Annual Report 2011

Arif Habib Investments Limited
A Subsidiary of
MCB Bank Limited

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Vision

To use our financial and risk management expertise, product innovation ability, professionalism and quality of service to be Pakistan's premier fund management company, reaching out to all segments of investors - domestic and international.

To contribute to the economic development of the country and benefit our investor community by providing them access to the investment returns generated by Pakistan's growing economy, while diversifying the investment exposure into international opportunities as well.

To accelerate our corporate growth significantly through investment in human resource and technology and through our physical presence in locations having proximity to our investors.

Mission

To establish a centre of excellence in the Pakistan's Fund Management Community, utilizing the best local and international expertise to provide value-for-money products, which meet the needs of Pakistani and overseas investors.

Core Values

The Company takes pride in its orientation towards client service. It believes that its key success factors include continuous investment in staff, systems and capacity building, and its insistence on universal best practices at all times.

COMPANY INFORMATION

Board of Directors	**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)

Audit Committee

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

Chief Financial Officer

Mr. Muhammad Saqib Saleem

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530, Pakistan

Legal Advisors

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

Share Register

Noble Computer Services (Private) Limited
First Floor, House of Habib Building (Siddiqsons Tower),
3-Jinnah Cooperative Housing Society,
Main Shahrah-e-Faisal, Karachi, Pakistan.
Tel: (021) 4325482-87
Fax: (021) 4325442
Website: www.noble-computers.com

Bankers

MCB Bank Limited
Summit Bank Limited
Bank AL Habib Limited
Deutsche Bank A.G.
Allied Bank Limited

Registered Office

8th Floor, Techno City Corporate Tower,
Hasrat Mohani Road, Karachi.
UAN: (+92-21) 11-11-622-24, Toll Free: 0800-622-24
Fax: (+92-21) 32276898, 32276908
URL: www.mcbah.com, Email: info@mcbah.com

Ratings (PACRA)

Entity
A (Long Term) / A-1 (Short Term)
Asset Manager
AM2- (With Positive Outlook)

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Eleventh Annual General Meeting of Arif Habib Investments Limited will be held on Tuesday, October 25, 2011 at 2:30 p.m. at Aquarius Hall, at Beach Luxury Hotel, Moulvi Tamizuddin Khan Road, Karachi to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the Extra Ordinary General Meeting held on May 21, 2011.

2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2011 together with the Reports of Auditors and Directors.

3. To declare and approve final cash dividend of 15% i.e Rs.1.50 per ordinary share of Rs.10/- each for the year ended June 30, 2011, as recommended by the Board of Directors, payable to the Members whose names appear in the Register of Members as at October 18, 2011.

4. To appoint the external auditors of the Company for the year ending June 30, 2012 and to fix their remuneration.

5. To consider any other business of the company with the permission of the chair.

By Order of the Board

Muhammad Saqib Saleem
Company Secretary

October 04, 2011
Karachi

Notes:

1. Share Transfer Books of the Company will remain closed from October 18, 2011 to October 25, 2011 (both days inclusive). Transfers received in order at the office of our Share Registrar M/s. Noble Computer Services (Pvt) Limited, First Floor, House of Habib Building, (Siddiqsons Tower), 3-Jinnah Cooperative Housing Society, Main Shahrah-e-Faisal, Karachi - 75350 by the close of business on October 17, 2011, will be considered in time for the determination of entitlement of shareholders to final cash dividend and to attend and vote at the meeting.

2. A member entitled to attend, speak and vote at the Annual General Meeting is entitled to appoint another person as his/her proxy to attend, speak and vote on his/her behalf.

3. Instrument appointing proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power or authority must be deposited at the registered office of the Company at least 48 hours before the time of the meeting. Form of proxy is enclosed.

4. Members are requested to notify any change in their address immediately to the Share Registrar M/s. Noble Computer Services (Private) Limited.

CDC account holders will further have to follow the under mentioned guidelines as laid down in Circular No. 1 of 2000 dated January 26, 2000 issued by the Securities & Exchange Commission of Pakistan.

A. For attending the meeting:

1. In case of individuals, the account holder or sub account holder and /or the person whose securities are in group account and their registration details are up-loaded as per the Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

2. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For appointing proxies:

1. In case of individuals, the account holder or sub account holder and /or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

2. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the forms.

3. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

4. The proxy shall produce his/her original CNIC or original passport at the time of the meeting.

5. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be submitted (unless it has been provided earlier) along with proxy form of the Company.

DIRECTOR'S REPORT TO THE MEMBERS
FOR THE YEAR ENDED JUNE 30, 2011

On behalf to the Board of Directors of your Company, I am pleased to present the Annual Report of the Company for the year ended June 30, 2011.

Merger with MCB Asset Management Company Limited

Objective and Benefits

The sponsors of Arif Habib Investments Limited (AHI) and MCB Asset Management Company Limited (MCB-AMC) signed a Shareholders' agreement on January 19, 2011 for merger between the two entities. Sponsors of both the entities believe that the combined force of MCB Bank Limited and Arif Habib Group will strengthen the asset management business considerably and will be in the greater interest of the investing public. The merger would bring together the wide and differentiated range of products and a strong retail base that have been the hallmark of AHI with strong brand equity and one of the largest distribution networks of MCB Bank Limited. The combination would enable the management to dovetail a comprehensive product menu with a broad based delivery channel alongside the strength and muscle to establish a quality platform for services. The combination will improve the outreach to small savers and investors.. In accordance with the approval from the State Bank of Pakistan, the Company is a Subsidiary of MCB Bank Limited, which owns over 50% holding in the Company.

The merger has also created an opportunity for further improvement of human resource quality as best resource for both companies has come together.

Effect of Merger

The scheme of amalgamation (the "Scheme") was approved by the shareholders of the Company and MCB AMC in their respective extra ordinary general meetings held on May 21, 2011. Pursuant to amalgamation, the entire undertaking of MCB AMC including all properties, assets, liabilities, receivables, liabilities and all other rights and obligations have been transferred into and vested in the Company as on the effective date. The Company was required to issue and allot 36 million ordinary shares of Rs.10 each, as fully paid shares, to registered ordinary shareholders of MCB AMC in the ratio of 1.2 ordinary shares of the Company for each share of Rs.10 of MCB AMC as consideration.

Regulatory Approvals

On June 10, 2011 the Securities and Exchange Commission of Pakistan sanctioned the scheme of amalgamation by approving the said merger in terms of Section 282L(4) of the Companies Ordinance, 1984 vide its letter dated June 10, 2011 subject to all regulatory compliances. The effective date of the proposed merger was June 27, 2011.

However, well past business hours on June 27, 2011, SECP issued another order under Section 484(2) of the Companies Ordinance, 1984 (the extension order) and extended the effective date from June 27, 2011 to July 30, 2011. On the advice of the legal advisor the sponsors and Board are of the view that the merger is a past and closed transaction and consequently the Company filed a constitutional petition before the Honourable High Court of Sindh on July 2, 2011 on the grounds that the extension order was illegal and not tenable under law. On July 4, 2011, the Court, in response to the said petition, suspended the operation of the extension order of SECP till the outcome of the application. The external auditors of the Company have emphasized the above mentioned situation in their report.

Accounting Treatment

As detailed in Note 4 to the financial statements, the merger of Arif Habib Investments Limited with MCB Asset Management Company Limited has been accounted for using acquisition method accounting under International Financial Reporting Standard - 3. In accordance with the terms of Agreement dated January 19, 2011 between the sponsors and the approval from the State Bank of Pakistan to MCB Bank Limited for amalgamating its wholly owned subsidiary with the Company, the merger has been accounted for using reverse acquisition, treating the MCB Asset Management Company Limited as the accounting acquirer. As allowed under IFRS -3, the fair value of certain assets acquired as a result of amalgamation has been determined provisionally because of limited information available. As explained in 4.2 to the financial statements, these assets primarily include the management rights of collective investment schemes acquired as a result of amalgamation. The final value of these assets will be determined during the next financial year after having more accurate information on these assets. Because of the fact that necessary adjustment to the reported figures of these assets may be needed, the external auditors of the Company have emphasized the matter in their report.

Financial Highlights

	June 30, 2011 PKR (Million)
Assets under Management	30,545
Revenue	282.79
Net profit after tax	71.63
Total Assets	1,356.61
Shareholders' Equity	1,258.73
Earnings per share (EPS)	PKR 1.97

Performance Review

As mentioned above, these financial statements has been drawn up using reverse acquisition accounting, which requires amalgamation of net assets of the legal acquirer (AHI) into the legal acquiree (MCB-AMC), consequently performance of the legal acquiree during the year is disclosed in the profit and loss account for the period ended June 30, 2011. Your Company recorded a gross income of Rs.282.79 million, which includes management / investment advisory fee and other operating income. After accounting for administrative, operating & financial expenses and income sharing of Rs.193.07 million, the company earned a profit before tax of Rs.90.71 million. The net profit after tax for the year amounts to Rs.71.63 million as compared to net profit of Rs.78.93 million for the corresponding year ended June 30, 2010. Consequently, the Company has EPS of Rs.1.97 during the year ended June 30, 2011. Accordingly, with the increasing trend of funds under management of the company, the company is expected to deliver better results going forward.

MARKET & ECONOMIC REVIEW

Despite continued macro-economic challenges throughout the period, the year under review (July '10-June '11) was not as turbulent as it was expected to be due to concerns over payments from foreign donor agencies and devastation caused by floods throughout the country. Record-high levels of remittances and cotton prices saved the day and kept external account position under control.

During the year, exports rose to US$ 25.4 billion, 29% higher on a YoY basis, reducing the trade deficit to around US$ 10.3 billion, 11% lower YoY. In addition to contained trade deficit, record-high level of workers' remittances flow has taken the current account balance to a surplus of US$ 437 million, for the first time after FY04. Despite meager financial account flows, country's balance of payment position improved significantly during the year by around US$ 2.5 billion - taking the FX reserves to a record level of US$ 18.2 billion, consequently keeping PKR-USD exchange rate largely stable during the year.

Post-flood, inflationary pressures have risen significantly amidst supply-side issues as well as phasing out of power subsidies, CPI inflation averaged higher at around 14.6% during 1H FY11. Due to relatively lower food inflation as well as no major electricity pass-through during the latter half, CPI inflation averaged at a lower level of 13.3% - taking the average FY11 inflation to 13.9%. Real economy, however, did not have much to show with Real GDP growth stood at a paltry 2.4%, much lower than the target. Loss in agriculture produce because of floods caused a major dent towards country's economic growth during the period under review. Services sector, however, was able to provide some support with a growth of 4.1%, bringing the overall GDP growth to 2.4%.

Fiscal indiscipline has remained a cause of concern for the economic managers as the country is expected to witness yet again a deficit of over 6% of the GDP during FY11. Even during the first 9M of the fiscal year, the country witnessed a fiscal deficit of Rs. 783 billion, 4.3% of the revised GDP. Slower growth in revenue collection coupled with higher current expenditure has been the chief reason behind ballooning fiscal deficit. Unfortunately, development expenditure is expected to be under-spent for yet another year to meet revised fiscal deficit targets. In addition of having a higher fiscal deficit, the financing mix is also alarming as the country had to resort to domestic sources of funding to a large extent in the absence of sizeable foreign flows during the period under review.

Considering the volatility in the macroeconomic variables, the State Bank of Pakistan has also altered its monetary stance at least twice during the year. Citing the deteriorating macroeconomic fundamentals during the 1H FY11 mainly in the backdrop of floods, the SBP raised its policy discount rate cumulatively by 150 bps to 14.0%. However, gradual improvement towards external account through remittances and increased textile exports as well as lower levels of government borrowing from SBP has compelled the central bank to keep its policy DR unchanged for the next 3 policies during 2H FY11. Due to an overall higher interest rate environment, 1 year PKRV averaged at around 13.4% during FY11, much higher than the average 12.2% a year ago.

During FY11, key monetary indicators have also been better as compared to that of last year with money supply (M2) posting a strong growth of 15.9%. Although Net Domestic Asset (NDA) growth has been a key contributor behind M2 growth during this year as well, sizeable YoY growth of 43% in Net Foreign Assets (NFA) has been commendable - also reflecting strong BOP position.

In absence of foreign donor payments coming through, government's need to borrow continues to be a barrier in way of significant drop in interest rates or growth in credit. However, in absence of new credit creation, existing Term Finance Certificates (TFC) market became liquid and bank issued TFCs commanded improvement in prices during the period under review. Moreover, GoP Ijarah Sukuk (GIS) has also emerged as an attractive instrument during the year for conventional markets in general and Shariah compliant markets in particular. In addition of giving strong interest yield, GIS has also provided potential for capital gains due to its demand-supply gap and therefore has seen significant activities during the year in both primary as well as secondary markets.

Equities Market Review

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

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

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

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

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

MARKET & ECONOMY - FUTURE OUTLOOK

We believe that the materialization of sizeable foreign inflows will continue to be the single most important variable especially in the backdrop of sustained oil prices, downward trend in cotton prices and debt repayments including IMF. Although the State Bank of Pakistan has cut its policy discount rate by 50 bps to 13.5% in its Jul'11 monetary policy meeting on the back of contained inflationary pressures, strong external account position and lower levels of government borrowing from SBP, we believe that rising vulnerability on external side coupled with a continued fiscal slippages would make it difficult to ease monetary policy stance further moving forward. Liquidity and interest rate direction will be largely dependent on the magnitude and sources of fiscal funding. In the absence of foreign flows, greater reliance will be on domestic sources - which could rebound inflation and interest rates.

