

**PAKISTAN
STRATEGIC ALLOCATION FUND**

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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	<table><tr><td>Mian Mohammad Mansha</td><td>Chairman(subject to the approval of SECP)</td></tr><tr><td>Mr. Nasim Beg</td><td>Executive Vice Chairman</td></tr><tr><td>Mr. Yasir Qadri</td><td>Chief Executive (subject to the approval of SECP)</td></tr><tr><td>Syed Salman Ali Shah</td><td>Director (subject to the approval of SECP)</td></tr><tr><td>Mr. Haroun Rashid</td><td>Director (subject to the approval of SECP)</td></tr><tr><td>Mr. Ahmed Jahangir</td><td>Director (subject to the approval of SECP)</td></tr><tr><td>Mr. Samad A. Habib</td><td>Director</td></tr><tr><td>Mr. Mirza Mahmood Ahmad</td><td>Director (subject to the approval of SECP)</td></tr></table>	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)
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)																
Chief Financial Officer & Company Secretary 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	Bank Al-Habib Limited Bank Alfalah Limited Habib Metropolitan Bank Limited MCB Bank Limited Standard Chartered Bank (Pakistan) Limited																
Auditors	Yousuf Adil Saleem & Co. Chartered Accountants Cavish Court, A-35, Block 7 & 8, KCHSU, Shahrah-e-Faisal, Karachi.																
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530																
Registrar	M/s. 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																

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2011

Dear Investor,

On behalf of the Board of Directors, I am pleased to present Pakistan Strategic Allocation Fund's accounts review for the first quarter ended September 30th 2011.

EQUITIES MARKET OVERVIEW

Local equities market opened the year on a low with KSE100 index posting return of -5.87% during the period under review. Alongside negative returns, the market continued to remain dull with consistently low turnover throughout the period remained indicative of investor's shyness towards equity asset class. Even an unexpected 50 bps cut in DR by the SBP in July 2011 failed to generate strong momentum among equity investors due to fear of aggressive sell off by foreign investors. Global equities market went down significantly during the quarter, especially in August, which also had an adverse impact on emerging and frontier markets including Pakistan. Other resistive forces that played a dampening role for the market were political unrest, worsened law and order situation, strained Pak-US relations, floods in Sindh and energy crisis. Better corporate results and payouts by index heavy weights as well as expectations of a major cut in DR in upcoming monetary policy gave much needed support to the market towards the end of quarter and concentrated buying in selective high yielding and defensive stocks helped market to recover around 8.5% of its losses. Chemicals, Oil and Gas and Energy sectors remained centre of major activity although interest was also seen in few other stocks related to various sectors based on individual financial performance.

FUND PERFORMANCE

During the quarter, PSAF outperformed KSE100 index by delivering 0.8% return as compared to KSE100 index return of -5.9%. Overall equity exposure of the fund was declined to 72.6% from 91.36% as the fund, in line with its strategy, started liquidating its position gradually when the market recovered during the latter part of the quarter. Exposure in Banks was reduced from 13.8% to 11.2% during the quarter. MEBL and SNBL were added in the sector to take advantage of their attractive valuations, exposure in NBP was increased while exposure in ABL and UBL was reduced. Allocation in Electricity was also reduced from 14.1% to 9.9% as fund liquidated some of its holdings of KAPCO and HUBC. Similarly exposure in Oil and Gas sector was reduced from 24.1% to 22.7%. APL and ATRL were remained new entrants in the sector. Allocation in Chemicals was reduced from 15.6% to 10.1% by reducing ENGRO and FATIMA while fund built new position in FFC. Other major changes include around 4% reduction in PKGS and liquidation of all holdings of KML and FFBL.

FUTURE OUTLOOK

Negative factors viz. alarming political and geopolitical scenario, deteriorating law and order situation, scarcity of energy, weak macroeconomic fundamentals and bearish trend in big global economies are deep rooted and not expected to reverse in short term. However sizeable cuts in discount rate cuts coupled with strong corporate results of key listed stocks are expected to provide the thrust required to keep the wheel rolling. Moreover strong earnings growth, high dividend yields and relatively cheaper valuation offer decent returns for long term investors.

ACKNOWLEDGMENT

The Board is thankful to the Fund's valued investors, the Securities and Exchange Commission of Pakistan and the Trustees of the Fund for their continued cooperation and support. The Directors also appreciate the efforts put in by the management team.

On behalf of Directors,

Yasir Qadri
Chief Executive Officer

Dated: 26 October, 2011
Karachi.

