<b>(Rupees in '000)</b>		
<b>INCOME</b>		
Capital gain on sale of investments - net		6,944
Income from government securities		7,569
Profit on bank deposits		2,057
Dividend income		20,198
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5.3	24,890
Other income		431
<b>Total income</b>		<b>62,089</b>
<b>EXPENSES</b>		
Remuneration of Arif Habib Investments Limited - Management Company	9.1	7,738
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10.1	771
Annual fee - Securities and Exchange Commission of Pakistan	11.1	368
Securities transaction cost		351
Settlement and bank charges		154
Fees and subscriptions		112
Auditors' remuneration	15	382
Printing and related cost		21
<b>Total expenses</b>		<b>9,897</b>
<b>Net income from operating activities</b>		<b>52,192</b>
Element of income / (loss) and capital gain / (losses) included in prices of units issued less those in units redeemed		(10,789)
<b>Net income for the period before taxation</b>		<b>41,403</b>
Taxation	16	-
<b>Net income for the period after taxation</b>		<b>41,403</b>
<b>Other comprehensive income / (loss) for the period</b>		
Net unrealised appreciation / diminution in market value of investments classified as 'available for sale'		-
<b>Total comprehensive income for the period</b>		<b>41,403</b>
<b>Earnings per unit</b>	3.9	

The annexed notes 1 to 27 form an integral part of these financial statements.

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

Chief Executive

Director

**PAKISTAN PREMIER FUND  
DISTRIBUTION STATEMENT  
FOR THE PERIOD FROM DECEMBER 22, 2010 TO JUNE 30, 2011**

**For the  
period from  
December 22,  
2010 to  
June 30, 2011**

**(Rupees in '000)**

Loss transferred from Pakistan Premier Fund Limited	(160,470)
Net income for the period after taxation	41,403
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	93,037
<b>Accumulated loss carried forward</b>	<u>(26,030)</u>
<b>Undistributed income / accumulated losses comprising of</b>	
- Realised loss	(50,920)
- Unrealised gain	24,890
	<u>(26,030)</u>

The annexed notes 1 to 27 form an integral part of these financial statements.

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

Chief Executive

Director

**PAKISTAN PREMIER FUND  
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND  
FOR THE PERIOD FROM DECEMBER 22, 2010 TO JUNE 30, 2011**

	Note	For the period from December 22, 2010 to June 30, 2011
<b>(Rupees in '000)</b>		
<b>Net assets at the beginning of the period</b>		
Issue of 169,804,687 units against 169,804,687 shares of Pakistan Premier Fund Limited upon conversion to Pakistan Premier Fund as per Scheme of Arrangement	17	1,537,577
Issue of 1,425,969 units		13,399
Redemption of 99,875,193 units		(915,643)
		635,333
Element of (income) / losses and capital (gains) / losses included in prices of units issued less those in units redeemed		
- transferred to the Income Statement		10,789
- transferred to Distribution Statement		(93,037)
		(82,248)
Capital gain on sale of investments		
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5.3	24,890
Other net income for the period		9,569
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - transferred to Distribution statement		93,037
		134,440
<b>Net assets at the end of the period</b>		<b>687,525</b>

The annexed notes 1 to 27 form an integral part of these financial statements.

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

Chief Executive

Director



**PAKISTAN PREMIER FUND  
CASH FLOW STATEMENT  
FOR THE PERIOD FROM DECEMBER 22, 2010 TO JUNE 30, 2011**

	Note	For the period from December 22, 2010 to June 30, 2011
<b>(Rupees in '000)</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net income for the period before taxation</b>		<b>41,403</b>
<b>Adjustments for non-cash and other items:</b>		
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		(24,890)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		10,789
		<u>27,302</u>
<b>(Increase) / decrease in assets</b>		
Investments		429,946
Dividend and profit receivable		1,015
Deposits and prepayments		135
Advance tax		-
		<u>431,096</u>
<b>Increase / (decrease) in liabilities</b>		
Payable to Arif Habib Investments Limited - Management Company		(658)
Payable to Central Depository Company of Pakistan Limited - Trustee		116
Payable to Securities and Exchange Commission of Pakistan		367
Payable on redemption of units		194
Dividend payable		(53,321)
Accrued expenses and other liabilities		(1,813)
		<u>(55,115)</u>
<b>Net cash inflow from operating activities</b>		<u>403,283</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issue of units		13,399
Payments on redemption of units		(915,643)
		<u>(902,244)</u>
Bank balance transferred from Pakistan Premier Fund Limited upon conversion	17	546,590
<b>Net cash outflow on financing activities</b>		<u>(355,654)</u>
<b>Net increase in cash and cash equivalents during the period</b>		<u>47,629</u>
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	4	<u>47,629</u>
The annexed notes 1 to 27 form an integral part of these financial statements.		

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

Chief Executive

Director

# **PAKISTAN PREMIER FUND**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

### **FOR THE PERIOD FROM DECEMBER 22, 2010 TO JUNE 30, 2011**

#### **1. LEGAL STATUS AND NATURE OF BUSINESS**

Pakistan Premier Fund (the Fund) was constituted by virtue of a Scheme of Arrangement for conversion of Pakistan Premier Fund Limited (PPFL) into an Open End Scheme under a Trust Deed executed between Arif Habib Investments Limited (AHIL), as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on November 12, 2010 after being approved by the Securities and Exchange Commission of Pakistan (SECP) on November 11, 2010 in accordance with the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

Based on shareholders' resolutions of MCB Asset Management Company Limited and Arif Habib Investments Limited the two companies have merged as of 27th June 2011 through operation of an order from the SECP issued under Section 282L of the Companies Ordinance 1984 (Order through letter no. SCD/NBFC-II/MCBAMCL & AHIL/271/2011 dated June 10, 2011 ). 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 30th July 2011 (through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AHI/348/2011 dated June 27, 2011). Since the merger had already taken place and the subsequent order of the SECP could not be complied with, the Company has sought a ruling by the honourable Sindh High Court (SHC). The honourable 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.