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

MUTUAL FUND INDUSTRY REVIEW

Despite macroeconomic challenges, the performance of mutual fund industry remained strong during the year under review with assets under management of open-end mutual funds stood at Rs. 223 billion by the end of FY11, reflecting sizeable growth of 32% on a year on year basis.

Like previous year, money market funds remained the preferred investment avenue amid low-risk appetite of the investors and therefore major new money flow has been towards these funds with their size reaching Rs. 84 billion by June 2011 end, representing a growth of over 100% YoY. Also like the previous year, growth in money market funds has continued to come at the expense of traditional income funds, the size of which has gone down further this year to Rs. 59 billion by the end of FY11.

Despite a sizeable growth in KSE-100 index during past couple of years, equity funds largely failed to attract new money during the year and growth in assets under management of equity funds has largely come due to stock market growth during the period. The assets under management of equities fund stood at Rs. 52 billion by June 2011, representing year on year growth of 30% as against KSE-100 index returns of 29% during the same period.

Government National Savings Schemes continued to be the major impediment behind mutual fund industry growth. During the past 3 years, NSS had witnessed massive net inflows of Rs. 726 billion (Rs. 267 billion in 2009, Rs. 225 billion in 2010 and Rs. 234 billion in 2011).

MUTUAL FUND INDUSTRY OUTLOOK

Due to the continued prevalence of risk aversion, a robust growth in mutual funds has been contributed by fixed income funds, especially money market and Shariah compliant funds. This trend is unlikely to be changed going forward with high interest rates environment clearly supporting fixed income funds growth. In addition, voluntary pension schemes (due to enhanced tax-advantage) and Shariah compliant funds (stable returns due to Ijarah Sukuk) should also perform better in the next couple of years. Similarly, given the attractive valuation multiples of Pakistan equities market, stock fund still appears to be the right choice for longer term savings and investments.

Entity Rating and Asset Manager Rating

Ratings of Collective Investment Schemes under management of the Company are as under:

Fund	Star rating Normal	Star rating Long-term	Rating agency
Pakistan Stock Market Fund	2 - star	4 - star	PACRA
Pakistan Premier Fund	3 - star	4 - star	PACRA
Pakistan Capital Market Fund	2 - star	3 - star	PACRA
Pakistan International Element Islamic Fund	3 - star	2 - star	PACRA
Pakistan Strategic Allocation Fund	3 - star	4 - star	PACRA
MCB Dynamic Stock Fund	4 - star	5 - star	PACRA
MCB Dynamic Allocation Fund	4 - star	4 - star	PACRA

	Stability rating	Rating agency
Pakistan Cash Management Fund	AAA(f)	PACRA
Pakistan Income Fund	AA - (f)	PACRA
MetroBank - Pakistan Sovereign Fund	AA (f)	PACRA
Pakistan Income Enhancement Fund	AA - (f)	PACRA
MCB Dynamic Cash Fund	A + (f)	PACRA
MCB Cash Management Optimizer	AA + (f)	PACRA
MCB Sarmaya Mehfooz Fund 1	AA+(cp)	PACRA

Holding Company

MCB Bank Limited being the parent company of Arif Habib Investments Limited hold 51.33% of the outstanding ordinary shares of the company.

CORPORATE GOVERNANCE

Both the sponsors of the Company are committed to implement the highest standards of corporate governance. With three Independent Directors on the Board, as governing body of the Company the Board is accountable to the shareholders for good corporate governance. Management is continuing to comply with the provisions of best practices set out in the code of corporate governance particularly with regard to independence of non-executive directors. The Company remains committed to conduct its business in line with listing regulations of the Stock Exchange, which clearly define the role and responsibilities of Board of Directors and Management.

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

a. The financial statements prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

b. Proper books of accounts of the Company have been maintained.

c. Appropriate accounting policies have been consistently applied in preparation of the financial statements. Accounting estimates are based on reasonable and prudent judgement.

d. International Accounting Standards, as applicable in Pakistan have been followed in preparation of the financial statements.

e. The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further.

f. There are no significant doubts upon the Company's ability to continue as a going concern.

g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
h. Key operating and financial data of the last 7 years in summarised form is annexed.
i. Outstanding taxes and levies have been adequately disclosed in the annexed audited financial statements.
j. The number of shares of the Company held by the Chief Executive, Directors and Executives and their spouses as at June 30, 2011 are as follows:

Particulars	Shares held
Chief Executive	
Mr. Yasir Qadri	1,200
Directors	
Mr. Nasim Beg *	2,725,022
Mr. Samad A. Habib	4

* This includes 24,900 shares sold by Mr. Nasim Beg. However, the purchasers have not yet transferred these shares in their names. This also includes 2,700,122 shares held by Mr. Nasim Beg in a Joint Account maintained by him with his wife Mrs. Zari Beg.

k. Summary of shares acquired or disposed during the year by the Chief Executive, Directors, Chief Financial Officer and Company Secretary and their spouses and minor children is provided below:

Trades by	No. of Shares Purchased	No. of Shares Sold
Director		
*Mr. S. Gulrez Yazdani	10,000	-
*Mr. Muhammad Akmal Jameel	10	-

* Resigned on Jun 27, 2011
1. The values of investments of the Staff Provident Funds of Arif Habib Investments Limited, as of June 30, 2011 is Rs.21,098,338.

PATTERN OF SHAREHOLDING

The pattern of shareholding as on June 30, 2011 is annexed.

Meetings of the Directors

During the year fifteen meetings of the Board of Directors were held. The attendance of each director is as follows:

S. No.	Name	Designation	Meetings			
			Total	Attended	Eligible to attend	Leave Granted
1	Mr. Shafi Malik *	Former Chairman	15	15	15	-
2	Mr. Nasim Beg **	Executive Vice Chairman	15	15	15	-
3	Mr. Muhammad Akmal Jameel *	Former Director	15	15	15	-
4	Mr. Muhammad Kashif *	Former Director	15	11	15	4
5	Syed Ajaz Ahmed *	Former Director	15	13	15	2
6	Mr. Sirajuddin Cassim *	Former Director	15	4	15	11
7	Mr. S. Gulrez Yazdani *	Former Director	15	13	15	2
8	Mr. Samad A. Habib ***	Director	15	5	5	-
9	Mian Mohammad Mansha ***	Chairman	15	1	1	-
10	Mr. Yasir Qadri ****	Chief Executive	15	1	1	-
11	Syed Salman Ali Shah ****	Director	15	1	1	-
12	Mr. Haroun Rashid ****	Director	15	1	1	-
13	Mr. Ahmed Jahangir ****	Director	15	1	1	-
14	Mr. Mirza Mahmood Ahmad ****	Director	15	1	1	-

* Resigned on 27th June, 2011

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

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

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

Auditors

The present auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants, have completed their assignment for the year ended June 30, 2011 and shall retire on the conclusion of Eleventh Annual General Meeting. Since the Board Audit Committee has recommends their appointment as Internal Auditor of the Company, hence they are not eligible for reappointment.

As suggested by the Board Audit Committee, the Board recommends the appointment of M/s. Riaz Ahmed & Co., Chartered Accountants (who have given their consent to such appointment), as statutory auditors for the year 2011-12.

CORPORATE SOCIAL RESPONSIBILITY

Arif Habib Investments has been in the forefront when it came to shouldering the Corporate Social Responsibility (CSR). It has been conscious of its social responsibilities from the day it came into existence and can claim to have contributed not only to the welfare of its employees but also to the community at large. The area of our financial contributions although has generally been focused on the Health and Education sectors yet we have never lacked behind in any need of the hour. As such our contributions have gone to Flood Relief Fund, Environment, Rehabilitation and Community Centres etc. In addition to above, we also had "Employees Payroll Giving Programme" whereby employees made their contributions for the cause of education and health. The company then matches the employees' contribution. During 2010-11, AHI has donated Rs.2.2 million to various organisations.

Acknowledgment

The Board is thankful to Securities and Exchange Commission of Pakistan and the management of Karachi Stock Exchange for their continued support and cooperation. The Directors also appreciate the efforts put in by the employees of the Company for their commitment and dedication and the shareholders for their confidence in the Company.

For and on behalf of the Board

Karachi: September 29, 2011

Yasir Qadri
Chief Executive

COMBINED PATTERN OF CDC AND PHYSICAL SHARE HOLDINGS
AS AT JUNE 30, 2011

ARIF HABIB INVESTMENTS LIMIETD

COMBINED PATTERN OF CDC AND PHYSICAL SHARE HOLDINGS AS AT June 30, 2011

CATEGORY NO.	CATEGORIES OF SHARE HOLDERS	NUMBER OF SHARES HELD	CATEGORY WISE NO. OF SHARE HOLDERS	CATEGORY WISE SHARES HELD	PERCENTAGE %
1	**INDIVIDUALS**		1,092	4,139,651	5.75
2	**INVESTMENT COMPANIES**		-	-	-
3	**JOINT STOCK COMPANIES**		21	900,391	1.25
4	**DIRECTORS ,CHIEF EXECUTIVE OFFICER AND THEIR SPOUSE AND MINOR CHILDREN**		3	2,726,226	3.79
	MR. NASIM BEG	* 2,725,022			
	MR. YASIR QADRI	1,200			
	MR. SAMAD A. HABIB	4			
5	**EXECUTIVES**		-	-	-
	NIT / ICP		2	175,536	0.24
	NATIONAL BANK OF PAKISTAN-TRUSTEE DEPT.	172,306			
6	NATIONAL INVESTMENT TRUST LIMITED	3,230			
7	**ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES**		4	63,052,914	87.57
	ARIF HABIB CORPORATION LIMITED	21,664,167			
	ARIF HABIB INVESTMENT MANAGEMENT LTD. EMPLOYEES STOCK BENEFICIAL OWNERSHIP TRUST	3,446,139			
	ADAMJEE INSURANCE COMPANY LIMITED	985,840			
	MCB BANK LIMITED - TREASURY	36,956,768			
8	**PUBLIC SECTOR COMPANIES AND CORPORATIONS**	-	-	-	-
9	**BANKS, DFIs, NBFIs, INSURANCE COMPANIES, MODARABAS & MUTUAL FUNDS**		4	999,278	1.39
10	**FOREIGN INVESTORS**		2	6,004	0.01
11	**CO-OPERATIVE SOCIETIES**	-	-	-	-
12	**CHARITABLE TRUSTS**	-	-	-	-
13	**OTHERS**	-	-	-	-
	TOTALS		**1,128**	**72,000,000**	**100.00**

SHARE-HOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE LISTED COMPANY

TOTAL PAID-UP CAPITAL OF THE COMPANY	**72,000,000 SHARES**
10% OF THE PAID-UP CAPITAL OF THE COMPANY	**7,200,000 SHARES**

NAME(S) OF SHARE-HOLDER(S)	DESCRIPTION	NO. OF SHARES HELD	PERCENTAGE %
ARIF HABIB CORPORATION LIMITED	FALLS IN CATEGORY # 07	21,664,167	30.09
MCB BANK LIMITED	FALLS IN CATEGORY # 07	36,956,768	51.33

This includes 24,900 shares sold by Mr. Nasim Beg. However, the purchasers have not yet transferred these shares in their names.
This also includes 2,700,122 shares held by Mr. Nasim Beg in a Joint Account maintained by him with his wife Mrs. Zari Beg.

COMBINED PATTERN OF CDC AND PHYSICAL SHARE HOLDINGS
AS AT JUNE 30, 2011

ARIF HABIB INVESTMENTS LIMIETD

COMBINED PATTERN OF CDC AND PHYSICAL SHARE HOLDINGS AS AT June 30, 2011

NUMBER OF SHARE HOLDERS	SHARE HOLDING			TOTAL SHARE HELD
141	1	-	100	3,088
160	101	-	500	18,041
359	501	-	1,000	229,176
355	1,001	-	5,000	731,099
43	5,001	-	10,000	317,909
29	10,001	-	15,000	361,010
9	15,001	-	20,000	154,568
5	20,001	-	25,000	120,438
3	35,001	-	40,000	111,543
1	40,001	-	45,000	40,200
3	45,001	-	50,000	146,000
2	50,001	-	55,000	106,100
2	55,001	-	60,000	114,800
1	75,001	-	80,000	77,880
1	110,001	-	115,000	115,000
1	115,001	-	120,000	119,751
1	135,001	-	140,000	140,000
1	170,001	-	175,000	172,306
1	220,001	-	225,000	225,000
1	230,001	-	235,000	234,849
1	450,001	-	455,000	452,304
1	460,001	-	465,000	463,719
1	530,001	-	535,000	535,000
1	985,001	-	990,000	985,840
1	1,230,001	-	1,235,000	1,232,283
1	2,700,001	-	2,800,000	2,725,022
1	3,445,001	-	3,450,000	3,446,139
1	21,165,001	-	21,700,000	21,664,167
1	35,995,001	-	37,000,000	36,956,768
1,128				**72,000,000**

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2011

This statement is being presented by the Board of Directors of Arif Habib Investments Limited to comply with the Code of Corporate Governance contained in Regulation No. 35 of Listing Regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Arif Habib Investments Limited (the Company) has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes three independent non-executive directors out of a total strength of eight directors.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. During the year Mr. Muhammad Shafi Malik, Mr. Sirajuddin Cassim, Mr. Muhammad Akmal Jameel, Mr. Muhammad Kashif, Mr. S. Gulrez Yazdani and Syed Ajaz Ahmed had resigned and were replaced by Mian Mohammad Mansha, Haroun Rashid, Mr. Ahmed Jahangir, Mr. Yasir Qadri, Dr. Salman Shah and Mr. Mirza Mehmood Ahmad, respectively, as directors of the Company, on the same day.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been approved by the Board of Directors and signed by all the directors and employees of the Company.