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2011

ASSETS	Note	Un-Audited 30 September 2011 (Rupees in '000)	Audited 30 June 2010
Balances with banks		49,446	42,757
Investments		555,550	577,894
Receivable against sale of investments		4,728	4,872
Dividend and profit receivable		3,606	4,073
Advances, deposits and other receivables		3,121	3,122
Total Assets		616,451	632,718
LIABILITIES			
Payable to Management Company		1,110	1,124
Payable to Central Depository Company of Pakistan Limited - Trustee		96	113
Payable to Securities and Exchange Commission of Pakistan		140	1,485
Unclaimed dividend		12,654	12,654
Accrued expenses and other liabilities		9,285	9,100
Total Liabilities		23,285	24,476
NET ASSETS		593,166	608,242
Unit holders' fund (as per statement attached) / Certificate Holders equity		593,166	608,242

(Number of Units / certificates)

Number of units / certificates in issue	70,967,751	70,019,863
Net assets value per unit/ certificate (Face Value per unit Rs 10/- each)	8.36	8.69

.....(Rupees).....

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

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

Chief Executive

Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011

	Note	2011 (Rupees in '000)	2010
Income			
Capital loss / gain on sale of investments - net		(5,186)	44,741
Income from government securities		837	21,706
Income from placements with financial institutions		-	616
Dividend income		5,898	28,639
Profit on bank deposits		1,257	1,319
		15,242	97,021
Impairment loss on financial assets classified as 'available for sale'		-	(383)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		366	-
Unrealised appreciation / (diminution) on revaluation of investments 'at fair value through profit or loss' - net		6,563	(2,289)
		9,735	94,349
Total income			
Operating expenses			
Remuneration of the Management Company		3,420	12,473
Remuneration of Central Depository Company of Pakistan Limited - Trustee		295	595
Annual fee - Securities and Exchange Commission of Pakistan		140	592
Securities transaction cost		881	1,780
Custody, settlement and bank charges		78	170
Fees and subscription		50	137
Printing and related cost		57	55
Auditors' remuneration		93	106
		5,015	15,908
Net income for the period		4,721	78,441
Taxation		-	-
Net income after taxation		4,721	78,441
OTHER COMPREHENSIVE INCOME FOR THE PERIOD			
Unrealised (diminution) / appreciation in value of investments classified as 'available for sale'		591	(15,524)
		5,312	62,917
Total comprehensive income for the period		5,312	62,917
Earning per unit (EPU)	8		

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

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

Chief Executive

Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011

	2011	2010
	(Rupees in '000)	
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period	4,721	78,441
Adjustments for:		
Impairment loss on financial assets classified as 'available for sale'	-	383
Element of loss and capital gains / (losses) included in prices of units issued less those in units redeemed	(366)	-
Unrealised (appreciation) / diminution in value of investments 'at fair value through profit or loss' - net	(6,563)	2,289
	(2,208)	81,113
(Increase) / decrease in assets		
Receivable against sale of investments	144	122,363
Investments - net	29,498	207,811
Dividend and profit receivable	467	(20,381)
Advances, deposits and other receivables	1	(281)
	30,110	309,512
Increase / (decrease) in liabilities		
Payable to Management Company	(14)	(524)
Payable to Central Depository Company of Pakistan Limited - Trustee	(17)	5
Payable to Securities and Exchange Commission of Pakistan	(1,345)	(1,885)
Accrued expenses and other liabilities	185	(127)
	(1,191)	(2,531)
Net cash generated from / (used in) operating activities	26,711	388,094
B. CASH FLOW FROM FINANCING ACTIVITIES		
Cash received from units sold	190	-
Cash paid on units redeemed	(20,212)	-
Dividend paid	-	(189,930)
Net cash used in financing activities	(20,022)	(189,930)
Net increase / (decrease) in cash and cash equivalent	6,689	198,164
Cash and cash equivalent at beginning of the period	42,757	38,860
Cash and cash equivalent at end of the period	49,446	237,024

The annexed notes from an integral part of these financial statements.

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

Chief Executive

Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011

	2011	2010
	(Rupees in '000)	
Accumulated loss brought forward	(92,629)	(506,127)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised capital gains / (losses) and capital gains / (losses) that forms part of the Net income for the period	(1,614)	-
	4,719	78,441
	3,107	78,441
Final cash dividend @ Rs. 0.4035 per unit (2011: 1.1534 per certificate) announced on July 04, 2011	(28,253)	(346,020)
Accumulated loss carried forward	(117,775)	(773,706)