The Management Company (Arif Habib Investments Limited) has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the management company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.

The Fund has been categorised as an open end equity scheme as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorization of Collective Investment Schemes (CIS) and listed on the Lahore Stock Exchange on January 13, 2011. Units are offered for public subscription on a continuous basis . The units are transferrable and can be redeemed by surrendering them to the Fund.

Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of "AM2" (positive outlook) to the management company.

The Fund primarily invests in shares of listed equity securities and cash and near cash instruments which include cash in bank accounts (excluding TDRs), and treasury bills not exceeding 90 days remaining in maturity.

The face value per unit is Rs.10. As per the scheme of conversion of a closed end fund into an open end scheme, a swap ratio of 1:1 (i.e. for each fully paid up share of par value of Rs.10 of Pakistan Premier Fund Limited, each share holder whose name was entered in the Register of Members of Pakistan Premier Fund Limited on the effective date was issued one unit of the open end scheme of the par value of Rs 10 with no Front-end load upon issuance of the Units of Open End Scheme, the shares of Pakistan Premier Fund Limited and the corresponding share certificates were deemed to be cancelled and of no effect) was approved by the share holders of Pakistan Premier Fund Limited vide their Special Resolution dated September 25, 2010. Hence the initial issuance of 169,804,687 units of Pakistan Premier Fund was made at the net asset value received against each unit ( i.e. 9.05 per unit).

As per clause 2.3.1 of the Trust Deed, the Fund shall become operative from the "effective date" upon conversion of Pakistan Premier Fund Limited into an open end scheme. Therefore these financial statements have been prepared from December 22, 2010, i.e., the "effective date" of conversion.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan as a trustee of the Fund.

In accordance with the letter no. SCD/AMCWPPFL/277/2011 of Specialized Companies Division of Securities and Exchange Commission of Pakistan, Pakistan Premier Fund Limited (PPFL) has been dissolved and the name has been deleted from the register of companies with effect from June 14, 2011.

#### **2. BASIS OF PREPARATION**

##### **2.1 Statement of compliance**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, 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 Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Regulations or the directives issued by the SECP prevail.

# **PAKISTAN PREMIER FUND**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

### **FOR THE PERIOD FROM DECEMBER 22, 2010 TO JUNE 30, 2011**

#### **2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year**

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the year and are mandatory for accounting periods beginning on or after July 1, 2010 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not detailed in these financial statements.

#### **2.3 New and amended standards and interpretations that are not yet effective and have not been early adopted**

The following revised standard has been published and is mandatory for accounting periods beginning on or after July 1, 2011:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Fund will apply the revised standard from July 1, 2011. The Fund is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.

There are other amendments to the standards, improvements to International Financial Reporting Standards 2010 and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

#### **2.4 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments (note 3.2 and note 5).

#### **2.5 Accounting convention**

These financial statements have been prepared under the historical cost convention except for investments classified as 'financial assets at fair value through profit and loss' which are carried at fair value.

#### **2.6 Functional and presentation currency**

These financial statements are presented in Pak Rupees, which is the Fund's functional and presentation currency.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below:

#### **3.1 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of assets and liabilities at cost. Cash and cash equivalents comprise of bank balances and short term investments having original maturities of less than three months.

#### **3.2 Financial assets**

##### **3.2.1 Classification**

The Fund classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the appropriate classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

**PAKISTAN PREMIER FUND**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM DECEMBER 22, 2010 TO JUNE 30, 2011**

**(a) Financial assets at fair value through profit or loss**

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the 'financial assets at fair value through profit or loss' category.

**(b) Loans and receivables**

These are non-derivatives financial assets with fixed or determinable payments that are not quoted in an active market.

**(c) Available-for-sale**

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held to maturity investments or (c) financial assets at fair value through profit or loss.

**3.2.2 Regular way contracts**

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

**3.2.3 Initial recognition and measurement**

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

**3.2.4 Subsequent measurement**

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss are valued as follows:

**a) Basis of valuation of government securities**

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Market Association.

**b) Basis of valuation of listed equity securities**

The investment of the Fund in equity securities is valued on the basis of closing quoted market prices available at the stock exchange.

Net gains and losses arising on changes in the fair value of financial assets carried at fair value through profit or loss are taken to the Income Statement.

**3.2.5 Impairment**

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

**3.2.6 Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

**3.2.7 Offsetting of financial assets and liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Assets and Liabilities when there is a legally enforceable right to set off the recognised amounts and there is a intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

**PAKISTAN PREMIER FUND  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE PERIOD FROM DECEMBER 22, 2010 TO JUNE 30, 2011**

**3.3 Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

**3.4 Derivatives**

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the income statement.

**3.5 Proposed distributions**

Distributions declared subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

**3.6 Issue and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. The sales load is payable to the investment facilitators, distributors and the Management Company. Transaction costs are recorded as the income of the Fund.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption requests during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

**3.7 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed**

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of income per unit and distribution of income already paid out on redemption.

The Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period which pertains to unrealised gains / (losses) held in the Unit Holder's Funds in a separate reserve account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognised in the Income Statement.

**3.8 Net asset value per unit**

The net asset value (NAV) per unit, as disclosed on the Statement of Assets and Liabilities, is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

**3.9 Earnings per unit**

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

**3.10 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 ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders.

**PAKISTAN PREMIER FUND**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM DECEMBER 22, 2010 TO JUNE 30, 2011**

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

**3.11 Revenue recognition**

- Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Income from government securities is recognised using the effective interest method.
- Profit on bank deposits is recognised on an accrual basis.
- Dividend income is recognised when the right to receive dividend is established.
- Unrealised capital gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.

<b>4. BANK BALANCES</b>		<b>Note</b>		<b>June 30, 2011</b>
				<b>(Rupees in '000)</b>
In current accounts				10,265
In saving accounts		4.1		37,364
				<u>47,629</u>

**4.1** Profit rates on saving accounts range between 10.5% to 11.5% per annum. This also includes Rs. 2.574 million with related parties on which return is earned at 11.5% per annum.

<b>5. INVESTMENTS</b>		<b>Note</b>		<b>June 30, 2011</b>
				<b>(Rupees in '000)</b>
<b>At fair value through profit or loss</b>				<b>98,773</b>
- Government securities		5.1		553,591
- Listed equity securities		5.2		<u>652,364</u>

**PAKISTAN PREMIER FUND  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE PERIOD FROM DECEMBER 22, 2010 TO JUNE 30, 2011**

**5.1 Government Securities**

Issue Date	-----Face value -----					Balance as at June 30, 2011			Market value as a percentage of total investment	Market value as a percentage of net assets
	Tenor	Transferred from PPFL as on Dec 22, 2010	Purchases during the period	Sales / Matured during the period	As at June 30, 2011	Cost	Market value	Appreciation / (Diminution)		

------(Rupees in '000)-----

**MARKET TREASURY BILLS**

October 7, 2010	03 months	20,000	-	20,000	-	-	-	-	-	-
October 21, 2010	03 months	110,000	-	110,000	-	-	-	-	-	-
November 4, 2010	03 months	200,000	-	200,000	-	-	-	-	-	-
November 16, 2010	03 months	115,000	-	115,000	-	-	-	-	-	-
January 27, 2011	03 months	-	125,000	125,000	-	-	-	-	-	-
April 7, 2011	03 months	-	30,000	30,000	-	-	-	-	-	-
February 24, 2011	03 months	-	50,000	50,000	-	-	-	-	-	-
April 21, 2011	03 months	-	50,000	-	50,000	49,771	49,764	(7)	8%	7%
June 2, 2011	03 months	-	50,000	-	50,000	49,018	49,009	(9)	8%	7%
						<b>98,789</b>	<b>98,773</b>	<b>(16)</b>		

**5.2 Listed equity securities**

Name of the Investee company	Number of shares					Balance as at June 30, 2011			Market value as a percentage of total investment	Market value as a percentage of net assets	Paid up value of shares held as a % of total paid up capital of the investee company
	Transferred from PPFL as on Dec 22, 2010	Purchased during the period	Bonus / Right Issue / Special Dividend	Sales during the period	As at June 30, 2011	Cost	Market value	Appreciation / (Diminution)			

------(Rupees in '000)-----

**SHARES OF LISTED COMPANIES** - Fully paid ordinary shares of Rs. 10 each unless stated otherwise

**OIL & GAS**

Pakistan Oilfields Limited	182,480	-	-	-	182,480	53,228	65,512	12,284	10.04%	9.53%	0.08%
Pakistan Petroleum Limited	239,334	-	-	-	239,334	51,512	49,559	(1,953)	7.60%	7.21%	0.02%
						<b>104,740</b>	<b>115,071</b>	<b>10,331</b>			

**CHEMICALS**

Engro Corporation Limited	254,217	-	50,843	-	305,060	50,167	49,801	(366)	7.63%	7.24%	0.08%
Fauji Fertilizer Company Limited	396,843	-	99,210	-	496,053	46,625	74,581	27,956	11.43%	10.85%	0.06%
I.C.I. Pakistan Limited	347,000	-	-	347,000	-	-	-	-			
						<b>96,792</b>	<b>124,382</b>	<b>27,590</b>			