6. The Board has developed vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive (CE) has been taken by the Board. As on June 30, 2011, there are no other executive directors of the company beside the Executive Vice Chairman and Chief Executive.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings, except for emergency meeting for which written notice of less than seven days was served. The minutes of the meetings were appropriately recorded and circulated and signed by the Chairman of the Board of Directors.

9. The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.

10. The Company has planned to conduct an orientation course for its directors, in the near future to appraise them of their duties and responsibilities.

11. The Board has approved appointment, remuneration and terms and conditions of the employment of Chief Financial Officer and Company Secretary and Head of Internal Audit, as determined by the Chief Executive. The Head of Internal Audit has resigned on amalgamation and the position was vacant at the year end.

12. The Directors' Report of the Company for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

13. The Directors, CE and executives of the Company do not hold any interest in the shares of the Company other than that disclosed in the pattern of share holding.

14. The financial statements of the Company were duly endorsed by CEO and CFO of the Company before approval of the Board.

15. The Company has complied with all the corporate and financial reporting requirements of the Code.

16. The Board has formed an audit committee for the Company. It comprises of four members, two of whom are non-executive directors.

17. The meetings of the audit committee were held at least once every quarter prior to approval of the interim and final results of the Company and as required by the Code. The terms of reference of the committee have been approved by the Board and advised to the committee for compliance.

18. The Company has an effective internal audit function which was headed by the Head of Internal Auditwho resigned on amalgamation. The staff is considered to be suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company and is involved in the internal audit function on a full time basis.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board

Yasir Qadri
Chief Executive

Karachi: September 29, 2011

ERNST & YOUNG

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Chartered Accountants
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REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended 30 June 2011 prepared by the Board of Directors of Arif Habib Investments Limited (the Company to comply with Listing Regulation No. 35 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited, where the Company is listed.

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

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, the Listing Regulations require the Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2011.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Date: 29 September 2011

Karachi

FINANCIAL AND BUSINESS HIGHLIGHTS

		2004	2005	2006	2007	2008	2009	2010	2011*
Pre tax Margin	%	32%	49%	55%	51%	42%	-119%	14%	32%
Net Margin	%	21%	35%	44%	40%	36%	-111%	17%	25%
Performance									
Return on assets	%	7%	17%	30%	23%	24%	-39%	8%	5%
Return on equity	%	22%	46%	46%	31%	35%	-85%	13%	6%
Leverage									
Gearing (Debt:Equity)	times	1.66	1.28	0.31	0.21	0.31	0.98	0.68	0.07
Interest Coverage Ratio	times	6.08	8.41	18.10	24.58	18.77	-3.63	2.09	N/A
Liquidity									
Current Ratio	times	0.99	2.10	2.50	3.52	2.59	1.01	1.80	6.32
Valuation									
Earnings per share	Rs.	1.00	4.23	8.88	7.18	8.30	-10.08	2.14	1.97
No. of ordinary shares		29	29	30	30	30	30	30	72
Historical trend									
Management fee (Rs. in million)		118.36	280.12	402.43	418.05	446.12	249.30	271.06	237.23
Operating profit (Rs. in million)		53.56	192.44	353.02	286.92	303.57	25.42	100.39	91.72
Profit before tax (Rs. in million)		44.75	169.56	333.52	275.25	287.4	-323.82	52.35	90.72
Profit after tax (Rs. in million)		29.14	122.71	266.44	215.42	249.04	-302.48	64.25	71.65
Share capital (Rs. in million)		40	40	65	130	300	300	300	720
Shareholders equity (Rs. in million)		131.31	266.80	574.69	698.49	708.58	354.69	488.07	1269.62
Total assets (Rs. in million)		389.66	734.81	882.52	953.82	1046.20	768.36	821.89	1356.63

* As explained in Note 4 to the Financial Statements the Financial Statements of the Company have been drawn up using acquisition method under IFRS 3 - Business Combination. Therefore, the financial and business highlights for the year 2011 as reported may not be comparable with rest of the historical reported data.

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Arif Habib Investments Limited** (the Company) as at 30 June 2011 and the related profit and loss account, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 3.2 with which we concur;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2011 and of the profit, comprehensive income, cash flows and changes in equity for the year then ended; and

(d) in our opinion, no zakat was deductible under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to the following matters:

(i) As explained in note 1.2 to the accompanying financial statements, the Scheme of Amalgamation with MCB Asset Management Company Limited (MCB AMC) was sanctioned by the Securities and Exchange Commission of Pakistan (the SECP) vide its order dated 10 June 2011 (the sanction order) and the effective date of amalgamation was approved to be 27 June 2011. However, the SECP issued another order on 27 June 2011 (the extension order) and extended the effective date of amalgamation from 27 June 2011 to 30 July 2011. For the reasons disclosed in note 1.2 to the financial statements, the Company filed a petition in the Honorable High Court of Sindh (the Court) challenging the extension order in response to which the Court suspended the extension order until the final outcome of the litigation.

However, based upon the advice received from its legal counsel, the Company has accounted for its amalgamation with MCB AMC in its financial statements for the year ended 30 June 2011, despite the pending litigation with the SECP, on the basis that the sanction order holds the field with full effect.

(ii) The accompanying financial statements represent the amalgamated financial statements of the Company prepared by the management using the reverse acquisition method in accordance with the requirements of IFRS 3 (revised) - 'Business Combinations' as fully explained in note 4. Accordingly, the balances and transactions of MCB AMC until the period ended 26 June 2011 were incorporated in the Company's financial statements based on audited financial statements of MCB AMC for the period ended 26 June 2011 which were audited by another firm of Chartered Accountants, whose report dated 29 September 2011 expressed a modified opinion thereon wherein the matter relating to amalgamation of MCB AMC with and into the Company was emphasised. Further, the comparatives in the accompanying financial statements represent the balances and transactions of MCB AMC taken from the audited financial statements of MCB AMC for the year ended 30 June 2010 which were audited by the same other firm of Chartered Accountants, whose report dated 07 September 2010 expressed an unqualified opinion thereon;

(iii) Note 4.2 to the accompanying financial statements which states that fair values of certain assets acquired as a result of the amalgamation have been determined provisionally based on limited information. Accordingly, the initial accounting for the business combination is incomplete and will be adjusted in the ensuing financial year based on more accurate and complete information and analysis; and

(iv) The financial statements of the Company for the year ended 30 June 2010 were audited by another firm of Chartered Accountants, whose report dated 4 August 2010 expressed an unqualified opinion thereon.

Our opinion is not qualified in respect of these matters.

Ernst & Young Ford Rhodes

Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date: 29 September 2011

Place:

BALANCE SHEET
AS AT JUNE 30, 2011

	Note	June 30, 2011	June 30, 2010
		------------- (Rupees) -------------	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	5	**383,843,590**	83,317,899
Long-term investments	6	**310,324,182**	-
Long-term loans and receivables	7	**6,925,070**	329,834
Long-term deposits		**624,700**	509,700
Deferred taxation	8	**26,900,491**	-
		728,618,033	84,157,433
CURRENT ASSETS			
Receivable from related parties	9	**101,600,492**	25,687,228
Loans and advances	10	**3,029,899**	328,235
Deposits, prepayments and other receivables	11	**9,298,172**	1,530,155
Accrued mark-up		**1,007,993**	48,887
Taxation - net	12	**70,682,409**	4,312,762
Short-term investments	13	**306,626,274**	367,668,473
Cash and bank balances	14	**57,779,770**	12,181,925
		550,025,009	411,757,665
Non-current assets held for sale	15	**77,970,426**	-
TOTAL ASSETS		**1,356,613,468**	495,915,098
SHARE CAPITAL AND RESERVES			
Authorised capital 72,000,000 (June 30, 2010: 30,000,000) Ordinary shares of Rs.10 each		**720,000,000**	300,000,000
Issued, subscribed and paid-up capital	16	**720,000,000**	300,000,000
Reserves	17	**538,729,994**	161,762,359
TOTAL EQUITY		**1,258,729,994**	461,762,359
Surplus on revaluation of fixed assets - net of tax	18	**10,870,308**	964,134
NON-CURRENT LIABILITIES			
Deferred taxation	8	**-**	15,331,567
CURRENT LIABILITIES			
Trade and other payables	19	**87,013,166**	17,857,038
TOTAL LIABILITIES		**87,013,166**	33,188,605
CONTINGENCIES	20		
TOTAL EQUITY AND LIABILITIES		**1,356,613,468**	495,915,098

The annexed notes from 1 to 33 form an integral part of these financial statements.

Yasir Qadri	Nasim Beg
CHIEF EXECUTIVE	Executive Vice Chairman / Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2011

	Note	June 30, 2011	June 30, 2010
		------------- (Rupees) -------------	
REVENUE			
Management fee / investment advisory fee	21	**237,227,299**	203,737,763
Processing and other related income		**56,674**	78,740
Mark up on bank deposits		**2,056,856**	1,595,966
Gain on sale of investments		**14,773,571**	17,603,358
Unrealised gain on investments at fair value through profit or loss		**28,675,708**	19,138,644
		282,790,108	242,154,471
EXPENSES			
Administrative and operating expenses	22	**(143,118,925)**	(110,844,729)
Management / investment advisory fee / processing and other related income sharing	23	**(49,949,199)**	(23,173,640)
Finance cost		**(2,660)**	(917)
		(193,070,784)	(134,019,286)
Other income		**996,989**	808,333
PROFIT BEFORE TAXATION		**90,716,313**	108,943,518
Taxation	24	**(19,081,365)**	(30,013,946)
NET PROFIT FOR THE YEAR		**71,634,948**	78,929,572
Earnings per share - Basic and Diluted	25	**1.97**	2.19

The annexed notes from 1 to 33 form an integral part of these financial statements.

Yasir Qadri	Nasim Beg
CHIEF EXECUTIVE	Executive Vice Chairman / Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2011

	June 30, 2011	June 30, 2010
	(Rupees)	
Profit after tax	**71,634,948**	78,929,572
Other comprehensive income		
Unrealised deficit on revaluation of available-for-sale investments	**(1,095,847)**	-
Less: Related deferred tax	**109,585**	-
	(986,262)	-
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation	**475,532**	74,863
Less: Related deferred tax	**(156,583)**	(24,106)
	318,949	50,757
Total comprehensive income	**70,967,635**	78,980,329

The annexed notes from 1 to 33 form an integral part of these financial statements.

Yasir Qadri
CHIEF EXECUTIVE

Nasim Beg
Executive Vice Chairman / Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2011

	Share capital	Share premium	Deficit arising on amalgamation	Unrealised loss on available-for-sale investments	Unappro-priated profit	Total
	-----------------------	---------------	--------------- (Rupees)	---------------	---------------	-----------------------
Balance as at July 01, 2009	300,000,000	-	-	-	112,782,030	412,782,030
Profit for the year ended June 30, 2010	-	-	-	-	78,929,572	78,929,572
Other comprehensive income - net	-	-	-	-	50,757	50,757
Total comprehensive income	-	-	-	-	78,980,329	78,980,329
Dividend paid @ 10% (Rupee 1 per share)	-	-	-	-	(30,000,000)	(30,000,000)
Balance as at June 30, 2010	300,000,000	-	-	-	161,762,359	461,762,359
Bonus shares issued @ 20% of issued share capital	60,000,000	-	-	-	-	60,000,000
Issue of share capital on amalgamation (note 4.1)	360,000,000	396,000,000	-	-	-	756,000,000
Deficit arising on account of difference in share capital of AHIL and MCB AMC	-	-	(60,000,000)	-	-	(60,000,000)
Profit for the year ended June 30, 2011	-	-	-	-	71,634,948	71,634,948
Other comprehensive income - net	-	-	-	(986,262)	318,949	(667,313)
Total comprehensive income	-	-	-	(986,262)	71,953,897	70,967,635
Dividend paid @ 10% (Rupee 1 per share)	-	-	-	-	(30,000,000)	(30,000,000)
Balance as at June 30, 2011	**720,000,000**	**396,000,000**	**(60,000,000)**	**(986,262)**	**203,716,256**	**1,258,729,994**

The annexed notes from 1 to 33 form an integral part of these financial statements.

