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## FUNDS' INFORMATION

### Management Company

Arif Habib Investments Limited  
Arif Habib Centre, 23 M. T. Khan Road,  
Karachi - 74000.

### Board of Directors of the Management Company

Mr. Muhammad Shafi Malik	Chairman
Mr. Nasim Beg	Chief Executive
Syed Ajaz Ahmed	Director
Mr. Sirajuddin Cassim	Director
Mr. Muhammad Akmal Jameel	Director
Mr. Muhammad Kashif	Director
Mr. S. Gulrez Yazdani	Director
Mr. Samad A.Habib	Director (Subject to the approval of SECP)

### Company Secretary & CFO of the Management Company

Mr. Zeeshan

### Audit Committee

Mr. Muhammad Shafi Malik	Chairman
Syed Ajaz Ahmed	Member
Mr. Muhammad Akmal Jameel	Member
Mr. Samad A.Habib	Member (Subject to the approval of SECP)

### Trustee

MCB Financial Services Limited  
3<sup>rd</sup> Floor, Adamjee House,  
I.I.Chundrigar Road, Karachi.

### Bankers

Habib Metropolitan Bank Limited

### Auditors

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust, Building No. 1,  
Beaumont Road, Karachi.

### Legal Adviser

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

PACRA: AM2 (Positive Outlook) - Management Quality Rating assigned to Management Company



**REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010**

The Board of Directors of Arif Habib Investments Limited, the Management Company of Pakistan Capital Protected Fund- Fixed Income Securities (PCPF-FIS) is pleased to present its Report together with the Condensed Interim Financial Statements for the Half Year ended 31 December 2010.

**Fund Objective**

The objective of the Fund is to pay back investors whole of their initial investment (net of Front-end load) i.e. Rs 10 per unit over the term of its life, in addition the Fund has an objective to maximize the return through investment in fixed income instruments, money and debt market instruments.

**Fund Profile**

Pakistan Capital Protected Fund-Fixed Income Fund (PCPF-FIS) is an open end fund. Consistent with the objective of PCPF-FIS, about 81.85% of the Fund is invested in bank deposits with Habib Metropolitan Bank that will yield a future value at maturity equivalent to the initial size of the fund (plus fund expenses), providing 100% protection of total initial investment (net of all expenses and front end load) to the investors.

The remaining fund is invested in fixed income securities aimed at providing investors an opportunity to earn high return relative to bank deposits. The Board has approved the categorization of the Fund as "Capital Protected Scheme".

**Fund Performance during Half Year ended 31 December 2010**

The net assets of the Fund as at 31 December 2010 stood at Rs 253.95 million compared to Rs 244.56 million registering an increase of 3.83%.

The Net Asset Value (NAV) per unit at the end of the period was Rs 10.54 per unit compared to the opening Ex NAV of Rs 10.08 per unit, registering an increase of Re 0.46

**Explanation With Regards To Emphasis of Matter Paragraph included in the Auditor's Review Report**

The explanation with regard to emphasis of matter paragraph is provided in note 9 to the condensed interim financial information.

**Future Outlook and Fund Performance**

Future Outlook and Fund Performance is fully explained in Fund Manager Report attached to this report.

**Acknowledgement**

The Board likes to thank the Securities and Exchange Commission of Pakistan, State Bank of Pakistan, MCB Financial Services Limited (formerly: Muslim Commercial Financial Services (Pvt.) Limited (the Trustee of the Fund) and the management of the Islamabad 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.

Karachi

19 February, 2011

For and on behalf of the Board

**Nasim Beg**  
Chief Executive



**REPORT OF THE FUND MANAGER  
FOR THE QUARTER ENDED 31 DECEMBER 2010**

**Objective**

The objective of the fund is to provide 100% capital protection (net of front-end load) and maximise the return earned from fixed income instruments, money and debt market instruments.

**Fund Profile**

Pakistan Capital Protected Fund-Fixed Income Securities (PCPF-FIS) is an open end fund. Consistent with the objective of PCPF-FIS, about 81.85% of the fund is invested in bank deposits with Habib Metropolitan Bank that will yield a future value at maturity equivalent to the initial size of the Fund (plus Fund expenses), providing 100% protection of total initial investment (net of all expenses and front end load) to the investors.

The remaining Fund is invested in fixed income securities aimed at providing investors an opportunity to earn high return relative to bank deposits. Under the NBFC rules, the Fund is not allowed to borrow.