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

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

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

	2011	2010
	(Rupees in '000)	
Net assets at beginning of the period	608,242	2,531,171
Amount received on issue of 23,823 units	190	-
Amount paid / payable on redemption of 2,484,019 units	(20,212)	-
	(20,022)	-
	588,220	2,531,171
Bonus units issued 3,408,084 (2010: Nil)	28,253	-
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed :		
- amount representing accrued (income) / loss and capital (gains) / losses - transferred to income statement	(366)	-
	1,614	-
	1,248	-
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed :		
- amount representing unrealised capital (gains) / losses and capital (gains) / losses that forms part of the unit holders' fund transferred to distribution statement	(1,614)	
Net income for the year transferred from the distribution statement	4,721	62,917
Unrealised (diminution) / appreciation in value of investment classified as 'available for sale'	591	-
Final cash dividend @ Rs. 0.4035 per unit (2010: 1.1534 per certificate)	(28,253)	(346,020)
Net assets at end of the period	593,166	2,248,068

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

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

Chief Executive

Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011

1. LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Strategic Allocation Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (AHIL) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee on May 26, 2004. The Management Company of the Fund obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake asset management services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

Formation of the Fund as a closed-end fund was authorised by SECP on May 13, 2004, however with effect from November 11, 2010 the Fund was converted into open-end fund. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.

Arif Habib Investments Limited entered into a Supplemental Trust Deed with Central Depository Company of Pakistan Limited (the Trustee) on October 6, 2010 in order to initiate the conversion of the Fund from a closed end fund to an open-end fund pursuant to the resolution passed at a meeting of the Certificate Holders' held on September 8, 2010. The conversion of the Fund from a closed end fund to an open-end fund was authorised by Securities & Exchange Commission of Pakistan (SECP) vide its letter No. SCD/NBFC/MF-RS/PSAF/717/2010 dated September 23, 2010. The post conversion Trust Deed and post conversion Offering Document were approved by the SECP vide letter no. SCD/NBFC-II/PSAF/760/2010 dated October 4, 2010 and letter no. SCD/NBFC-II/PSAF/820/2010 dated October 28, 2010 respectively. The Fund was converted into an open-end fund with effect from November 11, 2010. Each certificate holder was allotted units according to their respective holdings as at that date on the basis of a ratio of 1 certificate:1 unit. Accordingly 300,000,000 units were issued on the date of conversion.

Based on shareholders' resolutions of MCB Asset Management Company Limited (MCB-AMC) and Arif Habib Investments Limited (AHI) 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). AHI 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 SHC. The honourable 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 Fund is an open-ended fund listed on the Karachi Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund."

The Pakistan Credit Rating Agency Limited (PACRA) has assigned asset manager rating of 'AM2' (Positive Outlook) to the Management Company and 3-Star Normal and 4-Star Long Term to the Fund.

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

2. STATEMENT OF COMPLIANCE

2.1 These condensed interim 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 (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP prevail. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'.

2.2 These condensed interim financial statements are unaudited.

2.3 The directors of the asset management company declare that these financial statements give a true and fair view of the Fund.

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 June 30, 2011.

4. INVESTMENTS	Note	September 30,	June 30,
		2011	2011
		(Rupees in '000)	
At fair value through profit or loss			
Listed equity securities	4.1	441,944	571,670
Government securities	4.2	108,310	-
		<u>550,254</u>	<u>441,944</u>
Available for sale			
Listed equity securities	4.3	5,296	6,224
		<u>555,550</u>	<u>577,894</u>