Yasir Qadri
CHIEF EXECUTIVE

Nasim Beg
Executive Vice Chairman / Director

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

	Note	June 30, 2011	June 30, 2010
		------------- (Rupees) -------------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**90,716,313**	108,943,518
Adjustments for non cash items:			
Depreciation		**9,171,593**	7,966,814
Amortisation		**1,657,397**	1,649,375
Gain on sale of property, plant and equipment		**(979,489)**	(808,333)
Finance cost		**2,660**	917
Unrealised gain on investments at fair value through profit or loss		**(28,675,708)**	(19,138,644)
		(18,823,547)	(10,329,871)
Cash flow from operations before working capital changes		**71,892,766**	98,613,647
(Increase) / decrease in current assets			
Receivable from related parties		**(5,424,090)**	(7,049,212)
Short-term investments		**90,559,050**	14,095,611
Current portion of formation cost		**5,330,765**	(6,330,765)
Advance to contractors		**(607,871)**	-
Short-term prepayments		**(209,026)**	(93,176)
Accrued mark-up		**(717,091)**	(11,362)
Other receivables		**(54,898,246)**	(2,136,931)
		34,033,491	(1,525,835)
Increase / (decrease) in current liabilities			
Trade and other payables		**1,379,368**	10,493,648
Net working capital changes		**35,412,859**	8,967,813
Net cash flows after working capital changes		**107,305,625**	107,581,460
Income tax paid		**(20,186,136)**	(26,454,310)
Dividend paid		**(30,000,000)**	(30,000,000)
Finance cost paid		**(2,660)**	(917)
Net cash flow from operating activities		**57,116,829**	51,126,233
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on fixed assets		**(3,472,582)**	(41,394,912)
Proceeds from sale of property plant and equipment		**1,036,933**	875,000
Long-term loans		**(811,354)**	449,935
Long-term security deposits		**-**	(54,000)
Net inflow of cash on acquisition of subsidiary		**41,573,019**	-
Long-term investments made		**(50,000,000)**	
Long-term receivable from funds - formation cost		**155,000**	75,000
Net cash used in investing activities		**(11,518,984)**	(40,048,977)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**45,597,845**	11,077,256
Cash and cash equivalents at the beginning of the year		**12,181,925**	1,104,671
Cash and cash equivalents at the end of the period	14	**57,779,770**	12,181,927

The annexed notes from 1 to 33 form an integral part of these financial statements.

Yasir Qadri
CHIEF EXECUTIVE

Nasim Beg
Executive Vice Chairman / Director

1. STATUS AND NATURE OF BUSINESS

1.1 Arif Habib Investments Limited (the Company) was incorporated on August 30, 2000, as an unquoted public limited company under the Companies Ordinance, 1984. During 2008, the Company was listed on the Karachi Stock Exchange by way of offer for sale of shares by a few of the existing shareholders of the Company to the general public. In the same financial year, the name of the Company was changed from Arif Habib Investment Management Limited to Arif Habib Investments Limited. The registered office of the Company is situated at 8th Floor Techno City Corporate Tower, Hasrat Mohani Road Karachi, Pakistan.

1.2 During the year, a transfer agreement was signed on January 19, 2011 between Arif Habib Corporation Limited (AHCL) [the previous parent of the Company] and MCB Bank Limited (MCB Bank) [the parent of MCB Asset Management Company Limited (MCB AMC)] for the transfer of entire business of MCB AMC to the Company to achieve synergies in business and access to a wider distribution network. The scheme of amalgamation (the scheme) was approved by the shareholders of the Company and MCB AMC in their respective extra ordinary general meetings held on May 21, 2011. The Securities and Exchange Commission of Pakistan (SECP) vide its order of June 10, 2011 under Section 282(L) of the Companies Ordinance, 1984 (the Sanction Order) had approved the Scheme. As per the Sanction Order, the effective date of amalgamation was June 27, 2011 (the effective date).

Pursuant to amalgamation, the entire undertaking of MCB AMC including all properties, assets, liabilities, receivables, payables and all other rights and obligations have been transferred into and vested in the Company as on the effective date.

As part of the Scheme, the Company was required to issue and allot 36 million Ordinary shares of Rs.10 each, as fully paid shares, to registered Ordinary shareholders of MCB AMC in the ratio of 1.2 Ordinary shares of the Company for each share of Rs.10 of MCB AMC as consideration. The fair value of the shares issued to the shareholders of MCB AMC is based on the published quoted price of the Ordinary shares of the Company as at June 24, 2011 (June 25, 2011 and June 26, 2011 being public holidays) being Rs.21 per share.

Accordingly, now the Company is a subsidiary of MCB Bank Limited which holds 51.33% Ordinary shares in the Company as at the effective date. (As of June 30, 2010, the Company was a subsidiary of Arif Habib Corporation Limited which held 60.18% Ordinary shares in the Company).

After the close of business on June 27, 2011, the SECP issued another order under Section 484(2) of the Companies Ordinance, 1984 (the Extension Order) and attempted to extend the effective date from June 27, 2011 to July 30, 2011.

Based upon legal advice, the Company filed a constitutional petition before the Honourable High Court of Sindh (the Court) on July 2, 2011 pleading that the merger is a past and closed transaction and the Extension Order was illegal and not tenable under law. On July 4, 2011, the Court suspended the operation of the Extension Order (the Suspension Order) till the disposal of the application.

1.3 The Company is registered as an Asset Management Company and Investment Advisor under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC) and Pension Fund Manager under Voluntary Pension System Rules 2005. The Company is currently acting as Asset Management Company / Pension Fund Manager for the funds / schemes hereunder. The Company also manages discretionary portfolio accounts.

	Note	Net asset value June 30, 2011	Net asset value June 30, 2010
		--- (Rupees in million) ---	
Open-end mutual funds			
Pakistan Income Fund		**1,814**	2,101
Pakistan Stock Market Fund		**1,244**	1,841
MetroBank-Pakistan Sovereign Fund		**2,999**	1,507
Pakistan International Element Islamic Fund		**337**	410
Pakistan Capital Market Fund		**390**	445
Pakistan Cash Management Fund		**2,711**	2,061
Pakistan Income Enhancement Fund		**1,624**	2,224
Pakistan Capital Protected Fund - Fixed Income Securities		**237**	245
AH Dow Jones SAFE Pakistan Titans 15 Index Fund	1.4	**123**	-
Pakistan Premier Fund Limited	1.5	**688**	1,750
Pakistan Strategic Allocation Fund	1.6	**608**	2,531
MCB Islamic Income Fund		**182**	-
MCB Dynamic Allocation Fund		**333**	403
MCB Dynamic Stock Fund		**693**	651
MCB Cash Management Optimizer		**10,393**	6,525
MCB Dynamic Cash Fund		**5,020**	5,970
MCB Sarmaya Mehfooz Fund 1	1.7	**-**	630
Close-end mutual funds			
Pakistan Capital Protected Fund-I	1.8	**-**	617
Pension Funds			
Pakistan Pension Fund		**221**	176
Pakistan Islamic Pension Fund		**127**	110
Discretionary portfolio		**801**	322

1.4 AH Dow Jones SAFE Pakistan Titans 15 Index Fund (AHDJPF) was launched during the current year. AHDJPF is an Open End Index Tracker Fund which aims to provide investors with a total return that closely corresponds to the return of the Dow Jones SAFE Pakistan Titans 15 Index. The Fund employs a passive management approach to replicate the performance of the constituents of Dow Jones SAFE Pakistan Titans 15 Index. The Fund invests all or substantially all, of its assets in securities that make up the target index. Excess cash, if any, is kept in daily-return bank deposits or short term money market instruments. This Fund also provides a low cost exposure to a portfolio primarily holding blue-chip liquid stocks selected by index provider on the basis of free float market capitalisation and liquidity. The initial public offer of AHDJPF started from October 12, 2010 and ended on October 14, 2010.

1.5 The Board of Directors of Pakistan Premier Fund Limited (PPFL) in its meeting held on June 17, 2010 passed a resolution that the Fund be converted into an open-end scheme subject to all regulatory approvals and compliances. In this regard, PPFL convened a General Meeting of the shareholders of PPFL on September 25, 2010 to seek the approval of shareholders (through Special Resolution) for the conversion of PPFL. Shareholders of PPFL in their meeting have unanimously approved the conversion of PPFL. Subsequently, the Securities and Exchange Commission of Pakistan has conveyed its “no-objection” to the conversion on October 08, 2010. The Fund was converted into an open-end scheme with effect from December 22, 2010.

1.6 The Board of Directors of Pakistan Strategic Allocation Fund (PSAF) in its meeting held on June 17, 2010 passed a resolution that the Fund be converted into an open end scheme subject to all regulatory approvals and compliances. In this regard, Arif Habib Investments Limited, the Management Company of the Fund, convened an Extra Ordinary General Meeting of the certificate holders of PSAF on

September 08, 2010 to seek the approval of certificate holders (through Special Resolution) for the conversion of PSAF. Certificate Holders of PSAF in their meeting have unanimously approved the conversion of PSAF. Subsequently, the Securities and Exchange Commission of Pakistan has conveyed its “no-objection” to the conversion on September 23, 2010. The Fund was converted into an open-end scheme with effect from November 11, 2010.

1.7 MCB Sarmaya Mehfooz Fund 1 was launched in 2010 with a fixed term of one year. During the current period, the Fund has completed its term.

1.8 Pakistan Capital Protected Fund - I was launched in 2007 with a fixed term of three years. During the current period, the Fund has completed its term of three years.

1.9 MCB Islamic Fund was launched on June 18, 2011.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008 and directives issued by the Securities and Exchange Commission of Pakistan. Wherever the requirements of the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008 or the requirements of the said directives shall prevail.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention

These financial statements have been prepared under the historical cost basis, except for certain investments which are carried at fair value.

3.2 Standards, amendments to published approved accounting standards and interpretations which became effective during the year

The Fund has adopted the following amended IFRS and IFRIC interpretations which became effective during the period:

IAS 24 – Related Party Disclosure (Revised)
IAS 32 – Financial Instruments: Presentation – Classification of Right Issues (Amendment)
IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

Improvements to various standards issued by IASB in April 2010

IFRS 3 – Business Combinations
IAS 27 – Consolidated and Separate Financial Statements
IFRS 7 – Financial Instruments: Disclosures
IAS 1 – Presentation of Financial Statements
IFRIC 13 – Customer Loyalty Programmes
IAS 34 – Interim Financial Reporting

The adoption of the above standards, amendments / improvements and interpretations did not have any material effect on the financial statements.

3.3 Standards, amendments to published approved accounting standards and interpretations that are not yet effective:

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or interpretation	Effective date (annual periods beginning on or after)
IAS 1 – Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	July 01, 2012
IFRS 7 – Financial Instruments : Disclosures - Amendments enhancing disclosures about transfers of financial assets	July 01, 2011
IAS 12 – Income Tax (Amendment) – Deferred Taxes: Recovery of Underlying Assets	January 01, 2012
IAS 19 – Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	January 01, 2013
IAS 24 – Related Party Disclosures	January 01, 2011
IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment)	January 01, 2011

The Fund expects that the adoption of the above revisions, amendments and interpretations of the standards will not materially affect the Fund's financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2011. The Fund expects that such improvements to the standards will not have any material impact on the Fund's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments	January 01, 2013
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013

3.4 Property and equipment

Property and equipment except for office premises and Capital work-in-progress are stated at cost less accumulated depreciation and impairment in value, if any. Capital work-in-progress are stated at cost. Office premises are measured under revaluation model and stated at revalued amount less accumulated depreciation and impairment in value, if any. Surplus arising on revaluation is credited to surplus on revaluation of property and equipment. The surplus on revaluation of property and equipment to the extent of incremental depreciation charged on the related assets is transfered to unappropriated profit through statement of comprehensive income, net of deferred tax.

Assets' residual values, if significant and their useful lives are reviewed at each balance sheet date and adjusted prospectively, if appropriate, at each balance sheet date.

Depreciation is charged to income by applying the straight line method except for office premises which is depreciated applying the reducing balance method at the rates specified in the relevant note. In respect of additions and disposals during the period, depreciation is charged when the asset is available for use and upto the date the asset's derecognition respectively.

Subsequent costs are recognized as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to income during the period in which they are incurred.

Gains or losses on disposal of assets, if any, are recognized as and when incurred.

Assets subject to finance lease are depreciated over their expected useful lives on the same basis as owned assets.

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these are available for use.

3.5 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life using straight line method and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets with finite lives are amortised using the straight line method at the rates specified in the relevant note. Intangible assets' residual values, if significant and their useful lives are reviewed at each balance sheet date and adjusted prospectively, if appropriate, at each balance sheet date.

Amortisation on additions to intangible assets is charged from the month in which an asset is acquired or capitalised while no amortisation is charged for the month in which that asset is disposed off.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. if not, the change in useful life from indefinite to finite is made on a prospective basis.

Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed as an intangible asset.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is tested for impairment annually or whenever there is an indication of impairment as per the requirement of International Accounting Standard (IAS) 36, 'Impairment of Assets'. Impairment charge in respect of goodwill is recognised in the profit and loss account.

3.6 Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset is available for immediate sale in its present condition, management is committed to the sale, and expects to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

3.7 Financial instruments

3.7.1 Classification :

a) Investments at 'fair value through profit or loss'

These include financial instruments categorised as 'held-for-trading' which are acquired principally for the purpose of generating profit from short-term fluctuations in prices or dealers' margins or are securities included in a portfolio in which a pattern of short-term profit taking exists.

These include investments that are designated as investments at 'fair value through profit or loss' upon initial recognition.

(b) Held to maturity

These are securities acquired by the Company with the intention and ability to hold them upto maturity.

(c) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified as 'fair value through profit or loss' or 'available-for-sale'.

(d) Available-for-sale

Investments which are not classified in any of the preceding categories are classified as available-for-sale investments.

3.7.2 Recognition

The Company recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

The Company follows trade date accounting for purchase and sale of investments. Financial liabilities are not recognised unless one of the parties has performed its part of the contract or the contract is a derivative contract.