**PAKISTAN PREMIER FUND**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM DECEMBER 22, 2010 TO JUNE 30, 2011**

Name of the Investee company	Number of shares					Balance as at June 30, 2011			Market value as a percentage of total investment	Market value as a percentage of net assets	Paid up value of shares held as a % of total paid up capital of the investee company
	Transferred from PPFL as on Dec 22, 2010	Purchased during the period	Bonus / Right Issue / Special Dividend	Sales during the period	As at June 30, 2011	Cost	Market value	Appreciation / (Diminution)			
----- (Rupees in '000) -----											
<b>INDUSTRIAL METALS AND MINING</b>											
International Industries	-	65,000	-	-	65,000	3,306	3,218	(88)	0.49%	0.47%	0.05%
						3,306	3,218	(88)			
<b>CONSTRUCTION AND MATERIALS</b>											
Lucky Cement	-	305,000	-	-	305,000	22,034	21,606	(428)	3.31%	3.14%	0.09%
						22,034	21,606	(428)			
<b>GENERAL INDUSTRIALS</b>											
Packages Limited	588,011	-	-	-	588,011	72,966	64,681	(8,285)	9.91%	9.41%	0.70%
						72,966	64,681	(8,285)			
<b>INDUSTRIAL TRANSPORTATION</b>											
Pakistan International Container Terminal Limited	428,329	-	-	-	428,329	31,272	34,802	3,530	5.33%	5.06%	0.39%
						31,272	34,802	3,530			
<b>AUTOMOBILE AND PARTS</b>											
Pak Suzuki Motor Company Limited	588,488	-	-	378,340	210,148	14,521	13,145	(1,376)	2.01%	1.91%	0.26%
						14,521	13,145	(1,376)			
<b>PERSONAL GOODS</b>											
Kohinoor Mills Limited	547,932	-	-	-	547,932	1,310	575	(735)	0.09%	0.08%	0.90%
Nishat Mills Limited	828,514	-	-	-	828,514	52,404	41,708	(10,696)	6.39%	6.07%	0.24%
						53,714	42,283	(11,431)			
<b>PHARMA AND BIO TECH</b>											
Searle Pakistan Limited	567,906	-	-	567,906	-	-	-	-	0.00%	0.00%	0.00%
						-	-	-			
<b>ELECTRICITY</b>											
Hub Power Company Limited	626,250	-	-	-	626,250	23,528	23,484	(44)	3.60%	3.42%	0.40%
Kohinoor Energy Limited	530,165	-	-	222,689	307,476	6,125	5,074	(1,051)	0.78%	0.74%	0.18%
Kot Addu Power Company Limited	725,433	-	-	-	725,433	29,423	30,911	1,488	4.74%	4.50%	0.08%
						59,076	59,469	393			



**PAKISTAN PREMIER FUND  
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Name of the Investee company	Number of shares					Balance as at June 30, 2011			Market value as a percentage of total investment	Market value as a percentage of net assets	Paid up value of shares held as a % of total paid up capital of the investee company
	Transferred from PPFL as on Dec 22, 2010	Purchased during the period	Bonus / Right Issue / Special Dividend	Sales during the period	As at June 30, 2011	Cost	Market value	Appreciation / (Diminution)			

----- (Rupees in '000) -----

**BANKS**

Allied Bank Limited	810,306	-	81,030	-	891,336	52,265	57,170	4,905	8.76%	8.32%	0.10%
Habib Metropolitan Bank Limited	679,992	-	135,998	-	815,990	17,999	17,764	(235)	2.72%	2.58%	0.08%
						<u>70,264</u>	<u>74,934</u>	<u>4,670</u>			

**DELISTED COMPANIES\*\***

Sarhad Ghee Mills Limited	113,000	-	-	-	113,000	-	-	-	-	-	-
Sunflo Citruss Limited	315,000	-	-	-	315,000	-	-	-	-	-	-
						<u>-</u>	<u>-</u>	<u>-</u>			

**TOTAL**

528,685      553,591      24,906

24

**5.3 Unrealised appreciation on re-measurement of financial assets at 'fair value through profit or loss'**

Market value of investments  
Less: Carrying value of investments

June 30, 2011
(Rupees in '000)
652,364
<u>(627,474)</u>
<u>24,890</u>

**6. DIVIDEND AND PROFIT RECEIVABLE**

Dividend receivable  
Profit accrued on bank deposits

1,197
143
<u>1,340</u>

**PAKISTAN PREMIER FUND**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
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**7. DEPOSITS AND PREPAYMENTS**

	Note	<b>June 30, 2011</b>
		(Rupees in '000)
Deposit with Central Depository Company of Pakistan Limited		200
Deposit with National Clearing Company of Pakistan Limited		2,500
		<u>2,700</u>

**8. ADVANCE TAX**

Advance tax	8.1	2,655
		<u>2,655</u>

- 8.1** Adjustment / refund of advance tax by Pakistan Premier Fund Limited as on December 22, 2010 from Federal Board of Revenue has been transferred in the books of accounts of Pakistan Premier Fund by virtue of conversion undertaken as per clause (l) of Article IV of the Scheme of Arrangement. As per the advice of the tax consultants KPMG Taseer Hadi & Co, the Management believes Pakistan Premier Fund holds a right to get adjustment / refund on behalf of Pakistan Premier Fund Limited from the concerned tax authorities.

**9. PAYABLE TO ARIF HABIB INVESTMENTS LIMITED - MANAGEMENT COMPANY**

	Note	<b>June 30, 2011</b>
		(Rupees in '000)
Management fee	9.1	1,160
Conversion cost payable	9.2	5,680
		<u>6,840</u>

- 9.1** Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company is entitled to a remuneration, during the first five years of the Company, of an amount not exceeding 3 percent of the average annual net assets of the Company and thereafter of an amount equal to 2 percent of such assets of the Company. The Management Company has charged its remuneration for the current year at the rate of 2 percent per annum.

- 9.2** Conversion cost include all costs of conversion of Pakistan Premier Fund Limited into an Open End Scheme, including preparation, execution and registration of Constitutive Document registration of the Open End Scheme as a Notified Entity, approval of the SECP for publication of the Offering Documents and other such ancillary matters. These have been charged to the Pakistan Premier Fund Limited in terms of conditions imposed by SECP while granting approval to the conversion undertaken. The conversion cost shall be reimbursed by the Fund to the Management Company over a period of five years as per Article XIV of Scheme of Arrangement.