**Performance**

PCPF-FIS earned an annualized return of 8.92% during the 2nd quarter FY11. Annualized return for 6 months FY11 was 9.34%. During the period, telecommunication sector TFC of PMCL-III in the Fund's portfolio matured, allowing the Fund to redirect the maturity amount to other high yielding instruments.

At end December 2010, funds under management were Rs 253.9 million.

**Asset allocation**

PCPF-FIS invested 71.1% of net assets in TDR with Habib Metropolitan Bank as capital protection segment of the fund. Investment in T-bill was increased to 9.4% from 1.1% on last quarter, 5.6% of net assets were invested in Term Finance Certificates (TFCs) and sukuk of banking and electronic sectors with a minimum rating of A. Cash in bank was 7.2% at the end of the period ended December 2010.

**Future Outlook**

Interest rates are expected to increase further during the next quarter amid high inflation numbers, heavy government borrowing and fiscal imbalances. Under the prevailing conditions, PCPF will seek opportunities of increasing its exposure in high yielding TFCs, having relatively shorter maturity and comfortable liquidity. The funds invested in TDR will continue to earn interest at a fixed rate of 11.95% and will guarantee capital protection at maturity of the fund. The investment segment of the Fund is expected to deliver a double digit return during FY11.



## REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

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

Pakistan Capital Protected Fund (Fixed Income Securities), an open-end Scheme established under a Trust Deed dated June 15, 2009 executed between Arif Habib Investments Limited, as the Management Company and MCB Financial Services Limited, as the Trustee. The Scheme was authorized by Securities and Exchange Commission of Pakistan (Commission) on August 07, 2009.

1. Arif Habib Investments Limited, the Management Company of Pakistan Capital Protected Fund (Fixed Income Securities), has in all material respects managed Pakistan Capital Protected Fund (Fixed Income Securities), during the six months period ended December 31, 2010 in accordance with the provisions of the following:
  - (i) the limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
  - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
  - (iii) the creation and cancellation of units are carried out in accordance with the deed;
  - (iv) and any regulatory requirement

For the purpose of information, the attention of unit holder's is drawn towards auditor's report and note 9 of the condensed interim financial statements which describes the uncertainties relating to pending outcome of the litigation regarding contribution to Worker's Welfare Fund.

Karachi: February 22, 2011

Khawaja Anwar Hussain  
Chief Executive Officer  
MCB Financial Services Limited



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

### *Introduction*

We have reviewed the accompanying condensed interim statement of assets and liabilities of Pakistan Capital Protected Fund (Fixed Income Securities) ("the Fund") as at 31 December 2010 and the related condensed interim income statement, condensed interim cash flow statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' funds and notes to the condensed interim financial information for the six months period ended 31 December 2010 (here-in-after referred to as the "condensed interim financial information"). Management Company of the Fund is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at and for the six months period ended 31 December 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

### *Emphasis of matter*

Without qualifying our conclusion, we draw attention to note 9 to the condensed interim financial information which describes the uncertainties relating to pending outcome of the litigation regarding contribution to Workers' Welfare Fund.

*Other matter*

The figures for the quarter ended 31 December 2010 in the condensed interim income statement, condensed interim cash flow statement, condensed interim distribution statement and condensed interim statement of movement in unit holders' funds and for the period from 17 October 2009 to 31 December 2009 in the condensed cash flow statement have not been reviewed and we do not express a conclusion on them.

**Date: 19 February 2011**

**Karachi**

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Moneeza Usman Butt**



**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES  
AS AT DECEMBER 31, 2010**

		(Unaudited) 31 December 2010	(Audited) 30 June 2010
	Note	(Rupees in '000)	
<b>Assets</b>			
<i>Capital protection segment</i>			
Term deposit receipts	6	180,536	180,536
Profit receivable		<u>18,855</u>	<u>7,979</u>
		<b>199,391</b>	<b>188,515</b>
<i>Investment segment</i>			
Bank balances	7	<u>18,254</u>	19,840
Profit receivable		<u>676</u>	1,362
Investments	8	<u>38,004</u>	36,869
Advances, deposits, prepayments and other receivables		<u>105</u>	103
		<b>57,039</b>	<b>58,174</b>
Preliminary expenses and floatation costs		<u>649</u>	852
<b>Total assets</b>		<b>257,079</b>	<b>247,541</b>
<b>Liabilities</b>			
Payable to Arif Habib Investments Limited - Management Company		<u>323</u>	1,493
Payable to MCB Financial Services Limited - Trustee		<u>42</u>	41
Payable to The Securities and Exchange Commission of Pakistan - Annual fee		<u>94</u>	66
Accrued expenses and other liabilities		<u>2,669</u>	1,377
<b>Total liabilities</b>		<b>3,128</b>	<b>2,977</b>
<b>Contingency</b>	9		
<b>Net assets</b>		<b>253,951</b>	<b>244,564</b>
<b>Unit holders' funds</b>		<b>253,951</b>	<b>244,564</b>
(Number of units)			
Number of units in issue		<u>24,100,657</u>	<u>23,447,110</u>
(Rupees)			
Net asset value per unit		<u>10.54</u>	<u>10.43</u>

The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.