3.7.3 Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial asset or financial liability not at 'fair value through profit or loss', transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at 'fair value through profit or loss' are charged to the income statement immediately.

Subsequent to initial recognition, instruments classified as financial assets at 'fair value through profit or loss' and 'available-for-sale' are measured at fair value. Gains or losses arising from changes in the fair value of the financial assets at 'fair value through profit or loss' are recognised in the income statement. Changes in the fair value of instruments classified as 'available-for-sale' are recognised in other comprehensive income until derecognised or impaired when the accumulated fair value adjustments recognised in other comprehensive income are included in the income statement.

Financial assets classified as 'loans and receivables' and 'held to maturity' are carried at amortised cost using the effective yield method, less impairment losses, if any.

Financial liabilities, other than those at 'fair value through profit or loss', are measured at amortised cost using the effective yield method.

3.7.4 Fair value measurement principles

The fair value of financial instruments were determined as follows:

- The carrying value of debt securities is based on the value determined and announced by the Mutual Funds Association of Pakistan (MUFAP).

- Provisions are recognised when there is objective evidence that a financial asset or group of financial assets are non-performing. Additional provision may be recognised when there is objective evidence of the continuity of non-performance. Further, the reversal of provisions are made where there is an objective evidence that the impairment is reversed.

The fair value of shares of listed companies / units of funds is based on their price quoted on the Karachi Stock Exchange at the reporting date without any deduction for estimated future selling costs. Financial assets and financial liabilities are priced at their fair market value.

3.7.5 Impairment

Impairment loss on investments other than 'available-for-sale' is recognised in the income statement whenever the carrying amount of investment exceeds its recoverable amount. If, in a subsequent period, the amount of an impairment loss recognised decreases the impairment is reversed through the income statement.

In case of investments classified as 'available-for-sale', a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for 'available-for-sale' financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from other comprehensive income and recognised in the income statement. However, the decrease in impairment loss on equity securities classified as 'available-for-sale' is not reversed through the income statement but is recognised in other comprehensive income.

3.7.6 Derecognition

The Company derecognises a financial asset when the contractual right to the cash flow from the financial asset expires or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

3.8 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

3.9 Employee benefits

Defined contributory plan

The Company contributes to an approved funded provident / pension fund for all its permanent employees. Equal monthly contributions are made both by the Company and the employees at the rate of 8.33% of basic salary per annum.

3.10 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of taxation, after taking into account tax rebates and tax credits available, if any, or minimum taxation at the rate of one percent of turnover under Section 113 of the Income Tax Ordinance, 2001 (applicable for the tax year 2010) whichever is higher. Payment of minimum tax is subject to adjustment against tax liabilities of following three years. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred income tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release-27 of the Institute of Chartered Accountants of Pakistan.

Deferred income tax asset is recognized for all deductible temporary differences and unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

3.11 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and bank balances. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3.12 Dividend

Dividend distribution to the Company's shareholders is recognized as a liability in the financial statements in the periods in which the dividend are approved for distribution.

3.13 Offsetting

A financial asset and liability is offset and the net amount is reported in the financial statements, if the Company has a legally enforceable right to set off the transaction and the Company also intends to settle on the net basis, or to realise the asset and settle the liability simultaneously.

3.14 Provisions

Provisions are recognized when the Company has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However provision are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.15 Other payables

Liabilities for other amounts payable are measured at cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed to the Company or not.

3.16 Revenue recognition

3.16.1Management / advisory fee

Management / advisory fee is calculated on a daily / monthly basis by charging specified rates to the net asset value / income of the Collective Investment Schemes. The fee so charged does not exceed the limit prescribed in the NBFC Regulations / Voluntary Pension System Rules 2005.

Management fee from open-end schemes is calculated by charging the specified rates to the net asset value / income of open-end schemes at the close of business of each calendar day. Advisory fee from closed-end schemes is calculated on daily / monthly basis by charging the specified rates to the net assets value of closed-end schemes. Advisory fee from the discretionary portfolios is calculated in accordance with the respective agreements with the clients. Management fee from pension funds is calculated by charging the specified rates to the average net assets value.

Specified rates of management and advisory fees are as follows :

	Basis	June 30, 2011 Percentage	June 30, 2010 Percentage
Open-end scheme			
Pakistan Income Fund	Net asset value	**1.5**	1.5
Pakistan Stock Market Fund	Net asset value	**2**	2
MetroBank-Pakistan Sovereign Fund	10% of income or 1.5% of Net Assets whichever is lower subject to a minimum of 0.5%	**10 / 1.5 / 0.5**	10 / 1.5 / 0.5
Pakistan Capital Market Fund	Net asset value	**2**	2
Pakistan Cash Management Fund	10% of gross earnings or 0.25% of Net Assets whichever is higher	**10 / 0.25**	10 / 0.25
Pakistan Income Enhancement Fund	Net asset value	**1.5**	1.5
Pakistan International Element Islamic Fund (PIEIF)			
PIEIF – A	Net asset value	**3**	3
PIEIF – B	Net asset value	**3**	3
PIEIF – C	Net asset value	**2**	2
PIEIF – D	Net asset value	**2**	2
PIEIF – E	Net asset value	**1.5**	1.5
Pakistan Premier Fund Limited	Net asset value	**2**	2
Pakistan Strategic Allocation Fund	Net asset value	**2**	3
AH Dow Jones SAFE Pakistan Titans 15 Index Fund	Net asset value	**1**	-
Pakistan Capital Protected Fund - Fixed Income Securities	Net asset value	**1.5**	-
MCB Islamic Income Fund	10% of gross earnings or 0.25% of Net Assets whichever is higher	**10 / 0.25**	-
MCB Dynamic Allocation Fund	Net asset value	**1.5**	1.5
MCB Dynamic Stock Fund	Net asset value	**3**	3
MCB Cash Management Optimizer	10% of gross earnings or 0.25% of Net Assets whichever is higher	**10 / 0.25**	10 / 0.25
MCB Dynamic Cash Fund	Net asset value	**1.5**	1.5
Pension Funds			
Pakistan Pension Fund	Net asset value	**1.5**	1.5
Pakistan Islamic Pension Fund	Net asset value	**1.5**	1.5
Discretionary portfolios	Net asset value / performance	**0.0-2.0**	0.0-2.0

3.16.2 Processing and other related income

These are recognised once the services are provided to unit holders in connection with their investments in the open-end schemes managed by the Company.

3.16.3 Dividend income

Dividend income from investment is recognized when the right to receive payment is established.

3.16.4 Mark-up / interest income

Mark-up / interest income is accrued on a time proportion basis, by reference to the principal outstanding at the effective interest rates applicable.

3.17 Impairment - Non financial assets

"The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. "

3.18 Significant judgments and key sources of estimation in applying the accounting policies

In the process of applying the Company's accounting policies, the management has not identified any area where significant judgments have been exercised which have material impact on the financial statements, except as mentioned below. Further, there are no key assumptions concerning the future and other key sources of estimating uncertainty at the balance sheet date that have significant risks of causing a material adjustment within the next financial year. The Company has used significant judgement and estimates in the following areas:

- Useful life of property and equipment (note-3.4)
- Non current assets held for sale (note-3.6)
- Fair valuation of unquoted available-for-investments (note-3.7.3)
- Impairment in available-for-sale investments (note-3.7.5)
- Provision for tax and deferred tax (note-3.10)
- Provisions (note-3.14)
- Impairment in property and equipment (note-3.17)
- Management right (note-4.3)

4. BUSINESS COMBINATION

Pursuant to the transfer agreement between the Arif Habib Corporation (AHC) [the previous parent of AHIL] and MCB Bank Limited (MCB

Bank) [the parent of MCB Asset Management Company (MCB AMC)] for the transfer of entire business of MCB AMC to AHIL, these financial statements have been prepared based upon the requirement of IFRS 3 (revised) - Business Combinations using acquisition method of accounting as described below.

4.1 Acquisition method

The acquisition has been accounted for by applying the acquisition method in accordance with the requirements of IFRS 3 (revised) - 'Business Combinations'. Taking into account the provisions of agreement between AHCL and MCB Bank, the post-merger shareholding structure of the Company and the relevant regulatory approvals, the combined entity would be treated as subsidiary of MCB Bank Limited (parent company of MCB AMC). Therefore, considering the MCB AMC as the accounting acquirer, these financial statements are prepared on the basis of reverse acquisition accounting under the name of AHIL and reflect:

- The asset and liabilities of MCB AMC recognised and measured at their pre-combination carrying amounts.
- The asset and liabilities of AHIL recognised and measured at fair values as on the effective date.
- The retained earnings and other equity balances of MCB AMC at their pre-combination carrying amounts.
- The profit and loss account of MCB AMC for the year with income and expenses of AHIL after the date of acquisition.
- The comparative information of MCB AMC.

The fair values and carrying amounts of the identifyable assets and liabilities assumed of AHIL as at the date of amalgamation are as follows:

	Note	Carrying amounts as on June 26, 2011	Fair value adjustments / intangibles recognised	Fair values as on June 26, 2011
		--------------------	(Rupees)	--------------------
Assets				
Fixed assets	4.2	35,752,429	(1,097,534)	34,654,895
Investments		262,261,172	-	262,261,172
Long-term loans and receivables		6,051,191	-	6,051,191
Long-term deposits		115,000	-	115,000
Intangible assets recognised on amalgamation	4.2 & 4.3	-	109,000,000	109,000,000
Deferred tax asset		62,760,149	-	62,760,149
Cash and bank balances		41,573,019	-	41,573,019
Other current assets - net		160,705,655	-	160,705,655
Total assets		569,218,615	107,902,466	677,121,081
Liabilities				
Trade and other payables	4.4	50,535,712	17,241,048	67,776,760
Provision for taxation		2,368,907	-	2,368,907
Total liabilities		52,904,619	17,241,048	70,145,667
		516,313,996	**90,661,418**	**606,975,414**
Fair value of the consideration transferred (36 million ordinary shares @ Rs.21 each)				**756,000,000**
Goodwill arising on acquisition	4.5			**149,024,586**

The management believes that the fair values of all assets, other than fixed assets and intangible assets recognised on amalgamation, are not materially different from their carrying amount.

The fair value of consideration transferred has been determined based upon the closing market price of shares under issue of AHIL as at June 26, 2011.

4.2 Fair values determined provisionally

As allowed by IFRS-3, the fair values of these assets have been determined provisionally based on limited information. Detailed valuations after taking into account reasonableness of underlying assumptions especially for assets whose values are based on future projections of earnings and related data, such as valuation of management rights and deferred tax asset, have not been carried out at this stage. Hence, the initial accounting for the business combination is incomplete and will be adjusted in the ensuing financial year based on more accurate and complete information and analysis during the measurement period.

4.3 Intangible asset recognised on amalgamation

Consequent to the amalgamation of MCB AMC with and into AHIL, the Company has recognised the following intangible asset as at the effective date.

	-- (Rupees) --
Management rights	**109,000,000**

This intangible asset represents the present value of future cash flows relating to the management fee that would be earned by the Company assuming growth factors, based on the necessary market assumptions, on Asset Under Management (AUM) of Arif Habib Investments Limited. This benefit also considers the fact that the economic life time of these AUMs are unlimited. Based on this assumption, this intangible asset has been valued using certain valuation techniques.

The fair value of this identifiable intangible asset has been determined using an income approach, by the Management of the Company. The income approach begins with an estimation of the annual cash flows, which a market participant acquirer would expect the asset to generate over a discrete projection period. The estimated cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the asset's projected cash flows. The present value of the estimated cash flows are then added to the present value equivalent to the residual value of the asset at the end of the discrete projection period to arrive at an estimate of the fair value of the specific asset.

In applying the income approach, the Company used the Multiple-period Excess Earnings Method to determine the value of the above intangible assets. Under this method the value of a specific intangible asset is estimated from the residual earnings after fair returns on all other assets (if any) employed have been deducted from the asset's after-tax operating earnings.

The valuations are based on information at the time of acquisition and the expectations and assumptions that have been deemed reasonable by the Company's Management. It has been assumed that the underlying assumptions or events associated with such assets will occur as projected.

4.4 Trade and other payables

Included herein is a sum of Rs.17.241 million recognised on acquisition pertaining to the rent payable to Rotocast Engineering Company (Private) Limited, a related party, for a period of nine months after the year end in respect of office premises previously held by the Company. After the amalgamation, the said office premises has been vacated by the Company. (See note 15.1)

4.5 Goodwill

The goodwill recognised represents effect of expected synergies from combining operations of AHIL and MCB AMC, intangible assets that do not qualify for separate recognition and other factors. The management believes that the entire amount of goodwill is expected to be deductible for tax purposes.

