

**PAKISTAN
CAPITAL PROTECTED FUND
(Fixed Income Securities)**

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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	Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman(subject to the approval of SECP) Executive Vice Chairman Chief Executive (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director Director (subject to the approval of SECP)
Company Secretary & Chief Financial Officer 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	MCB Bank Limited Habib Metropolitan Bank Limited Bank Alfalah Limited Bank Al-Habib Limited Faysal Bank Limited NIB Bank Limited Allied Bank Limited	
Auditors	M. 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	
Transfer Agent	Arif Habib Investments Limited 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.	
Rating	AM2 (Positive Outlook) Management Quality Rating assigned by PACRA	

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

Dear Investor,

On behalf of the Board of Directors, I am pleased to present the financial results of **Pakistan Capital Protected Fund - Fixed Income Securities** for the nine months ended March 31, 2012.

ECONOMY AND MONEY MARKET OVERVIEW

On the macroeconomic front, inflationary pressures have remained largely on the lower side during the period with YoY CPI inflation averaging 10.8% amid change in CPI methodology as well as high base-effect of last year. External account, however, has started deteriorating significantly with 8M FY12 current account balance posting a sizeable deficit of US\$ 3.0 billion amid higher trade deficit despite record remittances flows. Financial flows have remained weak during the period thereby posing serious risks towards balance of payment position as well as exchange rate. On the fiscal side, the government posted a budget deficit of 2.5% of GDP during 1H FY12 with about 94% funding coming from the domestic sources (including one-off circular debt adjustment, 1H FY12 deficit is around 4.4%). Significant deterioration in key macroeconomic indicators has compelled the SBP to keep its earlier adopted monetary easing stance at a halt during the latter part of the period under review.

In the money market, short term market rates remained on the higher side due to relatively tight liquidity scenario in the system amid continued NFA attrition. Due to sizeable depletion in net foreign assets (NFA) of the banking system, market liquidity remained largely tight almost throughout the period - compelling the SBP to constantly inject significant amount of money in the system through OMOs in order to calm down the market.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 5.6% as against its benchmark return of 11.8%, an under-performance of 6.2%.

Committed with the objective of providing 100% capital protection, the fund had allocations of 66% in Term Deposit with Habib Metropolitan Bank as capital protection segment of the fund as of the period-end. Around 7% of the fund's net assets were invested in Treasury Bills, 5% in Term Finance Certificates and the rest in cash and other assets as of 31st March 2012.

FUTURE OUTLOOK

Despite relatively lower inflation, fragile external and fiscal accounts would continue to keep a check on the SBP's future monetary direction. We continue to flag realization of foreign flows as the single most important variable especially in the backdrop of sustained oil prices, downward trend in cotton prices and debt repayments including IMF. However, re-emergence of talks over US flows under coalition support fund (CSF) and Kerry-Lugar bill would hold the key for the economic outlook in the near term.

In a fast changing interest rate environment, the fund would continue to maintain its focus on the credit quality of the portfolio while exploiting attractive opportunities in the market.

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: April 27, 2012

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2012

		(Unaudited) 31 March 2012	(Audited) 30 June 2011
	Note	(Rupees in '000)	
Assets			
<i>Capital protection segment</i>			
Term deposit receipts	5	160,136	162,136
Profit receivable		<u>40,579</u>	<u>26,488</u>
		<u>200,715</u>	<u>188,624</u>
<i>Investment segment</i>			
Balances with banks	6	12,714	12,807
Profit receivable		223	858
Investments	7	29,825	36,096
Deposits, prepayments and other receivables		352	2,028
		43,114	51,789
Preliminary expenses and floatation costs		<u>149</u>	<u>451</u>
Total assets		<u>243,978</u>	<u>240,864</u>
Liabilities			
Payable to Management Company		350	292
Payable to MCB Financial Services Limited - Trustee		42	41
Payable to Securities and Exchange Commission of Pakistan - Annual fee		134	188
Accrued expenses and other liabilities		5,145	3,668
Total liabilities		5,671	4,189
Contingency	8		
Net assets		<u>238,307</u>	<u>236,675</u>
Unit holders' funds (as per statement attached)		<u>238,307</u>	<u>236,675</u>
		(Number of units)	
Number of units in issue		<u>22,453,836</u>	<u>21,439,398</u>
		(Rupees)	
Net asset value per unit		<u>10.61</u>	<u>11.04</u>