**10. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE**

	Note	<b>June 30, 2011</b>
		(Rupees in '000)
Trustee fee	10.1	116
		<u>116</u>

- 10.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein based on the daily net assets of the Fund.

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2011 is as follows:

Amount of funds under management (average NAV)	Tariff per annum
Upto Rs 1,000 million	Rs 0.7 million or 0.20% per annum of NAV whichever is higher.
On an amount exceeding Rs 1,000 million	Rs 2 million plus 0.10% per annum of NAV exceeding Rs 1,000 million.

**PAKISTAN PREMIER FUND  
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<b>11. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>	<b>Note</b>	<b>June 30, 2011</b>
		<b>(Rupees in '000)</b>
Payable to Securities and Exchange Commission of Pakistan	11.1	<u>1,101</u>
		<u>1,101</u>

**11.1** Under the provisions of Schedule II of the Non Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme being an equity fund is required to pay as annual fee to the SECP, an amount equal to 0.095% of the average annual net assets of the scheme.

<b>12. DIVIDEND PAYABLE</b>	<b>Note</b>	<b>June 30, 2011</b>
		<b>(Rupees in '000)</b>
Dividend payable	12.1	<u>10,266</u>
		<u>10,266</u>

**12.1** The Board of Directors of the Pakistan Premier Fund Limited in their meeting held on August 05, 2010 had proposed a final cash dividend for the year ended June 30, 2010 of Rs.1.86 per share amounting to Rs. 315.837 million duly approved by the members at the Annual General Meeting to be held on September 25, 2010.

The Board of Directors of the Pakistan Premier Fund Limited also approved an interim dividend for the period from July 1, 2010 to December 21, 2010 in their meeting held on December 22, 2010 of Rs. 0.30 per share amounting to Rs. 50.942 million.

Dividend payable amounting to Rs. 63.587 million stood outstanding on the books of accounts of Pakistan Premier Fund Limited as on effective date of conversion (December 22, 2010). This was transferred in the books of accounts of Pakistan Premier Fund by virtue of conversion undertaken as per clause (n) of Article IV of the Scheme of Arrangement. As on December 31, 2010, unclaimed dividend of Rs. 10.266 million stands outstanding in the books of accounts of Pakistan Premier Fund.

<b>13. ACCRUED EXPENSES AND OTHER LIABILITIES</b>	
	<b>June 30, 2011</b>
	<b>(Rupees in '000)</b>
Auditor's remuneration payable	310
Legal and professional charges payable	140
NCSS charges	15
Printing and related payables	175
Tax payable on redemption	6
	<u>646</u>

**14. CONTINGENCIES AND COMMITMENTS**

**14.1** 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 light of this, Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honorable Sindh High Court challenging the applicability of WWF on CISs which was dismissed mainly on the ground that MUFAP is not an aggrieved party.

Subsequently, clarifications were 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. These clarifications were forwarded by the Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on these clarifications, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Other mutual funds to whom notices were issued by the FBR also took up the matter with FBR for their withdrawal.

**PAKISTAN PREMIER FUND**  
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Further, a fresh Constitutional Petition has been filed with the Honorable High Court of Sindh by a CIS / mutual fund and a pension fund through their trustee and an asset management company inter alia praying to declare that mutual funds / voluntary pension funds being pass through vehicles / entities are not industrial establishments and hence, are not liable to contribute to the WWF under the WWF Ordinance. The proceedings of the Honorable Court in this matter have concluded and the Honorable Court has reserved its decision.

Subsequent to the year ended June 30, 2011, the Honorable 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. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC. 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 recognised by the Management Company. The aggregate unrecognised amount of WWF as at June 30, 2011 amounted to Rs 11.062 million (including Rs 10.234 million of Pakistan Premier Fund Limited, the net assets of which have been transferred to Pakistan Premier Fund).

14.2 There were no other contingencies and commitments outstanding as at June 30, 2011.

**15. AUDITOR'S REMUNERATION**

	<b>June 30, 2011</b>
	<b>(Rupees in '000)</b>
Annual audit fee	250
Half yearly review	50
Reporting on CCG compliance	30
Other certifications and services	30
Out of pocket expenses	22
	<u>382</u>

**16. 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 ninety 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 has distributed the required minimum percentage of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders.

**17. NET ASSETS TRANSFERRED FROM PAKISTAN PREMIER FUND LIMITED**

All assets and liabilities of the Pakistan Premier Fund Limited (Investment Company) as on the Effective Date (December 22, 2010) have been transferred to and vest in Pakistan Premier Fund (Open End Scheme) by virtue of Article IV of the Scheme of Arrangement for conversion of the Company into an Open End Scheme duly sanctioned by SECP via letter dated October 8, 2010. Conversion was effected by the issuance of units of Pakistan Premier Fund to the shareholders based on the swap ratio of 1:1 i.e. for each fully paid share of the par value of Rs 10 of the Company on the Effective Date. Upon issuance of the units of the Open End Scheme the share certificates of the Company are deemed to be cancelled and of no effect.