4.6 AHIL has contributed Rs.5.058 million of revenue and incurred loss after tax of Rs.3.318 million during the period from June 27, 2011 to June 30, 2011. Had the amalgamation been made at July 01, 2010, AHIL would have contributed Rs.388.028 million of revenue and profit after tax of Rs.44.236 million. The details of loss after tax which pertains to the operations of AHIL for the year ended June 30, 2011 are as under:

	For the period from July 1, 2010 to June 26, 2011	For the period from June 27, 2011 to June 30, 2011	For the year ended June 30, 2011
	------------- (Rupees) -------------		
REVENUE			
Management fee / investment advisory fee	226,534,423	4,525,541	231,059,964
Processing and other related income	6,347,673	-	6,347,673
Return on bank deposits	3,291,852	35,020	3,326,872
Dividend income	54,706,205	-	54,706,205
Gain on sale of available-for-sale investments - net	92,088,933	-	92,088,933
Unrealised appreciation in fair value of investments at fair value through profit or loss - net	-	553,070	553,070
Total revenue	382,969,086	5,113,631	388,082,717
EXPENSES			
Administrative and operating expenses	318,052,217	7,839,554	325,891,771
Management / processing and other related income sharing	17,847,804	486,111	18,333,915
Finance cost	15,478,562	-	15,478,562
Worker's Welfare Fund	456,219	-	456,219
Total expenses	351,834,802	8,325,665	360,160,467
	31,134,284	(3,212,034)	27,922,250
Impairment on available-for-sale investments	2,407,000	-	2,407,000
Impairment loss on property and equipment	7,865,512	-	7,865,512
Provision against expenses incurred on proposed funds	6,930,844	-	6,930,844
Other income	(716,715)	-	(716,715)
	16,486,641	-	16,486,641
PROFIT / (LOSS) BEFORE TAXATION	14,647,643	(3,212,034)	11,435,609
Taxation			
- Current	7,981,794	51,136	8,032,931
- Prior year	19,719	-	19,719
- Deferred	(40,907,529)	(1,175,348)	(42,082,877)
	(32,906,016)	(1,124,212)	(34,030,228)
NET PROFIT / (LOSS) FOR THE PERIOD	47,553,659	(2,087,822)	45,465,837

5. FIXED ASSETS	Note	June 30, 2011	June 30, 2010
		----------- Rupees -----------	
Property and equipment	5.1	**113,905,121**	80,533,526
Capital work in progress	5.2	**5,200,000**	-
Intangible assets	5.3	**264,738,469**	2,784,373
		383,843,590	83,317,899

5.1 Property and equipment

June 30, 2011	Note	COST / REVALUATION At July 01, 2010	Additions / (disposals)	Surplus on revaluation / reversal of depreciation due to revaluation	Assets acquired under amalgamation	At June 30, 2011	ACCUMULATED DEPRECIATION At July 01, 2010	Charge for the year / (depreciation on disposals)	Reversal of depreciation due to revaluation	At June 30, 2011	Net book value at June 30, 2011	Rate
		(Rupees)					(Rupees)					%
Office premises	5.1.1	71,811,000	- -	15,260,062 (6,271,062)	-	80,800,000	4,876,598	3,751,133 -	(6,271,062)	2,356,669	78,443,331	5
Furniture and fittings		9,435,459	1,604,766	-	1,622,266	12,662,491	2,800,382	1,057,255	-	3,857,637	8,804,854	10
Office equipment		3,329,336	982,286 (36,950)	-	3,933,928	8,208,600	1,973,651	735,173 (12,933)	-	2,695,891	5,512,709	20
Motor vehicles		6,780,663	- (4,884,663)	-	8,056,063	9,952,063	5,570,740	1,128,058 (4,884,663)	-	1,814,135	8,137,928	20-25
Computers		12,269,461	847,386 (61,712)	-	10,293,875	23,349,010	7,871,022	2,499,974 (28,285)	-	10,342,711	13,006,299	25
		103,625,919	3,434,438 (4,983,325)	15,260,062 (6,271,062)	23,906,132	134,972,164	23,092,393	9,171,593 (4,925,881)	(6,271,062)	21,067,043	113,905,121	

5.1.1 The office premises of the Company was originally revalued by an independent professional valuer on November 20, 2007. The revaluation was carried out by M/s.Pee Dee & Associates on the basis of professional assessment of present market values and resulted in a surplus of Rs.1.623 million.

During the current year, the Company revalued its office premises using the same independent professional valuer as on October 01, 2010. The said revaluation was based on present market values and resulted in a further surplus of Rs.15.260 million. Had there been no revaluation, the carrying amount of the said office premises as at June 30, 2011 would have been Rs.62.219 million.

June 30, 2010	Note	COST/ REVALUATION					ACCUMULATED DEPRECIATION					
		At July 01, 2009	Additions / (deletions)	Surplus on revaluation / reversal of depreciation due to revaluation	Assets acquired under amalgamation	At June 30, 2010	At July 01, 2009	Charge for the year / (depreciation on deletions)	Reversal of depreciation due to revaluation	At June 30, 2010	Net book value at June 30, 2010	Rate
		(Rupees)					(Rupees)					%
Building		34,340,000	37,471,000	-	-	71,811,000	2,668,503	2,208,095	-	4,876,598	66,934,402	5
Furniture and fittings		8,918,584	516,875	-	-	9,435,459	1,880,903	919,479	-	2,800,382	6,635,077	10
Office equipment		2,794,380	534,956	-	-	3,329,336	1,388,733	584,918	-	1,973,651	1,355,685	20
Motor vehicles		7,580,663	- (800,000)	-	-	6,780,663	4,774,607	1,529,466 (733,333)	-	5,570,740	1,209,923	20-25
Computers		10,534,375	1,735,086	-	-	12,269,461	5,146,164	2,724,858	-	7,871,022	4,398,439	25
		64,168,002	40,257,917 (800,000)	-	-	103,625,919	15,858,910	7,966,816 (733,333)	-	23,092,393	80,533,526	

5.1.2 Particulars of disposal of property and equipment during the year are as follows:

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (loss)	Mode of disposal	Buyers particulars
	(Rupees)						
Computer hardware	**61,712**	**28,285**	**33,427**	**25,000**	**(8,427)**	Insurance claim	Adamjee Insurance
Motor vehicle	**4,084,663**	**4,084,663**	**-**	**816,933**	**816,933**	As per Company Policy	Yasir Qadri (Chief Executive Officer)
Motor vehicle	**800,000**	**800,000**	**-**	**160,000**	**160,000**	As per Company Policy	Adnan Rasheed (Executive)
Airconditioner	**36,950**	**12,933**	**24,017**	**35,000**	**10,983**	Negotiation	Umer Enterprises, Islamabad.
	4,983,325	**4,925,881**	**57,444**	**1,036,933**	**979,489**		

5.2 Capital work-in-progress

This represents amount paid for upgradation of computer software to a consultant.

5.3 Intangible assets

		COST				ACCUMULATED AMORTISATION				
June 30, 2011	**Note**	**At July 01, 2010**	**Additions / (deletions)**	**Assets acquired under amalgamation**	**At June 30, 2011**	**At July 01, 2010**	**Charge for the year**	**At June 30, 2011**	**Net book value at June 30, 2011**	**Rate**
		(Rupees)				(Rupees)				%
Computer software		**7,469,149**	**38,144**	**5,548,763**	**13,056,056**	**4,684,776**	**1,657,397**	**6,342,173**	**6,713,883**	**25**
Goodwill	4.1	**-**	**-**	**149,024,586**	**149,024,586**	**-**	**-**	**-**	**149,024,586**	**-**
Management rights	4.2	**-**	**-**	**109,000,000**	**109,000,000**	**-**	**-**	**-**	**109,000,000**	**-**
		7,469,149	**38,144**	**263,573,349**	**271,080,642**	**4,684,776**	**1,657,397**	**6,342,173**	**264,738,469**	

	COST				ACCUMULATED AMORTISATION				
June 30, 2010	**At July 01, 2009**	**Additions / (deletions)**	**Assets acquired under amalgamation**	**At June 30, 2010**	**At July 01, 2009**	**Charge for the year**	**At June 30, 2010**	**Net book value at June 30, 2010**	**Rate**
	(Rupees)				(Rupees)				%
Computer software	6,332,154	1,136,995	-	7,469,149	3,035,401	1,649,375	4,684,776	2,784,373	25

6. LONG TERM INVESTMENTS

	Note	June 30, 2011	June 30, 2010
		------------ (Rupees) ------------	
In Collective Investment Schemes - related parties			
Available-for-sale investments	6.1	310,324,182	-

6.1 Available-for-sale investments

Name of the investee / fund	Note	As at July 01, 2010 (As at June 30, 2011)	Acquired on amalgamation / Additions*	As at June 30, 2011	Cost on acquisition	Market value	Unrealised gain / (Loss) on revaluation of investments	Market value (As at June 30, 2010)	Unrealized gain / (loss) on revaluation of investments (As at June 30, 2010)
		---------------- Units ----------------			-------------------------------------- (Rupees) --------------------------------------				
Open end mutual funds									
Pakistan Pension Fund	6.1.1	-	900,000	900,000	113,328,000	112,992,000	(336,000)	-	-
Pakistan Islamic Pension Fund	6.1.1	-	900,000	900,000	111,534,000	110,991,000	(543,000)	-	-
Pakistan Capital Protected Fund - Fixed Income Securities (FIS)	6.1.1	-	126,502	126,502	1,339,657	1,396,582	56,925	-	-
AH Dow Jones SAFE Pakistan Titans 15 Index Fund (AHDJPF)	6.1.1	-	600,000	600,000	35,220,000	34,818,000	(402,000)	-	-
MCB Islamic Income Fund	6.1.1	-	500,000	500,000	50,000,000	50,126,600	126,600		
					311,421,657	310,324,182	(1,097,475)	-	-

6.1.1 This represents investment in seed capital of the Fund.

	Note	June 30, 2011	June 30, 2010
		----------- Rupees -----------	
7. LONG-TERM LOANS AND RECEIVABLES			
Related parties - unsecured - considered good			
Loans			
Chief executive	7.1	**413,470**	100,000
Loan to employees	7.1	**1,897,959**	403,069
	7.2 & 7.3	**2,311,429**	503,069
Less: current portion	10	**(440,544)**	(328,235)
		1,870,885	174,834
Other receivables - from related parties			
Pakistan Cash Management Fund	7.4	**553,389**	-
Pakistan Income Enhancement Fund	7.4	**535,338**	-
Pakistan Strategic Allocation Fund	7.4	**4,045,100**	
Pakistan Premier Fund	7.4	**3,176,301**	
MCB Islamic Income Fund	7.4	**1,000,000**	
MCB Cash Management Optimizer		**-**	5,000,000
MCB Sarmaya Mehfooz Fund 1		**-**	1,330,765
MCB Dynamic Income and Growth Fund		**-**	155,000
		9,310,128	6,485,765
Less: current portion	9.1	**(4,255,943)**	(6,330,765)
	7.5	**6,925,070**	**329,834**

7.1 This includes loans given to employees for the purpose of purchase of cars.These loans are given to employees against down payment of leased car as per the Company policy and are adjustable on availing revised facility on change of entitlement of an employee or at the time of final settlement on leaving the Company.

7.2 Reconciliation of loans to chief executive and employees:

Opening balance	**503,069**	**1,135,463**
Acquired on amalgamation	**997,006**	**-**
Disbursed during the year	**2,138,503**	**1,317,823**
Recovered during the year	**(1,327,149)**	**(1,950,217)**
	2,311,429	**503,069**

7.3 Maximum aggregate balance of loans due from related parties during the period was Rs.1.240 (June 30, 2010: Rs.1.200) million.

7.4 This includes expenses incurred in connection with the incorporation, registration, establishment and offering for sale and distribution of the securities of the Funds borne by the Company and reimbursable by Funds in equal amounts payable annually over a period of five years or period till maturity, whichever is earlier. The fair values of receivable from related parties are based on discounted cash flows.

7.5 The carrying value of “Long Term Loans and Receivables” is denominated in Pak Rupees, and the amounts approximate their fair values which is neither past due nor impaired.

	Note	June 30, 2011	June 30, 2010
		----------- Rupees -----------	
8. DEFERRED TAXATION			
Deductible temporary differences:			
- Tax losses		**49,010,738**	-
- Minimum tax		**5,207,328**	-
- Deferred tax on revaluation and others adjustments		**(4,387,901)**	(1,641,458)
		49,830,165	(1,641,458)
Taxable temporary differences:			
- Property and equipment		**(21,959,165)**	(13,727,164)
- Intangible assets		**(970,509)**	37,055
		(22,929,674)	(13,690,109)
		26,900,491	(15,331,567)

9. RECEIVABLES FROM RELATED PARTIES

	Note	June 30, 2011	June 30, 2010
Unsecured - considered good			
Pakistan Income Fund		**2,358,954**	-
Pakistan Stock Market Fund		**2,363,179**	-
Metro Bank-Pakistan Sovereign Fund		**1,858,264**	-
Pakistan Premier Fund		**2,296,231**	-
Pakistan Capital Market Fund		**652,122**	-
Pakistan Strategic Allocation Fund		**2,643,774**	-
Pakistan International Element Islamic Fund		**548,130**	-
Pakistan Pension Fund		**302,116**	-
Pakistan Islamic Pension Fund		**172,120**	-
Pakistan Capital Protected Fund-I		**286,155**	-
Pakistan Cash Management Fund		**3,674,087**	-
Pakistan Income Enhancement Fund		**2,339,002**	-
Pakistan Capital Protected Fund - FIS		**292,377**	-
AH Dow Jones SAFE Pakistan Titans 15 Index Fund		**3,822,055**	-
MCB Islamic Income Fund		**1,135,777**	-
MCB Dynamic Allocation Fund		**411,462**	519,551
MCB Dynamic Stock Fund		**1,718,962**	1,670,742
MCB Cash Management Optimizer		**11,111,400**	11,588,602
MCB Dynamic Cash Fund		**5,783,157**	7,037,682
MCB Sarmaya Mehfooz Fund 1		**56,054,023**	4,701,818
	9.1	**99,823,347**	25,518,395
MCB Bank Limited		**-**	168,833
Discretionery Porftolio (management fee receivable)		**148,826**	-
Fatima Fertilizer (Private) Limited		**208,233**	-
Employees' Trust	9.2	**1,420,086**	-
	9.3	**101,600,492**	25,687,228

9.1 The above amounts represent receivable on account of management fee, current portion of long- term receivables and other expenses paid on behalf of related parties.