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited
(Management Company)

Yasir Qadri
Chief Executive Officer

Nasim Beg
Executive Vice Chairman

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

	Nine months period ended 31 March		Quarter ended 31 March	
	2012	2011	2012	2011
	----- (Rupees in '000) -----			
Income				
Income from term deposit receipts - capital protection segment	14,443	16,195	4,770	5,320
Capital loss on sale of investments	(441)	(69)	(441)	2
Income from government securities	1,197	1,184	556	502
Income from term finance and sukuk certificates	1,411	4,378	299	1,500
Profit on bank deposits	905	1,224	245	384
Income from commercial papers	585	173	-	173
Other income	336	84	213	-
Provision against non-performing debt securities	(1,255)	-	(1,255)	-
Unrealised diminution in fair value of investments classified as 'at fair value through profit or loss'	7.2 (1,244)	(359)	350	(174)
Total income	15,937	22,810	4,737	7,707
Expenses				
Remuneration of Arif Habib Investments Limited - Management Company	9 2,682	2,835	891	947
Service tax charges	429	-	142	-
Remuneration of the MCB Financial Services Limited - Trustee	376	428	125	126
Annual fee - Securities and Exchange Commission of Pakistan	134	142	44	48
Securities transaction cost	11	7	6	5
Bank charges	8	31	1	14
Fees and subscriptions	253	83	77	28
Legal and professional charges	56	56	18	18
Auditor's remuneration	311	307	98	120
Amortisation of preliminary expenses and floatation costs	302	301	100	99
Printing and related costs	94	94	31	31
Others	1,444	1,762	527	579
Total expenses	6,100	6,046	2,060	2,015
	9,837	16,764	2,677	5,692
Net element of income / (loss) and capital gains / (losses) for the period included in prices of units issued less those in units redeemed	(164)	(14)	(152)	(1)
Net income for the period	9,673	16,750	2,525	5,691

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited
(Management Company)

Yasir Qadri
Chief Executive Officer

Nasim Beg
Executive Vice Chairman

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

	Nine months period ended 31 March		Quarter ended 31 March	
	2012	2011	2012	2011
	----- (Rupees in '000) -----			
Undistributed income brought forward - realised and unrealised	22,286	10,093	11,342	12,946
Final distribution for the year ended 30 June 2011 at the rate of Re. 0.8564 (2010: Re. 0.35) [Date of distribution: 4 July 2011 (2010: 5 July 2010)]	(18,361)	(8,206)	-	-
Net income for the period	9,673	16,750	2,525	5,691
Net element of income / (loss) and capital gains / (losses) for the period included in prices of units issued less those in units redeemed - net - amount representing unrealised capital gains - transferred to the Distribution Statement (refer note 3)	176	-	(93)	-
Undistributed income carried forward - realised and unrealised	(8,512)	8,544	2,432	5,691
	13,774	18,637	13,774	18,637

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.