Details of net assets transferred on the effective date (December 22, 2010) are as follows:

<b>ASSETS</b>	<b>(Rupees in '000)</b>
Bank balances	546,590
Receivable against sale of investments	-
Investments	1,057,420
Dividend and profit receivable	2,355
Deposits and prepayments	2,835
Advance tax	2,655
<b>Total Assets</b>	<b>1,611,855</b>

**PAKISTAN PREMIER FUND**  
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<b>LIABILITIES</b>	<b>(Rupees in '000)</b>
Payable to the Management Company	1,818
Payable to Securities and Exchange Commission of Pakistan	734
Accrued expenses and other liabilities	2,459
Dividend payable	63,587
Conversion cost payable	5,680
<b>Total Liabilities</b>	<b>74,278</b>
<b>NET ASSETS</b>	<b>1,537,577</b>
<b>Unit holders' funds</b>	<b>1,537,577</b>
	<b>(Number of units)</b>
<b>Number of units in issue</b>	<b>169,804,687</b>
	<b>(Rupees in '000)</b>
<b>17.1 Net Asset Value per unit transferred from PPFL</b>	<b>9.05</b>

**18. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES**

Connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, the Trustee, directors and key management personnel and other associated undertakings.

Performance fee payable to the Management Company is determined in accordance with the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and constitutive documents of the Fund.

Other transactions with connected persons are in the normal course of business and are carried out on agreed terms.

**18.1 Details of transactions and balances at period end with connected persons / related parties are as follows:**

**Transactions during the period with connected persons / related parties**

	<b>For the period from December 22, 2010 to June 30, 2011</b>
	<b>(Rupees in '000)</b>
<b>Management Company</b>	
Remuneration for the period	7,738
Issue of 16,975,034 units on conversion of fund into an open end scheme	153,624
Redemption of 16,975,034 units	153,669
<b>Central depository Company of Pakistan Limited</b>	
Remuneration for the period	771
CDS Eligibility charges	22

**PAKISTAN PREMIER FUND  
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**For the  
period from  
December 22,  
2010 to  
June 30, 2011**

**(Rupees in '000)**

**Arif Habib Limited - Brokerage house**

Brokerage paid during the period 80

**Summit Bank Limited**

Issue of 2,183,298 units on conversion of fund into an open end scheme 19,759

Redemption of 2,183,298 units 19,759

**Arif Habib Corporation**

Issue of 40,721,548 units on conversion of fund into an open end scheme 368,692

Redemption of 40,721,548 units 368,937

**Trustee - AHI Employee Provident Fund**

Issue of 213,772 units on conversion of fund into an open end scheme 1,935

Redemption of 213,772 units 1,935

**Trustee - AHI Employee Stock Beneficial Ownership Trust**

Issue of 50,000 units on conversion of fund into an open end scheme 453

Redemption of 50,000 units 453

**Directors and executives of the Management Company**

Issue of 905,513 units 8,266

Redemption of 883,779 units 8,127

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.

**18.2 Amounts outstanding as at period / year end**

**For the  
period from  
December 22,  
2010 to  
June 30, 2011**

**(Rupees in '000)**

**Management Company**

Remuneration payable at the end of period 1,160

Conversion cost payable 5,680

**PAKISTAN PREMIER FUND  
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For the  
period from  
December 22,  
2010 to  
June 30, 2011  
(Rupees in '000)

**Central depository Company of Pakistan Limited**

Remuneration payable	116
Security deposit	200

**Summit Bank Limited (Formerly Arif Habib Bank Limited)**

Balance with bank	6,316
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**Directors and executives of the Management Company**

Units held: 21,734	139
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**19. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER**

Details of members of investment committee of the Fund are as follows:

Name	Designation	Qualification	Experience in years
1 Mr. Yasir Qadri	Chief Executive	MBA	16
2 Mr. Kashif Rafi	Fund Manager - Fixed Income	MBA and CFA Level 1	10
3 Mr. Muhammad Asim	Fund Manager - Equity Funds	MBA & CFA	8
4 Mr. Syed Akbar Ali	Senior Research Analyst	MBA & CFA	6
5 Mr. Mohsin Pervez	Senior Research Analyst	CFA Level 1	10
6 Mr. Ahsan Mehanti	Director Wealth Mangement	CPA, ACA & ACMA	14

Mr. Muhammad Asim is the Fund Manager. He is a Chartered Financial Analyst and has also obtained a Masters degree in Business Administration. Other Fund being managed by the fund manager is as follow:

- a) MCB Dynamic Stock Fund
- b) MCB Dynamic Allocation Fund
- c) Pakistan Pension Fund

**20. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID 2011**

1	Arif Habib Limited	26.54%
2	First Capital Equities	22.57%
3	D.J.M Securities	14.13%
4	KASB Securities Limited	10.33%
5	Invest & Finance Limited	8.65%
6	I.G.I Finex Securities	8.43%
7	Taurus Securities	6.17%
8	Invest Capital	1.80%
9	NAEL Securities	0.62%
10	Icon Securities	0.53%

**PAKISTAN PREMIER FUND**  
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**21. PATTERN OF UNIT HOLDING**

Category	June 30, 2011		
	Number of Unit Holders	Investment amount	Percentage of total investment
	------(Rupees in '000)-----		
Individuals	4,073	575,668	83.67%
Directors	1	41	0.01%
Insurance companies	6	3,298	0.48%
Banks and Development Financial Institutions	16	15,709	2.28%
Non Banking Finance Companies	5	470	0.07%
Retirement funds	14	50,420	7.33%
Public Limited Companies	11	3,574	0.52%
Others	85	38,815	5.64%
	<b>4,211</b>	<b>687,995</b>	<b>100%</b>