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

**Chief Executive**

**Director**

**CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)  
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2010**

	<b>Six months ended 31 December 2010</b>	<b>Quarter ended 31 December 2010</b>
	(Rupees in '000)	
<b>Income</b>		
Income from term deposit receipts - capital protection segment	10,875	5,437
Capital loss on sale of investment	(71)	(71)
Income from government securities	682	648
Income from term finance and sukuk certificates	2,878	1,334
Profit on bank deposits	840	432
Other income	84	84
Unrealised diminution in fair value of investments classified as 'at fair value through profit or loss'	8.2 (185)	(458)
<b>Total income</b>	<b>15,103</b>	<b>7,406</b>
<b>Expenses</b>		
Remuneration of Arif Habib Investments Limited - Management Company	1,888	954
Remuneration of the MCB Financial Services Limited - Trustee	302	126
Annual fee - The Securities and Exchange Commission of Pakistan	94	47
Securities transaction cost	2	2
Settlement and bank charges	17	8
Fees and subscriptions	55	28
Legal and professional charges	38	19
Auditor's remuneration	187	94
Amortisation of preliminary expenses and floatation costs	202	101
Printing and related costs	63	31
Others	1,183	591
<b>Total expenses</b>	<b>4,031</b>	<b>2,001</b>
	11,072	5,405
Net element of loss and capital losses included in prices of units issued less those in units repurchased	(13)	(78)
<b>Net income for the period</b>	<b>11,059</b>	<b>5,327</b>
	(Rupee)	
<b>Earnings per unit</b>	<b>0.46</b>	<b>0.22</b>

The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.

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

**Chief Executive**

**Director**

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2010**

	Six months ended 31 December 2010	From 17 October 2009 to 31 December 2009	Quarter ended 31 December 2010	From 17 October 2009 to 31 December 2009
----- (Rupees in '000) -----				
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income for the period	11,059	-	5,327	-
<b>Adjustments for:</b>				
Amortisation of preliminary expenses and floatation costs	202	-	101	-
Net element of loss and capital loss included in prices of units issued less those in units repurchased	13	-	78	-
Unrealised diminution in fair value of investments classified as 'at profit or loss'	185	-	458	-
	<u>11,459</u>	<u>-</u>	<u>5,964</u>	<u>-</u>
<b>(Increase) / decrease in assets</b>				
Investments	(1,320)	-	66	-
Profit receivable	(10,189)	(774)	(4,117)	(774)
Advances, deposits, prepayments and other receivables	(2)	(1,000)	2	(1,000)
	<u>(11,511)</u>	<u>(1,774)</u>	<u>(4,049)</u>	<u>(1,774)</u>
<b>Increase / (decrease) in liabilities</b>				
Payable to Arif Habib Investments Limited - Management Company	(1,170)	4,943	16	4,943
Payable to MCB Financial Services Limited - Trustee	1	-	1	-
Payable to the The Securities and Exchange Commission of Pakistan - Annual fee	28	-	47	-
Accrued expenses and other liabilities	1,292	3,320	716	3,320
	<u>151</u>	<u>8,263</u>	<u>780</u>	<u>8,263</u>
<b>Net cash generated from operating activities</b>	<u>99</u>	<u>6,489</u>	<u>2,695</u>	<u>6,489</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Cash received from core investors and IPO investors	-	221,570	-	221,570
Net payments made against issuance and redemption of units	(1,685)	-	(1,685)	-
Net (decrease) / increase in cash and cash equivalents during the period	(1,586)	228,059	1,010	228,059
Cash and cash equivalents at beginning of the period	19,840	-	17,244	-
<b>Cash and cash equivalents at end of the period</b>	<u>18,254</u>	<u>228,059</u>	<u>18,254</u>	<u>228,059</u>

The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.