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

Yasir Qadri
Chief Executive Officer

Nasim Beg
Executive Vice Chairman

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

	Nine months period ended 31 March		Quarter ended 31 March	
	2012	2011	2012	2011
	----- (Rupees in '000) -----			
Net assets at the beginning of the period	236,675	244,564	240,779	253,951
Issue of 1,803,605 (2011: 814,135) bonus units for the year ended 30 June 2011 at the rate of Re. 0.8564 (2011: 0.35) per unit - Date of distribution 4 July 2011	18,361	8,206	-	-
Redemption of 789,167 (2011: 162,093) units during the period	(8,205)	(1,700)	(5,149)	(15)
	10,156	6,506	(5,149)	(15)
Net element of (income) / loss and capital (gains) / losses for the period included in prices of units issued less those in units redeemed				
- amount representing accrued (income) / loss and realised capital (gains) / losses transferred to the Income Statement	164	14	152	1
- amount representing unrealised capital (gains) / losses - transferred to the Distribution Statement	(176)	-	93	-
	(12)	14	245	1
Net element of income / (loss) and capital gains / (losses) for the period included in prices of units issued less those in units redeemed - net - amount representing unrealised capital gains - transferred to the Distribution Statement (refer note 3.1)	176	-	(93)	-
Final distribution of 1,803,605 (2010: 814,135) bonus units for the year ended 30 June 2011 at the rate of Re. 0.8564 (2010: 0.35) per unit - Date of distribution 4 July 2011	(18,361)	(8,206)	-	-
Net income for the period (excluding unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss' and capital (losses) on sale of investments)	11,358	17,178	2,616	5,863
Capital loss on sale of investments	(441)	(69)	(441)	2
Unrealised diminution in fair value of investments classified as 'at fair value through profit or loss'	(1,244)	(359)	350	(174)
Net income for the period including unrealised diminution in fair value of investments classified as at 'fair value through profit and loss'	9,673	16,750	2,525	5,691
Net assets at the end of the period	238,307	259,628	238,307	259,628

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited
(Management Company)

Yasir Qadri
Chief Executive Officer

Nasim Beg
Executive Vice Chairman

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

	Nine months period ended 31 March		Quarter ended 31 March	
	2012	2011	2012	2011
	----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	9,673	16,750	2,525	5,691
<i>Adjustments for:</i>				
Amortisation of preliminary expenses and floatation costs	302	301	100	99
Net element of income / (loss) and capital gains / (losses) for the period included in prices of units issued less those in units redeemed	164	14	152	1
Unrealised diminution in fair value of investments classified as 'at profit or loss'	1,244	359	(350)	174
	11,383	17,424	2,427	5,965
(Increase) / decrease in assets				
Term deposit receipts	2,000	-	-	-
Profit receivable against term deposit receipts	(14,091)	-	(4,771)	-
Profit receivable	635	(15,674)	331	(5,485)
Investments	5,027	(5,079)	7,904	(3,759)
Deposits, prepayments and other receivables	1,676	1	4	3
	(4,753)	(20,752)	3,468	(9,241)
Increase / (decrease) in liabilities				
Payable to Management Company	58	(1,165)	(4)	5
Payable to MCB Financial Services Limited - Trustee	1	3	-	2
Payable to Securities and Exchange Commission of Pakistan - Annual fee	(54)	76	44	48
Accrued expenses and other liabilities	1,477	1,876	523	584
	1,482	790	563	639
Net cash generated from / (used in) operating activities	8,112	(2,538)	6,458	(2,637)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net (payments) / receipts from sale and redemption of units	(8,205)	(1,700)	(5,149)	(15)
Net (decrease) / increase in cash and cash equivalents during the period	(93)	(4,238)	1,309	(2,652)
Cash and cash equivalents at beginning of the period	12,807	19,840	11,405	18,254
Cash and cash equivalents at end of the period	12,714	15,602	12,714	15,602

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited
(Management Company)

Yasir Qadri
Chief Executive Officer

Nasim Beg
Executive Vice Chairman

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

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 (a subsidiary of MCB Bank 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 the SECP.

Based on shareholders' resolutions of MCB-Asset Management Company and Arif Habib Investments Limited the two companies have merged as of 27 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 10 June 2011). Arif Habib Investments Limited being a listed company is the surviving entity and in compliance of the State Bank of Pakistan's approval it is a subsidiary of MCB Bank Limited. However, subsequent to the completion of the merger the SECP issued an order postponing the effective date of the merger to 30 July 2011 (through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AH/348/2011 dated 27 June 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. The Honourable Sindh High Court has held the SECP's subsequent order in abeyance and instructed the 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 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 Pakistan Credit Rating Agency Limited (PACRA) has assigned asset manager rating of AM2' (Positive Outlook) to the Management Company of the Fund. Currently, the management is awaiting for assignment of stability rating of the Fund from PACRA.

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) or above 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 taxes) 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 Fund is listed on Islamabad Stock Exchange (Guarantee) Limited. The duration of the Fund is 30 (thirty) months from the last day of initial offering / launch period. The Fund will cease to operate on 15 August 2012 and shall stand liquidated. 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 as at and for the period ended 30 June 2011.