9.2 This represents amount receivable from "Arif Habib Investment Employees Stock Beneficial OwnershipTrust".

9.3 The carrying value of “Receivables from related parties” is denominated in Pak Rupees, and the amount approximates their fair values which is neither past due nor impaired.

	Note	June 30, 2011	June 30, 2010
		---------- Rupees ----------	
10. LOANS AND ADVANCES			
Considered good - unsecured			
Current portion of loan to employees	7	**440,544**	328,235
Advance to employees		**1,966,484**	-
Advance to suppliers and contractors		**622,871**	-
	10.1	**3,029,899**	328,235

10.1 The carrying value of “Loans and advances” is denominated in Pak Rupees, and the amount approximates their fair values which is neither past due nor impaired.

	Note	June 30, 2011	June 30, 2010
11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Deposits		**399,198**	-
Prepayments			
Registration fee		**1,811,459**	-
Maintenance		**1,450,000**	-
Insurance		**898,206**	
Others		**1,890,118**	1,530,155
		6,049,783	1,530,155
Other receivables			
Discretionery portfolio (management fee receivable)		**415,186**	-
Others		**2,434,005**	-
		2,849,191	-
	11.1	**9,298,172**	1,530,155

11.1 The carrying value of “Deposits" and "Other receivables” is denominated in Pak Rupees, and the amount approximates their fair values which is neither past due nor impaired.

	Note	June 30, 2011	June 30, 2010
		----------- Rupees -----------	
12. TAXATION -net			
Advance tax		**25,991,370**	26,454,312
Income tax refundable	12.1	**49,904,034**	690,936
		75,895,404	27,145,248
Provision for taxation		**(5,212,995)**	(22,832,486)
		70,682,409	4,312,762

12.1 The above amount includes assessed refunds for the tax years 2008, 2009 and 2010.

13. SHORT TERM INVESTMENTS

	Note	June 30, 2011	June 30, 2010
		------------ (Rupees) ------------	
In Collective Investment Schemes - related parties			
At fair value through profit or loss	13.1	**305,785,131**	367,668,473
Available-for-sale investments	13.2	**841,143**	-
		306,626,274	367,668,473

13.1 At fair value through profit or loss

Name of the investee Fund	As at July 01, 2010	Additions/ (Disposals)	As at June 30 2011	Cost	Market value	Cost	Market value
	As at June 30, 2011					As at June 30, 2010	
	------------------- Units -------------------			------------------------ (Rupees) ------------------------			
Open end mutual funds							
MCB Dynamic Cash Fund	2,534,882	**(614,156)**	**1,920,726**	**172,449,232**	**194,616,986**	247,208,461	262,155,381
MCB Cash Management Optimizer	536,593	**72,299**	**608,892**	**54,660,191**	**61,041,545**	50,603,526	54,660,340
MCB Sarmaya Mehfooz Fund 1	507,181	**(507,181)**	**-**	**-**	**-**	50,718,146	50,852,752
MCB Islamic Income Fund	-	**500,000**	**500,000**	**50,000,000**	**50,126,600**	-	-
				277,109,423	**305,785,131**	348,530,133	367,668,473

13.2 Available-for-sale investments

Name of the investee Fund	As at July 01, 2010	Acquired on amalgamation / Addition *	As at June 30, 2011	Cost	Market value	Unrealised gain on revaluation of investments	Market value	Unrealised gain / (loss) on revaluation of investments
	As at June 30, 2011						As at June 30, 2010	
	------------------ Units ------------------			-------------------------------------- (Rupees) --------------------------------------				
Open end mutual funds								
MetroBank-Pakistan Sovereign Fund	**-**	**16,494**	**16,494**	**839,515**	**841,143**	**1,628**	-	-

	Note	June 30, 2011	June 30, 2010
		----------- Rupees -----------	
14. CASH AND BANK BALANCES			
Cash in hand		**26,893**	45,000
Cash at bank in			
Current accounts		**816,901**	-
Deposit accounts	14.1, 14.2 & 14.3	**56,935,976**	12,136,925
		57,752,877	12,136,925
		57,779,770	12,181,925

14.1 This includes cash at bank in deposit accounts with Summit Bank Limited (related party), amounting to Rs.36.899 million (2010: Nil) carrying mark-up at the rate of 11.00% (2010: Nil) per annum.

14.2 This includes cash at bank in deposit accounts with MCB Bank Limited (related party), amounting to Rs. 16.180 million (2010: Rs.12.137 million) carrying mark-up at the rate of 12% (2010: 5.00%) per annum.

14.3 This includes an amount of Rs.1.550 million held under lien with Summit Bank Limited (related party), against guarantee issued in favour of a commercial bank.

	Note	June 30, 2011	June 30, 2010
		----------- Rupees -----------	
15. NON-CURRENT ASSETS HELD FOR SALE			
Lease hold improvements		**42,985,127**	-
Generator		**12,914,414**	-
Furniture and Fixtures		**7,270,313**	-
Office equipment		**13,056,555**	-
Computer equipment		**1,744,017**	-
	15.1	**77,970,426**	-

15.1 These represent property and equipment acquired on amalgamation which were previously in use of the Company. Consequent to the merger, the Company has relocated its office premises and, accordingly, these assets are classified as held for sale as the management believes that these assets will not be used by the amalgamated entity in future.

Under an arrangement with Rotocast Engineering Company (Private) Limited, a related party, the cost of these assets will be refunded by the said related party to the Company at the above referred negotiated values.

However, as part of the said arrangement, the Company has agreed to pay nine months rent after the year end for the above referred office premises to the said related party (see note 4.4).

16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Number of shares June 30, 2011	Number of shares June 30, 2010		Note	June 30, 2011	June 30, 2010
				----------- Rupees -----------	
		Ordinary Share of Rs.10 each			
5,000,000	5,000,000	Fully paid in cash		**50,000,000**	50,000,000
31,000,000	25,000,000	As fully paid bonus shares		**310,000,000**	250,000,000
36,000,000	-	Shares issued for consideration other than cash	16.2	**360,000,000**	-
72,000,000	30,000,000			**720,000,000**	300,000,000

16.1 At June 30, 2011, MCB Bank Limited, the holding Company, held 36,956,768 Ordinary shares of Rs.10 each representing 51.33% of share capital.

16.2 During the year, the Company issued 36,000,000 Ordinary shares of Rs.10 each to MCB Bank Limited on account of an agreement entered into between the shareholders of the Company and MCB Bank Limited, as more fully explained in note 1.2 to the financial statements.

16.3 The fair value of the shares issued to the MCB Bank Limited is based on the published quoted price of the shares of the Company as at 24 June 2011 (June 25, 2011 and June 26, 2011 being a public holiday) resulting in a share premium of Rs.396.000 million.

	Note	June 30, 2011	June 30, 2010
		----------- Rupees -----------	
17. RESERVES			
Share premium	16.3	**396,000,000**	-
Deficit arising on amalgamation	17.1	**(60,000,000)**	-
Unappropriated profit		**203,716,256**	161,762,359
Unrealised deficit on revaluation of available-for-sale investments - net		**(986,262)**	-
		538,729,994	161,762,359

17.1 This represents deficit arising on account of difference in share capital of AHIL and MCB AMC.

	Note	June 30, 2011	June 30, 2010
18. SURPLUS ON REVALUATION OF FIXED ASSETS - net of tax			
Surplus on revaluation of office premises		**1,422,393**	1,497,256
Add: Revaluation made during the period	5.1	**15,260,062**	-
		16,682,455	1,497,256
Transferred to unappropriated profit in respect of:			
Incremental depreciation charged during the period - net of deferred tax		**(318,949)**	(50,757)
Related deferred tax liability		**(156,583)**	(24,106)
		(475,532)	(74,863)
Surplus on revaluation - closing balance		**16,206,923**	1,422,393
Less: Related deferred tax liability on:			
Opening balance		**458,259**	513,559
Adjustment due to change in rate of exempt income and income under final tax		**10,106**	(31,194)
Revaluation made during the year		**5,024,833**	-
Incremental depreciation charged on related assets		**(156,583)**	(24,106)
		5,336,615	458,259
		10,870,308	964,134

	Note	June 30, 2011	June 30, 2010
		----------- Rupees -----------	
19. TRADE AND OTHER PAYABLES			
Accrued expenses	19.1	**63,665,527**	12,621,276
Withholding tax payable		**8,558,856**	46,966
Payable to distributors		**14,460,053**	5,188,796
Unclaimed dividend		**178,730**	-
Others		**150,000**	-
		87,013,166	17,857,038

19.1 Included herein is a sum of Rs.15.169 million payable on account of investment advisory fee in respect of Pakistan Premier Fund Limited, acquired on amalgamation.

20. CONTINGENCIES

Bank Guarantee of Rs.1,550,000 (June 30, 2010: Rs.1,550,000) against the limit of Rs.2,100,000 (June 30, 2010: Rs.2,100,000) has been issued by Summit Bank Limited, a related party, in favour of a commercial bank in relation to credit cards issued to the employees of the Company by the said commercial bank.

	Note	June 30, 2011	June 30, 2010
		----------- Rupees -----------	
21. MANAGEMENT FEE / INVESTMENT ADVISORY FEE			
From related parties			
Collective Investment Schemes	21.1	**237,006,096**	203,737,763
Discretionery Portfolios		**221,203**	-
		237,227,299	203,737,763

21.1 From Collective Investment Schemes

	2011	2010
Pakistan Income Fund	**296,472**	-
Pakistan Stock Market Fund	**275,476**	-
MetroBank-Pakistan Sovereign Fund	**242,316**	-
Pakistan Premier Fund Limited	**152,794**	-
Pakistan Capital Market Fund	**85,922**	-
Pakistan Strategic Allocation Fund	**141,860**	-
Pakistan International Element Islamic Fund	**65,071**	-
Pakistan Pension Fund	**35,835**	-
Pakistan Islamic Pension Fund	**20,974**	-
Pakistan Cash Management Fund	**371,653**	-
Pakistan Income Enhancement Fund	**266,785**	-

	Note	June 30, 2011	June 30, 2010
		---------- Rupees ----------	
Pakistan Capital Protected Fund - FIS		**38,890**	-
AH Dow Jones SAFE Pakistan Titans 15 Index Fund		**13,569**	-
MCB Dynamic Cash Fund		**78,255,216**	124,589,095
MCB Dynamic Stock Fund		**20,044,600**	18,064,655
MCB Dynamic Allocation Fund		**5,508,647**	9,058,501
MCB Cash Management Optimizer		**117,174,261**	51,289,459
MCB Islamic Income Fund		**50,777**	-
MCB Sarmaya Mehfooz Fund 1		**13,964,978**	736,053
		237,006,096	203,737,763

22. ADMINISTRATIVE AND OPERATING EXPENSES

	Note	June 30, 2011	June 30, 2010
Salaries, allowances and other benefits	22.1	**81,089,071**	70,712,004
Advertising expenses		**9,566,580**	2,529,551
Legal and professional charges		**8,971,476**	1,523,500
Traveling and conveyance charges		**1,471,713**	1,023,903
Rent expense		**255,423**	-
Repairs and maintenance		**6,879,325**	7,166,475
Office supplies		**369,921**	189,241
Auditors' remuneration	22.2	**357,081**	390,000
Director Meeting Fee		**570,000**	-
Worker's Welfare Fund		**1,814,326**	3,896,961
Insurance	5.1	**2,094,551**	2,053,362
Depreciation	5.2	**9,171,593**	7,966,816
Amortisation		**1,657,397**	1,649,375
Stamp duty and taxes		**84,404**	58,110
Printing and stationery		**2,322,880**	2,555,224
Utilities		**2,676,381**	2,054,795
Telephone expenses		**2,844,475**	1,475,916
Entertainment expenses		**1,130,482**	705,640
Postage and courier		**1,665,850**	1,265,034
Books, periodicals and subscription		**7,134,576**	2,425,613
Miscellaneous expenses		**991,420**	1,203,209
		143,118,925	110,844,729

22.1 This amount includes contribution to provident / pension fund amounting to Rs.2.315 (2010: Rs.2.221) million.

22.2 Auditors' Remuneration

	June 30, 2011	June 30, 2010
Audit fee	**250,000**	250,000
Out of pocket expenses	**50,000**	50,000
Audit fee Employees' Provident Fund	**30,000**	60,000
Other certification	**27,081**	30,000
	357,081	390,000

23. MANAGEMENT / INVESTMENT ADVISORY FEE/ PROCESSING AND OTHER RELATED INCOME SHARING

The Company shares a percentage of processing income and management fee earned by the Company with its facilitators, sales agents. During the year, the Company shared management fee with MCB Bank Limited, the holding Company, amounting to Rs.20.143 (June 30, 2010: Rs.4.903) million.