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

**Chief Executive**

**Director**

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)  
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2010**

	<b>Six months ended 31 December 2010</b>	<b>Quarter ended 31 December 2010</b>
	<b>(Rupees in '000)</b>	
Undistributed income brought forward	<b>10,093</b>	<b>7,619</b>
Final distribution of 814,135 bonus units for the period from 17 October 2009 to 30 June 2010 at the rate of Re.0.35 per unit - Date of distribution: 5 July 2010	<b>(8,206)</b>	-
Net income for the period	<b>11,059</b>	<b>5,327</b>
Undistributed income carried forward	<u><b>12,946</b></u>	<u><b>12,946</b></u>

The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.

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

**Chief Executive**

**Director**

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN  
UNIT HOLDERS' FUNDS (UN-AUDITED)  
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2010**


	<b>Six months ended 31 December 2010</b>	<b>Quarter ended 31 December 2010</b>
	<b>(Rupees in '000)</b>	
Net assets at beginning of the period	244,564	250,231
Issue of 814,135 bonus units for the period from 17 October 2009 to 30 June 2010 at the rate of Re.0.35 per unit - Date of distribution: 5 July 2010	8,206	-
Redemption of 160,589 units during the six months and quarter ended 31 December 2010	(1,685)	(1,685)
	6,521	(1,685)
Net element of loss and capital losses included in prices of units issued less those in units redeemed	13	78
Final distribution of 814,135 bonus units for the period from 17 October 2009 to 30 June 2010 at the rate of Re.0.35 per unit - Date of distribution: 5 July 2010	(8,206)	-
Net income for the period (excluding unrealised diminution in fair value of investments classified as 'at fair value through profit or loss' and capital loss on sale of investments)	11,315	5,856
Capital loss on sale of investments	(71)	(71)
Unrealised diminution in fair value of investments classified as 'at fair value through profit or loss'	(185)	(458)
Net income for the period (including unrealised diminution in fair value of investments classified as 'at fair value through profit or loss' and capital loss on sale of investments)	11,059	5,327
<b>Net assets at end of the period</b>	<b>253,951</b>	<b>253,951</b>

The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.

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

**Chief Executive**

**Director**



**NOTES TO AND FORMING PART OF THE CONDENSED  
INTERIM FINANCIAL INFORMATION ( UN-AUDITED)  
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2010**

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

Pakistan Capital Protected Fund - Fixed Income Securities (the Fund) was established under a Trust Deed executed on 15 June 2009 between Arif Habib Investments Limited as Management Company and MCB Financial Services Limited as Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on 7 August 2009 in accordance with the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Formation of the Fund as open end fund was authorized by SECP on 7 August 2009. The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 through a certificate of registration issued by SECP. The registered office of the Management Company is situated at Arif Habib Centre, 23 M.T Khan Road, Karachi, Pakistan.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned asset manager rating of AM2 (Positive Outlook) to the Management Company of the Fund.

The Fund is a capital protected fund and has an objective to pay back investors (with certain conditions) whole of their initial investment (net of front end load) i.e. Rs. 10 per unit over the term of its life in the form of dividend or return of capital on its termination. In addition, the Fund has an objective to maximize the return by investing in fixed income instruments, money and debt market instruments to achieve the investment objective.

The Fund consists of two segments, Capital Protected Segment and an Investment Segment. The Capital Protected Segment aims at protecting investors capital by placing the assets of the segment in bank deposits having at least long term credit rating of AA- (Double A minus) at the time of placement. To achieve the objective the Fund has placed 81.85% of Fund property (net of loads and charges, if any) with Habib Metropolitan Bank Limited to ensure that these funds grow to become at least 100% of the total initial investment value (net of all expenses and applicable levies) at the time of maturity. The remaining assets of the Fund have been allocated to the Investment Segment that will be invested in fixed income instruments, money and debt market instruments with an objective of providing higher return than the minimum protection provided by the capital protection segment.

The duration of the Fund is 30 (thirty) months from the last day of initial offering / launch period. The Fund will cease to operate at maturity.

Title to the assets of the Fund is held in the name of MCB Financial Services Limited as a trustee of the Fund. As per paragraph 17.2.4 of the Trust Deed of the Fund, the creditors of the Fund will have no claim against the assets of the Capital Protected Segment.

**2. BASIS OF PREPARATION**

**Statement of compliance**

This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. This condensed interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with the financial statements for the period ended 30 June 2010.