This condensed interim financial information comprises of the condensed interim statement of assets and liabilities as at 31 March 2012 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 nine months ended 31 March 2012. At 31 March 2012, 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 March 2012 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2011, whereas for condensed interim cash flow statement is stated from unaudited condensed interim financial information for the period ended 31 March 2011.

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.

The directors of the Management Company declare that these condensed interim financial information give a true and fair view of the Fund.

3. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

The accounting policies adopted for the preparation of these condensed interim financial information are the same as those applied in the preparation of the annual published financial statements of the Fund for the year ended 30 June 2011.

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 2011.

During the period, the Fund has revised the calculation for determination of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed. As per the revised calculation, element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the period is recognized in income statement and the remaining portion of element of income / (loss) and capital gains / (losses) held in separate reserve account at the end of an accounting period (whether gain or loss) is included in amount available for distribution to the unit holders.

The revised calculation, in the opinion of the management, would ensure that continuing unit holders' share of undistributed income remains unchanged on issue and redemption of units. The change did not have any impact on the net assets value (NAV) of the Fund. Had the calculation not been changed, the net income for the period ended 31 March 2012 would have been lower by Rs. 0.176 million.

3.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period:

The following amendments to existing standards are mandatory for the first time for the financial year beginning 1 July 2011:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. 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 adoption of the revised standard did not have any impact on the Fund's condensed interim financial information.

IFRS 7 (amendment) 'Financial instruments: Disclosures'. This amendment was part of the IASB's annual improvement project published in May 2010. The amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The Management is currently considering the impact of the stated disclosure on financial statements.

Apart from above, there are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the period and are mandatory for accounting periods beginning on or after 1 July 2011 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not disclosed in this condensed interim financial information.

3.2 Standards, interpretations and amendments to published approved accounting standards, as adopted in Pakistan, that are not yet effective:

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that are mandatory for accounting periods beginning on or after 1 July 2012 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 this condensed interim financial information.

4. 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 2011.

5. 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 total initial invested value.

6. BALANCES WITH BANKS

This represents deposit accounts carrying mark-up at the rate of 5% to 9.5% per annum. (June 2011: 5% to 10.5% per annum).

7. INVESTMENTS

(Unaudited)	(Audited)
31 March	30 June
2012	2011
(Rupees in '000)	

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

Term finance and sukuk certificates	7.1.1	11,676	16,681
Treasury bills		18,149	-
Commercial Papers - unsecured - loans and receivables		-	19,415
		<u>29,825</u>	<u>36,096</u>

7.1.1 Term finance and sukuk certificates

Name of the investee company	Issue date	As at 01 July 2011	Purchases during the period	Sales / matured during the period	As at 31 March 2012	Cost as at 31 March 2012	Market value as at 31 March 2012	Appreciation/ (diminution) as at 31 March 2012	Market value as a percentage of net assets	Market value as percentage of total investments	Percentage in relation to the size of the issue
Face value of Rs. 5,000 each unless stated otherwise											
Pak Elektron Limited - Sukuk	28 September 2007	4,700	-	1,500	3,200	5,995	6,363	368	2.67	21.33	0.53
Bank Alfalah Limited - IV Escort	2 December 2009	500	-	-	500	2,498	2,533	35	1.06	8.49	0.05
Investment Bank Limited	15 March 2007	4,016	-	-	4,016	4,294	3,657	(637)	1.53	12.26	0.07
						12,787	12,553	(234)			
						(877)	(877)				
						11,910	11,676	(234)			
Provision against non - performing exposure (note 7.1.2)											

----- Number of certificate ----- (Rupees in '000) -----

7.1.2 During the period, owing to financial difficulties, Pakistan Elektron Limited has defaulted in the payment of coupon due on 28 December 2011. In accordance with the requirements of Circular 1 of 2009, issued by the SECP, no further mark-up is being accrued on such investment from the date the coupon was due. And a provision amounting to Rs 0.877 million has been made during the period.