4.1 Listed equity securities 'at fair value through profit or loss'

Name of the Investee Company	Balance as at Sept 30, 2011										
	As at July 1, 2011	Purchases during the period	Bonus/Right issue	Sales during the period	As at Sept 30, 2011	Cost	Market Value	Appreciation / (Diminution)	Market value as % of net assets	Market value as % of total investments	Paid up value of shares as % of total paid up capital of the investee company
SHARES OF LISTED COMPANIES - Fully paid ordinary shares of Rs. 10 each unless stated otherwise											
OIL AND GAS											
Pakistan Oilfields Limited	165,354	9,046	22,015	62,500	102,854	24,230	37,887	13,657	6.39	6.82	1.60
Pakistan Petroleum Limited	274,933	-	-	63,775	242,219	33,449	45,917	12,468	7.74	8.27	0.35
Pakistan State Oil Company Limited	137,700	120,000	-	85,000	172,700	44,509	43,966	(543)	7.41	7.91	2.56
Attock Petroleum	-	34,050	-	9,000	25,050	8,869	9,966	1,097	1.68	1.79	1.44
Attock Refinery Ltd.	-	40,000	-	18,000	22,000	2,522	2,444	(78)	0.41	0.44	0.29
National Refinery Ltd.	-	10,000	-	10,000	-	-	-	-	-	-	-
Oil and Gas Development	-	10,000	-	10,000	-	-	-	-	-	-	-
						113,579	140,180	25,582			
CHEMICALS											
Engro Corporation Limited	330,472	60,000	-	235,000	155,472	20,777	22,293	1,516	3.76	4.01	0.57
Poaji Fertilizer Bin Qasim Limited	508,804	-	-	508,804	-	-	-	-	-	-	-
Poaji Fertilizer Company Lt.	-	179,500	-	62,000	117,500	18,687	19,023	336	3.21	3.42	-
Fatima Fertilizer Co Limited	1,385,385	-	-	285,000	1,100,385	13,312	20,743	7,431	3.50	3.73	0.10
						52,776	62,059	9,283			
CONSTRUCTION AND MATERIALS											
Lucky Cement Limited	478,400	-	-	150,000	328,400	22,852	24,802	1,950	4.18	4.46	0.77
						22,852	24,802	1,950			
GENERAL INDUSTRIALS											
Packages Limited	616,575	-	-	295,000	321,575	48,224	32,802	(15,422)	5.53	5.90	3.89
						48,224	32,802	(15,422)			
AUTOMOBILE AND PARTS											
Pak Suzuki Motor Company Limited	550	-	-	550	-	-	-	-	-	-	-
FOOD PRODUCERS											
Engro Foods Limited	35,000	-	-	25,000	10,000	250	246	(4)	0.04	0.04	-
						250	246	(4)			
PERSONAL GOODS											
Nishat Mills Limited	724,006	50,000	-	82,000	692,006	35,421	33,278	(2,143)	5.61	5.99	0.95
						35,421	33,278	(2,143)			
FIXED LINE TELECOMMUNICATION											
Pak Telecommunication Company Limited	392,088	1,601,525	-	390,000	1,603,613	19,124	18,633	(491)	3.14	3.35	0.05
						19,124	18,633	(491)			
ELECTRICITY											
Hub Power Company Limited	1,473,768	100,000	-	500,000	1,073,768	35,989	44,562	8,573	7.51	8.02	0.39
Kor Addu Power Company Limited	799,084	25,000	-	460,439	363,645	17,198	16,400	(798)	2.76	2.95	0.19
						53,187	60,962	7,775			
BANKS											
Allied Bank Limited	859,666	-	-	212,778	646,888	34,918	39,137	4,219	6.60	7.04	0.45
Meezan Bank Ltd	-	100,000	-	100,000	100,000	1,770	2,010	240	0.34	0.36	-
National Bank of Pakistan	6,967	555,000	-	320,000	241,967	10,106	11,082	976	1.87	1.99	0.07
United Bank Limited	515,600	-	-	365,000	150,600	9,612	9,057	(555)	1.53	1.63	0.07
Southern Bank Ltd	-	1,600,000	-	1,600,000	-	6,399	7,696	1,296	1.30	1.39	0.10
						62,806	68,982	6,177			
						408,218	441,944	32,707			

4.2 Government securities - 'at fair value through profit or loss'

Tenor	Face Value				Balance as at Sept 30, 2011			Investment	
	As at July 1, 2011	Purchases during the period	Sales /Matured during the period	As at Sept 30, 2011	Cost	Market value	Appreciation / (Diminution)	Market value as % of net assets	Market value as % of total investments
3 Months	-	155,000	45,000	110,000	108,319	108,310	(9)	-	-
					<u>108,319</u>	<u>108,310</u>	<u>(9)</u>		

4.3. Listed equity securities - 'available for sale'

Name of the Investee Company	Number of shares						Balance as at Sept 30, 2011					Paid up value of shares as % of total paid up capital of the investee company.
	As at July 1, 2011	Purchases during the period	Bonus/ Right issue	Sales during the period	As at Sept 30, 2011	Cost less impairment	Market value	(Diminution)/ Appreciation	Market value as % of net assets	Market value as % of total investments	Paid up value of shares as % of total paid up capital of the investee company.	
AUTOMOBILE AND PARTS Pak Suzuki Motor Company Limited	83,820	-	-	6,555	77,265	4,213	5,296	1,083	0.89	0.95	0.00	
						<u>4,213</u>	<u>5,296</u>	<u>1,083</u>	<u>0.89</u>			
PERSONAL GOODS Kohinoor Mills Limited	934,626	-	-	934,626	-	-	-	-	-	-	-	
						<u>4,213</u>	<u>5,296</u>	<u>1,083</u>				

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

AUTOMOBILE AND PARTS

Pak Suzuki Motor Company Limited

PERSONAL GOODS

Kohinoor Mills Limited

- 7.4. The above includes shares with a market value aggregating to Rs. 48,542 thousand (2010: Rs 49,266 thousand) which have been pledged with National Clearing Company of Pakistan Limited for guarantee against settlement of the Fund's trades in terms of Circular no 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