**22. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS 2010-11**

The 81st, 82nd, 83rd, 84th, 85th, 86th, 87th and 88th Board meetings were held on December 30, 2010, February 17, 2011, February 2011, April 16, 2011, April 21, 2011, April 23, 2011, June 15, 2011 and June 27, 2011 respectively. Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Number of Meetings			Meeting not attended
	Held	Attended	Leave Granted	
1 Mr. Shafi Malik*	8	8	-	-
2 Mr. Nasim Beg****	8	8	-	-
3 Mr. Sirajuddin Cassim*	8	4	4	81st, 82nd, 83rd and 88th meeting
4 Mr. S. Gulrez Yazdani *	8	8	-	-
5 Mr. Muhammad Akmal Jameel*	8	8	-	-
6 Syed Ajaz Ahmed*	8	7	1	88th meeting
7 Mr. Muhammad Kashif Habib*	8	6	2	87th and 88th meeting
8 Mr. Samad A. Habib**	8	5	3	81st, 82nd and 83rd meeting
9 Mian Mohammad Mansha***	1	1	-	-
10 Mr. Yasir Qadri***	1	1	-	-
11 Syed Salman Ali Shah***	1	1	-	-
12 Mr. Haroun Rashid***	1	1	-	-
13 Mr. Ahmed Jahangir***	1	1	-	-
14 Mr. Mirza Mahmood Ahmad***	1	1	-	-

\* The above directors retired in the 88th meeting held on June 27,2011

\*\* Mr.Samad A.habib was appointed as director during the year in the extraordinary general meeting held on February 7,2011 and approved by SECP on March 31,2011

\*\*\* The above directors have been appointed in place of retiring directors in the 88th meeting held on June 27,2011.

\*\*\*\* Mr. Nasim Beg has been appointed as Executive Vice Chairman during the year. Previously, he was working as Chief Executive Officer.

**23. FINANCIAL RISK MANAGEMENT**

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.



**PAKISTAN PREMIER FUND  
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**23.1 Market risk**

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Board of Directors of the Management Company and regulations laid down by the Securities and Exchange Commission of Pakistan.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

**23.1.1 Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as all transactions are carried out in Pak Rupees.

**23.1.2 Interest rate risk**

Interest rate risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market interest rates.

**a) Sensitivity analysis for fixed rate instruments**

As at June 30, 2011, the Fund holds government securities which are classified as at fair value through profit or loss exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the Financial Markets Association of Pakistan on June 30, 2011 with all other variables held constant, the net income for the year and net assets would be lower by Rs 0.13 million. In case of 100 basis points decrease in rates announced by the Financial Markets Association of Pakistan on June 30, 2011, with all other variables held constant, the net income for the year and net assets would be higher by Rs 0.06 million.

Yield / interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

**PAKISTAN PREMIER FUND**  
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As at June 30, 2011				
Exposed to yield / interest risk			Not exposed to yield / interest rate risk	Total
Up to three months	More than three months and up to one year	More than one year		
------(Rupees in '000)-----				
<b>On-balance sheet financial instruments</b>				
<b>Financial assets</b>				
Balances with banks	47,629		-	47,629
Investments	98,773	-	553,591	652,364
Dividend and profit receivable	-		1,340	1,340
Deposits	-		2,700	2,700
<b>Sub Total</b>	<b>146,402</b>	<b>-</b>	<b>557,631</b>	<b>704,033</b>
<b>Financial liabilities</b>				
Payable to Arif Habib Investments Limited - Management Company	-		6,840	6,840
Payable to Central Depository Company of Pakistan Limited -Trustee	-		116	116
Payable on redemption of units	-		194	194
Dividend payable	-		10,266	10,266
Accrued expenses and other liabilities	-		640	640
<b>Sub Total</b>	<b>-</b>	<b>-</b>	<b>18,056</b>	<b>18,056</b>
<b>On-balance sheet gap</b>	<b>146,402</b>	<b>-</b>	<b>539,575</b>	<b>685,977</b>
<b>Off-balance sheet financial instruments</b>				
<b>Off-balance sheet gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**23.1.3 Price Risk**

The Fund is exposed to equity price risk because of investments held by the Fund and classified on the Statement of Assets and Liabilities as at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks in accordance with the risk management guidelines adopted by the Management Company. The Fund's constitutive document / NBFC Regulations also limit individual equity securities to no more than 10% of net assets, or issued capital of the investee company and sector exposure limit to 30% of net assets.

In case of 5% increase in KSE 100 index on June 30, 2011, net income and net assets of the Fund would increase by Rs. 28.600 million as a result of gains/losses on equity securities at fair value through profit or loss.

In case of 5% decrease in KSE 100 index on June 30, 2011, net income and net assets of the Fund would decrease by Rs. 28.600 million as a result of gains/losses on equity securities at fair value through profit or loss.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2011 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE 100 index.

**PAKISTAN PREMIER FUND  
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**23.2 Credit risk**

Credit risk represents the risk of loss if the counter parties fail to perform as contracted. Credit risk arises from deposits with banks and financial institutions, and credit exposure arising as a result of dividends receivable on equity securities. For banks and financial institutions, credit ratings and other factors are evaluated. Credit risk on dividend receivable is minimal due to statutory protection. All transactions in listed securities are settled / paid for upon delivery using the National Clearing Company of Pakistan Limited. The risk of default is considered minimal due to inherent systematic measures taken therein. In addition, the internal risk management policies and investment guidelines (approved by the Board of Directors) require the Fund to invest in debt securities that have been rated as investment grade by a well known rating agency.