7.1.3 Treasury bills

Issue date	Tenor	As at 01 July 2011	Purchases during the period	Face value Sales / matured during the period	As at 31 March 2012	Cost as at 31 March 2012	Market value as at 31 March 2012	Appreciation / (diminution) as at 31 March 2012	Market value as a percentage of net assets	Market value as a total investment
25 August 2011	12 months	-	23,000	4,000	19,000	18,194	18,149	(45)	7.62	60.85
						(877)	(877)			
						19,000	18,194	(806)		
						4,000	4,000			
						19,000	18,149	(851)		

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

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

	(Unaudited) 31 March 2012 (Rupees in '000)	(Audited) 30 June 2011
Fair value of investments	29,825	16,681
Less: Cost of investments	<u>(30,104)</u>	<u>(15,723)</u>
	(279)	958
Realised on disposal during the period	(7)	(78)
Unrealised appreciation in fair value of investment classified as 'at fair value through profit or loss' at beginning of the period	<u>(958)</u>	<u>(1,439)</u>
	<u>(965)</u>	<u>(1,517)</u>
	<u><u>(1,244)</u></u>	<u><u>(559)</u></u>

8. DETAILS OF NON-COMPLIANT INVESTMENT WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated 6 March 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular.

In accordance with the investment criteria laid down for 'Capital Protected Scheme' in circular no. 7 of 2009 and the constitutive document, the Fund is required not to invest in any security having rating not lower than the investment grade (credit rating of BBB and above). However, as at 31 March 2012, the Fund is non-compliant with the above mentioned requirement in respect of the following investments:

Name of non-compliant investment	Name of Company	Value of investment before provision ----- (Rupees in '000) -----	Provision held, if any	Value of investment after provision	Percentage of net assets %	Percentage of gross assets %
Investment in debt securities	Escort Investment Bank Limited	3,657	-	3,657	1.52%	1.49%
Investment in debt securities	Pak Electron Limited	6,363	877	5,486	2.28%	2.23%

8.1 At the time of purchase, the said securities were in compliance of the circular (i.e. investment grade) and were subsequently downgraded to non investment grade by MUFAP.

9. CONTINGENCY

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 for an adjudication.

Subsequently, 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.

During the period, 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 in this condensed interim financial information. The aggregate unrecognised amount of WWF as at 31 March 2012 amounted to Rs. 0.803 million.

10. SERVICE TAX CHARGES

During the current period the Sindh Government has levied General Sales Tax (GST) at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Service Tax 2011 effective from 1 July 2011.

11. 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. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Accordingly, no provision for taxation has been made in this condensed interim financial information.

12. TRANSACTIONS WITH CONNECTED PERSONS/ RELATED PARTIES

Connected persons / related parties 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.

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.

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 for the period end and balances with them at period / year end are as follows:

Unaudited			
Nine months ended		Quarter ended	
31 March		31 March	
2012	2011	2012	2011
----- (Rupees in '000) -----			

12.1 Transactions during the period with connected persons / related parties

Arif Habib Investments Limited - the Management Company

Remuneration for the period	2,682	2,835	891	947
Service tax charges	429	-	142	-

MCB Financial Services Limited - Trustee

Remuneration for the period	376	428	125	126
Other	-	50	-	-

Units issued as bonus to:

Arif Habib Investments Limited - Management Company 10,642 (2011: 4,245)	108	43	-	-
Directors / officers and employees of the management company 1,177 (2011: 647)	12	7	-	-
Summit Bank Limited - 858,202 (2011: 342,329)	8,736	3,451	-	-

12.2 Balances outstanding as at the period end	(Unaudited) 31 March 2012 (Rupees in '000)	(Audited) 30 June 2011
<i>Arif Habib Investments Limited - the Management Company</i>		
Remuneration payable	350	292
<i>MCB Financial Services Limited - Trustee</i>		
Remuneration payable	42	41
Units held by:		
Arif Habib Investments Limited 137,144 (2011: 126,502)	1,455	1,397
Directors / officers of the management company 15,173 (2011: 19,305)	161	213
Summit Bank Limited 11,059,617 (2011: 10,201,415)	117,343	112,616

13. 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 April 27, 2012.

14. GENERAL

Figures have been rounded off to the nearest thousand Rupees.

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

Yasir Qadri
Chief Executive Officer

Nasim Beg
Executive Vice Chairman