	2011	2010
	(Rupees in '000)	
4.5 Net unrealised appreciation / (diminution) in value of investment at fair value through profit or loss		
Market value of investments	550,254	571,670
Less: Cost of investments	(516,537)	(532,080)
	<u>33,716</u>	<u>39,590</u>
Less: Realised on disposal during the period	12,436	(165,441)
Add: Net unrealised diminution in value of investments at fair value through profit or loss at the beginning of the period	(39,590)	198,654
	<u>6,563</u>	<u>72,803</u>
4.6 Net unrealised appreciation / (diminution) in value of investment classified as 'available for sale'		
Market value of investments	5,296	6,224
Less: Cost less impairment at beginning of the period	(4,213)	(7,524)
Impairment loss on financial assets classified as 'available for sale' transferred to income statement	1,083	(1,300)
	<u>-</u>	<u>1,972</u>
	1,083	672
Less: Net unrealised appreciation in value of investments at the beginning of the period	(672)	(37,298)
	<u>411</u>	<u>(36,626)</u>

5. Remuneration Of The Management Company

During the period, through Sindh Sales Tax on Services Act 2011, General Sales Tax on Fund management services has been imposed @ 16%, effective from July 01, 2011. Management fee charged to the fund includes the imposed tax.

6 Contribution To Workers Welfare Fund

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on December 14, 2010 the Ministry filed its response against the Constitutional petition requesting the court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

Subsequent to 30 June 2011, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition 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 September 30, 2011 amounted to Rs 22.974 million (including Rs 0.094 million for the quarter ended September 30, 2011).

7 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded a tax liability in respect of income relating to the current period as the management company intends to distribute more than 90 percent of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders.

8 EARNINGS / (LOSS) PER UNIT

Earnings / (Loss) per unit has not been disclosed as in the opinion of the management determination of cumulative weighted average number of outstanding units for calculating earnings / (loss) per unit is not practicable.

9 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, MCB Bank Limited being the holding company of the Management Company, the Trustee, directors and key management personnel, other associated undertaking and investors holding 10% or more units of the Fund.

The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

Remuneration payable to the Management Company and the fee payable to the Trustee are determined in accordance with the the provisions of the NBFC Rules 2003, the NBFC Regulations 2008 and Trust Deed respectively.

Details of transactions and balances at period end with related parties / connected persons, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	September 30	
	2011	2010
	(Rupees in '000)	
9.1 Transactions during the period		
Management Company		
Remuneration	3,420	12,473
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	295	595
CDC charges	-	103
Arif Habib Limited - Brokerage house		
Brokerage expense	59	277
Summit Bank Limited		
Mark up income	-	817
Arif Habib Corporation Limited		
Dividend paid	-	52,369
Arif Habib Investments Employee Provident Fund		
Dividend paid	-	439
Arif Habib Investments Employee Stock Beneficial Ownership Fund		
Dividend paid	-	70
Directors and executives of the Management Company		
Dividend paid	-	300
Nishat Mills Limited		
Bonus unit issued: 24,336 (2010: N/A)	10	-
Mohammad Aslam Motiwala (holding 10% or more)		
Bonus unit issued: 625,522 (2010: N/A)	252	-
Habib Bank Limited (holding 10% or more)		
Bonus unit issued: 365,048 (2010: N/A)	147	-

	Un-Audited September 30, 2011	Audited June 30, 2011
9.2 Balances outstanding at period end		
	(Rupees in '000)	
Management Company		
Remuneration payable	1,110	1,124
Conversion cost payable	7,600	7,600
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	96	112
Other payables	-	1
Security deposits	300	300
Arif Habib Limited - Brokerage house		
Brokerage payable	35	66
Summit Bank Limited		
Balances with bank	36,279	31,468
Accrued mark-up	351	144
Nishat Mills Limited		
Unit held: 524,336 (June 30, 2011: 500,000)	4,383	4,179
MOHAMMAD ASLAM MOTIWALA (holding 10% or more)		
Unit held: 13,477,023 (June 30, 2011: 12,851,501)	112,644	107,416
Habib Bank Limited (holding 10% or more)		
Unit held: 7,865,048 (June 30, 2011: 7,500,000)	65,738	62,687

10 DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorised for issue on October 26, 2011 by the Board of Directors of the Management Company.

11 GENERAL

Figures have been rounded off to the nearest thousand Rupees.

For Arif Habib Investments Limited
(Management Company)

Chief Executive

Director