This condensed interim financial information comprises of the condensed interim statement of assets and liabilities as at 31 December 2010 and the related condensed interim income statement, condensed interim cash flow statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' funds and notes thereto for the six months ended 31 December 2010. At 31 December 2010, the Fund has no item to be reported in other comprehensive income hence the reported net income for the period equals the total comprehensive income for the current period.

The comparatives in the statement of assets and liabilities presented in the condensed interim financial information as at 31 December 2010 have been extracted from the audited financial statements of the Fund for the period ended 30 June 2010, where as condensed interim cash flow statement are stated from unaudited condensed interim financial information for the period ended 31 December 2009.

This condensed interim financial information is unaudited and is presented in Pak Rupees, which is the Fund's functional and presentation currency and has been rounded off to the nearest thousand rupees.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the Fund for the period ended 30 June 2010. New interpretations and amendments to certain existing standards/ interpretations became effective during the period, however, adoption of such amendments / new interpretations did not have any impact on the accounting policies of the Fund.

### **4. ESTIMATES AND JUDGEMENTS**

The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgements made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to financial statements as at and for the period ended 30 June 2010.

### **5. FINANCIAL RISK MANAGEMENT**

The Fund's risk management objectives and policies are consistent with those objectives and policies which were disclosed in the financial statements for the period ended 30 June 2010.

### **6. TERM DEPOSIT RECEIPTS**

This represents a term deposit placed with Habib Metropolitan Bank at a fixed mark-up rate of 11.95% per annum maturing on 15 August 2012. The said deposit has been placed by the Fund to ensure that these deposits are grown to become at least 100% of the initial invested value.

### **7. BANK BALANCES**

This represents deposit accounts carrying mark-up at the rate of 5% to 10.5% per annum. (June 2010: 9% per annum)

(Unaudited) 31 December 2010 (Rupees in '000)	(Audited) 30 June 2010 (Rupees in '000)
38,004	36,869

8.1

8. INVESTMENTS

'At fair value through profit or loss' - held for trading

Fixed income and other debt securities

8.1 Fixed Income and other debt securities - 'at fair value through profit or loss'

8.1.1 Term finance and sukuk certificates

Name of the investee company	Issue date	As at 01 July 2010	Purchases during the period	Sales/ matured during the period	As at 31 December 2010	Cost as at 31 December 2010	Market value as at 31 December 2010	Appreciation/ (diminution) as at 31 December 2010	Market value as a percentage of net assets	Market value as percentage of total investments	Percentage in relation to the size of the issue
----- Number of certificate ----- (Rupees in '000) -----											
<b>Face value of Rs. 5,000 each unless stated otherwise</b>											
Pak Elektron Limited - Sukuk	28 September 2007	4,700	-	-	4,700	10,273	11,581	1,308	4.56	30.47	0.97
Bank Alfalah Limited - IV	2 December 2009	500	-	-	500	2,499	2,525	26	0.99	6.64	0.05
Bank AL Habib Limited - III	15 June 2009	600	-	600	-	-	-	-	-	-	-
Escort Investment Bank Limited	15 March 2007	-	16	-	16	36	39	3	0.02	0.10	0.01
Pakistan Mobile Communication Limited	1 October 2007	6,800	-	6,800	-	-	-	-	-	-	-
						<b>12,808</b>	<b>14,145</b>	<b>1,337</b>			



8.1.2 Treasury bills

Issue date	Tenor	Face value		Cost as at 31 December 2010	Market value as at 31 December 2010	Appreciation/ (diminution) as at 31 December 2010	Market value as a percentage	
		As at 01 July 2010	Purchases during the period				Sales / matured during the period	As at 31 December 2010
(Rupees in '000)								
27 August 2010	3 Months	2,900	-	-	-	-	-	-
13 October 2010	3 Months	-	20,000	-	-	-	-	-
21 October 2010	3 Months	-	20,000	19,918	19,916	(2)	0.08	52.40
16 November 2010	3 Months	-	4,000	3,945	3,943	(2)	0.02	10.38
		<u>2,900</u>	<u>44,000</u>	<u>22,900</u>	<u>23,863</u>	<u>(4)</u>		
				<u>24,000</u>	<u>23,859</u>	<u>(4)</u>		

8.2 Unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss' - held for trading

	(Unaudited) Six months ended 31 December 2010	(Audited) 30 June 2010
Fair value of investments	38,004	36,869
Less: Cost of investments	36,671	35,430
	<u>1,333</u>	<u>1,439</u>
Reclassification on sale of investments	(79)	-
Unrealised appreciation in fair value of investment classified as 'at fair value through profit or loss' at beginning of the period	<u>(1,439)</u>	<u>-</u>
	<u>(185)</u>	<u>1,439</u>