The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30, 2011:

**Bank Balances by rating category**

	2011	
	Rating	Rupees in '000
Summit Bank Limited	A	6,316
Habib Metropolitan Bank Limited	AA+	34,790
Bank AL Habib Limited	AA+	915
MCB Bank Limited	AA+	271
Standard Chartered (Pakistan) Limited	AAA	5,337

**Concentration of credit risk**

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

**23.3 Liquidity risk**

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

For the purpose of making redemptions the Fund has the ability to borrow in the short term, however such need did not arise during the year. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue.

The Fund did not withhold any redemptions during the year.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

**PAKISTAN PREMIER FUND**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM DECEMBER 22, 2010 TO JUNE 30, 2011**

----- As at June 30, 2011 -----			
Total	Upto three months	More than three months and upto one year	More than one year

----- (Rupees in '000) -----

**Liabilities**

Payable to Arif Habib Investments Limited - Management Company	6,840	1,728	-	5,112
Payable to Central Depository Company of Pakistan Limited - Trustee	116	116	-	-
Payable on redemption of units	194	194	-	-
Dividend payable	10,266	-	10,266	-
Accrued expenses and other liabilities	646	646	-	-
	<u>18,062</u>	<u>2,684</u>	<u>10,266</u>	<u>5,112</u>

**23.4 Financial instruments by category**

----- As at June 30, 2010 -----			
Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total

----- (Rupees in '000) -----

**Assets**

Balances with banks	47,629	-	-	47,629
Investments	-	652,364	-	652,364
Dividend and profit receivable	1,340	-	-	1,340
Deposits	2,700	-	-	2,700
	<u>51,669</u>	<u>652,364</u>	<u>-</u>	<u>704,033</u>

**23.5 Fair value of financial assets and liabilities**

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

The Fund has adopted the amendments to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

**PAKISTAN PREMIER FUND  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE PERIOD FROM DECEMBER 22, 2010 TO JUNE 30, 2011**

----- As at June 30, 2010 -----			
Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----			

**ASSETS**

Investment in securities - at fair value through profit or loss	553,591	98,773	-	652,364
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**24. CAPITAL RISK MANAGEMENT**

The Fund's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for unit holders and to maintain a strong capital base to meet unexpected losses or opportunities. In accordance with the NBFC Regulations the Fund is required to distribute at least ninety percent of its income from sources other than capital gain as reduced by such expenses as are chargeable to the Fund.

The Fund manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Fund may adjust the amount of dividend paid to shareholders or issue new shares.

In accordance with the risk management policies stated in note 23, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, such liquidity being augmented by disposal of investments.

The Fund is not subject to externally imposed capital requirements.

**25. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD**

The Board of Directors of the Management Company in its meeting held on July 04, 2011 has proposed a final bonus distribution in respect of the year ended June 30, 2011 of Rs. 0.21 per unit amounting to Rs. 14.985, million. The financial statements for the year ended June 30, 2011 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending June 30, 2011.

**26. DATE OF AUTHORISATION FOR ISSUE OF THESE FINANCIAL STATEMENTS**

These financial statements were authorised for issue on September 20, 2011 by the Board of Directors of the Management Company.

**27. GENERAL**

Figures have been rounded off to the nearest thousand rupees.

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

Chief Executive

Director

**PAKISTAN PREMIER FUND  
PATTERN OF HOLDING AS PER REQUIREMENT OF  
CODE OF CORPORATE GOVERNANCE  
AS AT JUNE 30, 2011**

<b>Category</b>	<b>No. of Unit Holders</b>	<b>Units</b>
<b>Associated Company, Undertakings, and Related Parties</b>		
Arif Habib Investments Limited		
Summit Bank Limited	-	-
<b>Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance, Insurance Companies, Modarbas and Mutual Funds.</b>	27	1,972,601
<b>Director, CEO and their spouses and minor children</b>		
NASIM BEG	1	4,241
<b>Trust</b>	14	5,232,938
<b>Corporate</b>	11	370,971
<b>Individuals</b>	4,073	59,746,311
<b>Others</b>	85	4,028,401
	<u><b>4,211</b></u>	<u><b>71,355,463</b></u>

**PAKISTAN PREMIER FUND  
PATTERN OF UNIT HOLDING (SIZE)  
AS AT JUNE 30, 2011**

No. of Unit Holders	Units Holdings	Total Units Held
3232	1 - 10000	7,558,890
870	10001 - 100000	25,681,345
104	100001 - 1000000	24,389,009
5	1000001 - onwards	13,726,219
<u>4,211</u>		<u>71,355,463</u>

## PAKISTAN PREMIER FUND PERFORMANCE TABLE

June 30, 2011

Net Assets 688,000

Net Income / (loss) 41,403

Net Asset Value per Unit 9.64

Closing selling price per unit 9.84

Closing repurchase price per unit 9.64

**(Rupees in '000)**

Highest offer price 11.14

Lowest offer price 8.80

Highest Redemption price per unit 10.92

Lowest Redemption price per unit 8.62

Dividend distribution - Final 0.21

**Announcement Date of Distribution**

Final July 4, 2011

**(Percentage)**

Total return of the Fund 6.52

Income Distribution 2.32

Capital growth 4.20

Average return of the fund

One Year 6.52

Two Year N/a

Three Year (Since inception) N/a

**Disclaimer**

The past performance is not necessarily indicative of future performance and unit prices and investments and returns may go down, as well as up.