## 9. CONTINGENCY

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. The Mutual Funds Association of Pakistan (MUFAP), on behalf of its members filed a constitutional petition in the High Court of Sindh (SHC) praying it to declare that the funds are not establishments and as a result are not liable to pay contribution to the WWF. The honorable court has rejected the petition on technical grounds stating that MUFAP is not the aggrieved party in this case and required the aggrieved parties to approach the courts for the said petition. In response a petition has been filed with the SHC by some of Mutual Funds through their Trustees along with few investors. However, subsequent to filing of the petition, the Ministry of Labour and Manpower (the Ministry) issued a letter which states that mutual funds are not liable for WWF. Further, in a subsequent letter dated 15 July 2010 the Ministry clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section-4 of WWF Ordinance 1971. However, the income of Mutual Fund(s), the product being sold, is exempted under the law *ibid*."

There have been instances whereby show cause notices under section 221 of the Income Tax Ordinance, 2001 have been issued by Federal Board of Revenue to a number of mutual funds for the recovery of WWF. On 14 December 2010, the Ministry filed its response contesting the said petition. The legal proceedings in respect of the aforementioned petition are currently in progress.

Based on the advice of the legal counsel handling the case, the Management Company is of the view that notwithstanding the show cause notices issued to a number of mutual funds, WWF is not applicable to the Funds due to the clarification issued by the Ministry which creates vested right, hence no provision for WWF having an effect of Re. 0.02 per unit on net asset value per unit has been recognised in this condensed interim financial information.

## 10. TAXATION

The Fund's income is exempt from Income Tax as per clause 99 of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the fund is required to distribute 90% of the net accounting income other than unrealized capital gains to the unit holders. The management intends to distribute at least 90% of the income earned by the Fund by the year end to the unit holders. Accordingly, no provision for taxation has been made in this condensed interim financial information.

## 11. TRANSACTIONS WITH CONNECTED PERSONS/ RELATED PARTIES

Connected person / related parties include Arif Habib Investments Limited being the Management Company, Arif Habib Corporation Limited (formerly Arif Habib Securities Limited) being the holding company of the Management Company, all other Collective Investment Schemes managed by Management Company, Arif Habib Limited and Thatta Cement Limited being companies under common management, Pakarab Fertilizers Limited and Summit Bank Limited (formerly Arif Habib Bank Limited) being Companies under common directorship, MCB Financial Services Limited being the Trustee of the Fund and Directors and Executives of the Management Company.

Remuneration payable to Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations, 2008 and constitutive documents of the Fund.

All other transactions with connected persons / related parties are in the normal course of business and are carried out on agreed terms.

Details of the transactions with connected person / related parties and balances with them at period / year end are as follows:

11.1 Transactions during the period	----- (Unaudited) -----	
	Six months ended 31 December 2010 (Rupees in '000)	Quarter ended 31 December 2010
<b>Arif Habib Investments Limited - Management Company</b>		
Remuneration for the period	1,888	954
Issue of 4,245 bonus units	43	-
<b>MCB Financial Services Limited Trustee</b>		
Remuneration for the period	302	126
Others	50	-
<b>Directors and Executives of Management Company</b>		
Issue of 647 bonus units	7	-
 11.2 Amounts outstanding as at period / year end	 (Unaudited) 31 December 2010 (Rupees in '000)	 (Audited) 30 June 2010
<b>Arif Habib Investments Limited - Management Company</b>		
Remuneration Payable	323	300
Other Payable	-	1,193
<b>MCB Financial Services Limited - Trustee</b>		
Remuneration Payable	42	41
 <b>Units held by:</b>	 (Unaudited) 31 December 2010	 (Audited) 30 June 2010
	Units (Rupees in '000)	Units (Rupees in '000)
<b>Management Company</b>		
Arif Habib Investments Limited	126,502 1,333	122,257 1,212
<b>Other related parties</b>		
Directors and executives of the Management Company	19,275 203	18,628 194

**12. DATE OF AUTHORISATION**

This condensed interim financial information has been authorised for issue in the meeting of the Board of Directors of the Management Company held on 19 February 2011.

**13. GENERAL**

The accounting period of the Fund started on 7 August 2009, however, the operations of the Fund were started on 17 October 2009, therefore, there are no comparative figures to report in respect of condensed interim income statement, condensed interim distribution statement and condensed interim statement of movement in unit holders' funds.

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

**Chief Executive**

**Director**