	June 30, 2011	June 30, 2010
	----------- Rupees -----------	
24. TAXATION		
Current	**2,844,088**	22,832,486
Prior	**634,538**	(706,746)
Deferred	**15,602,739**	7,888,206
	19,081,365	30,013,946
Relationship between tax expense and accounting profit:		
Accounting profit	**90,716,313**	108,943,518
Tax @ 35%	**31,750,710**	38,130,231
Effect of:		
Tax on seperately chargeable income	**5,667**	7,874
Tax effect of computation adjustments	**(13,309,550)**	(7,417,413)
Effect of prior year adjustment	**634,538**	(706,746)
	19,081,365	30,013,946

25. EARNINGS PER SHARE - Basic and diluted

Net income for the year (Rupees)	71,634,948	78,929,572
Shares outstanding as at June 30, 2011 (number of shares)	36,394,521	36,000,000
Earnings per unit - basic (Rupees)	1.97	2.19

25.1 Diluted earnings per share has not been presented as the Company does not have any convertible Instruments in issue at June 30, 2011 and 2010 which would have any effect on the earnings per share if the option to convert is exercised.

25.2 Earnings per share for the year 2010 has been restated for the effect of reverse acquisition.

26. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for remuneration including all benefits to the Chief Executive Officer, Directors and Executives of the Company was as follows:

	Year ended June 30, 2011			Year ended June 30, 2010		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
	Rupees					
Managerial remuneration	**4,026,000**	**140,917**	**19,981,971**	3,738,000	-	19,451,904
Bonus	**4,000,000**	**-**	**10,401,211**	2,000,000	-	4,471,284
Retirement Benefits	**339,817**	**-**	**1,651,964**	311,504	-	1,413,408
Rent and house maintenance	**1,811,700**	**-**	**8,918,548**	1,682,100	-	8,753,352
Utilities	**402,600**	**-**	**1,982,542**	373,800	-	1,945,188
Medical	**398,976**	**-**	**2,045,507**	241,800	-	1,719,804
Meeting Fee	**-**	**570,000**	**-**	-	-	-
Others	**224,372**	**-**	**6,259,374**	362,474	-	6,398,324
	11,203,465	**710,917**	**51,241,117**	8,709,678	-	44,153,264
Number of persons	**1**	**7**	**25**	1	8	18

One executive is provided with free use of Company maintained car.

27. FINANCIAL RISK MANAGEMENT

27.1 Financial risk factors

The Company monitors and manages the financial risks relating to the operations of the Company through internal risk management on an ongoing basis. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. In connection with the Company's financing of operations, the finance function ensures adequate and flexible liquidity. This is guaranteed by placing deposits in cash and extremely liquid negotiable instruments, and/or using binding credit facilities.

The Company seeks to minimise the effects of these risks by managing financial assets and liabilities to minimize the risk exposures. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis.

27.2 Market risk

"Market risk is the risk that changes in the market prices, such as foreign exchange rates, interest rates and equity prices would have an impact on the value of the financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the returns."

Company's policy is to manage market risk through diversification and selection of securities within specified limits set by the Board of Directors.

27.3 Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and liabilities and future cash flow. The Company does not hold any fixed interest based securities that expose the Company to fair value interest rate risk. However, the Company has availed short and long term financing on floating rates that are exposed to interest rate risk.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

27.4 Equity Price risk

"The Company's listed and unlisted equity securities are susceptible to market price fluctuation arising from uncertainties about future values of the investment securities. The Company's significant investment includes investments in Collective Investments Schemes (CIS) managed by the Company itself. Senior management of the Company review the Company's Investments on a regular basis. Further the Board of Directors of the Company also reviews and approves all significant equity investment decisions."

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to valuation gains and losses for investment portfolio of the Company. The analysis is prepared on the amount of investments at the balance sheet date. 15 percent increase or decrease in equity instrument prices and 0.5 percent increase or decrease in fixed income / money market instrument prices are used when reporting price risk internally to key management personnel and represents management's assessment of the reasonably possible change in equity and fixed income / money market instruments rates.

If prices in equity instruments had been 15 percent higher/lower and prices in fixed income / money market instruments had been 0.5 percent higher / lower, the Company's.

27.5 Foreign exchange risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The Company is not exposed to foreign currency risk as transactions are carried out in Pak Rupees.

27.6 Credit risk

Credit risk represents the accounting loss that may have been recognised at the reporting date if counter parties fail to perform as contracted. The entire financial assets are subject to the credit risk. Management believes that the Company's credit risk is minimal as major portion of financial assets comprise of investments in or receivables from the Funds which are managed by the Company, and the financial position of these funds is sound.

Credit Policy

Credit policy of the Company is governed by corporate laws including NBFC Rules & Regulations, Offering documents of Collective

Investment Schemes under its management and Company's Personnel Policy.

Concentration of credit risk

Out of total receivables from related parties, 99.5% is receivable from funds under management of the Company.

Credit quality

The Company's financial assets are not past due nor impaired as at the balance sheet date.

Ratings of Funds from which amounts are receivable.

	Star rating		
Fund	**Normal**	**Long-term**	**Rating agency**
Pakistan Stock Market Fund	2 - star	4 - star	PACRA
Pakistan Premier Fund	3 - star	4 - star	PACRA
Pakistan Capital Market Fund	2 - star	3 - star	PACRA
Pakistan International Element Islamic Fund	3 - star	2 - star	PACRA
Pakistan Strategic Allocation Fund	3 - star	4 - star	PACRA
MCB Dynamic Stock Fund	4 - star	5 - star	PACRA
MCB Dynamic Allocation Fund	4 - star	4 - star	PACRA

	Stability rating	Rating agency
Pakistan Cash Management Fund	AAA (f)	PACRA
Pakistan Income Fund	AA - (f)	PACRA
MetroBank - Pakistan Sovereign Fund	AA (f)	PACRA
Pakistan Income Enhancement Fund	AA - (f)	PACRA
MCB Dynamic Cash Fund	A + (f)	PACRA
MCB Cash Management Optimizer	AA + (f)	PACRA
MCB Sarmaya Mehfooz Fund 1	AA+(cp)	PACRA

Ratings of banks in which deposits are placed.

	Rating		
Bank	**Short-term**	**Long-term**	**Agency**
MCB Bank Limited	**A1+**	**AA+**	**PACRA**
Summit Bank Limited	**A-2**	**A**	**JCR-VIS**
Bank Al Habib Limited	**A1+**	**AA+**	**PACRA**
Allied Bank Limited	**A1+**	**AA**	**PACRA**
Deutsche Bank	**P-1**	**Aa3**	**Moody's**

27.7 Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet its commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios and rational investment decisions after taking into consideration the current availability of the liquid resources.

Contractual maturities of financial liabilities

The following are details of the Company’s remaining contractual maturity for its financial liabilities.

2011	Less than one year	one to two year	two to three year	More than three years	Total
	Rupees				
Trade and other payable	87,013,166	-	-	-	87,013,166
	87,013,166	-	-	-	87,013,166
2010					
Trade and other payable	17,857,038	-	-	-	17,857,038
	17,857,038	-	-	-	17,857,038

27.8 Financial instruments by category

Name and amount of financial assets/ liabilities on which financial instrument policy is applied.

	June 30, 2011	June 30, 2010
	Rupees	
Financial Assets		
Cash and bank balances	**57,779,770**	12,181,925
Investments		
Available-for-sale investments - non-current assets	**310,324,182**	-
Held-for-sale - investments - current assets	**305,785,131**	367,668,473
Available-for-sale investments - current assets	**841,143**	-
	616,950,456	367,668,473
Loans and receivables		
Long-term loans, advances and receivables	**6,925,070**	329,834
Long-term deposits	**624,700**	509,700
Receivables from related parties	**101,600,492**	25,687,228
Loans and advances	**3,029,899**	328,235
Other receivables	**5,747,303**	1,579,042
	117,927,464	28,434,039
Financial liabilities at amortised cost		
Trade and other payables	**78,454,310**	17,810,072
	78,454,310	17,810,072

27.9 Fair value hierarchy

The fair values of the financial instruments have been analysed in various fair value levels as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	---------- Rupees ----------			
Assets				
Available for sale investments	311,165,325	-	-	311,165,325
Investments at fair value through profit or loss	305,785,131	-	-	305,785,131
Total	616,950,456	-	-	616,950,456

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial instruments held by the Company is the current bid price. These financial instruments are classified under level 1 in above referred table.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value a financial instrument are observable, those financial instruments are classified under level 2 in above referred table. The Company has no such type of financial instruments as on June 30, 2011.

If one or more of the significant inputs is not based on observable market data, the financial instrument is classified under level 3.The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments. The Company has no such type of financial instruments as on June 30, 2011.

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

28. CAPITAL MANAGEMENT

"The Company manages its capital to ensure that the Company will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from the prior year."

The capital structure of the Company consists of debt and equity. Debts of the Company include long term financing, running finance and short term financing whereas equity of the Company includes issued capital, reserves, and retained earnings.

The Company’s objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, and

- to provide an adequate return to shareholders by pricing products and services that commensurate with the level of risk.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of return capital to shareholders, issue new shares, or sell assets to reduce debt.

29. DISCRETIONARY PORTFOLIO

	June 30, 2011		June 30, 2010	
	Cost	**Market value**	**Cost**	**Market value**
	---------- Rupees ----------			
Number of Portfolios	**8**		4	
- Equity portfolio	**96,822,012**	**109,674,282**	48,669,238	49,463,724
- Debt portfolio	**609,647,676**	**609,005,598**	251,398,131	245,707,323

30. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of related group companies, collective investment schemes managed by the company, associated companies, directors and their close family members and retirement benefit plan. Transactions and Balances with related parties/associated undertakings during the period were as follows:

	June 30, 2011	June 30, 2010
	------------ Rupees ------------	
CONTRIBUTION TO PROVIDENT FUND	**2,313,224**	**2,221,221**
MCB BANK LIMITED		
Bank balance	**16,179,858**	12,136,925
Receivable as share of expense	**-**	22,501
Commission payable	**3,500,000**	2,336,619
Mark up receivable	**730,957**	48,886
Mark up received	**1,339,765**	223,929
Reimbursement for other expenses	**3,871,576**	-
Commission and other expenses	**20,143,234**	4,902,984
Dividend paid	**29,998,000**	29,998,000
MCB DYNAMIC CASH FUND		
Remuneration income	**78,255,216**	124,589,095
Remuneration receivable	**5,780,321**	7,030,182
Sale load receivable	**2,836**	7,500
Purchase of units	**-**	299,158,700
Redemption of units	**100,000,000**	431,540,000
Bonus units 355,979 (2010: 318,241 units)	**36,124,658**	32,142,152
Closing balance of investment in units	**194,616,986**	262,155,940

	June 30, 2011	June 30, 2010
	--------- Rupees ---------	
MCB DYNAMIC STOCK FUND		
Remuneration income	**20,044,600**	18,064,655
Remuneration receivable	**1,712,517**	1,668,342
Sale load receivable	**6,445**	2,400
MCB DYNAMIC ALLOCATION FUND		
Remuneration income	**5,508,647**	9,058,501
Remuneration receivable	**411,462**	497,050
Sale load receivable	**-**	22,501
MCB CASH MANAGEMENT OPTIMIZER		
Remuneration Income	**117,174,261**	51,289,459
Remuneration receivable	**11,111,400**	6,588,602
Mark-up received on seed capital	**-**	679,265
Purchase of units	**-**	100,000,000
Redemption of units	**-**	50,000,000
Bonus units 72,299 units (2010: 30,557)	**7,229,900**	3,055,747
Closing balance of investment in units	**61,041,545**	54,660,340
Long term receivable - formation cost	**-**	5,000,000
MCB DYNAMIC INCOME AND GROWTH FUND		
Long-term receivable - formation cost	**-**	155,000
MCB SARMAYA MEHFOOZ FUND 1		
Remuneration income	**13,964,978**	736,053
Remuneration receivable	**721,399**	736,053
Mark up received on seed capital	**-**	682,322
Purchase of units	**-**	100,682,322
Redemption of units	**-**	50,000,000
Closing balance of investment in units	**-**	50,852,752
Long term receivable - formation cost	**-**	1,330,765
Bonus units 1,346 units (2010: Nil)	**134,600**	-
Other receivable	**55,332,624**	2,635,000
MCB ISLAMIC INCOME FUND		
Remuneration Income	**50,777**	-
Remuneration receivable	**50,777**	-
Other receivable	**403,000**	-
Long-term receivable	**1,000,000**	-
Closing balance of investment in units	**100,253,200**	-
PAKISTAN STOCK MARKET FUND		
Remuneration Income	**275,476**	-
Remuneration receivable	**2,096,477**	-
Share of load receivable	**266,702**	-
PAKISTAN INCOME FUND		
Remuneration Income	**296,472**	-
Remuneration receivable	**2,234,200**	-
Share of load receivable	**124,754**	-

	June 30, 2011	June 30, 2010
	--------- Rupees ---------	
PAKISTAN PREMIER FUND		
Remuneration Income	**152,794**	-
Remuneration receivable	**1,160,319**	-
Conversion cost receivable	**5,679,560**	-
METRO BANK-PAKISTAN SOVERIGN FUND		
Remuneration Income	**242,316**	-
Remuneration receivable	**1,855,296**	-
Closing balance of investment in units	**841,143**	-
Share of load receivable	**2,968**	-
PAKISTAN CAPITAL MARKET FUND		
Remuneration Income	**85,922**	-
Remuneration receivable	**652,122**	-
PAKISTAN STRATEGIC ALLOCATION FUND		
Remuneration Income	**141,860**	-
Remuneration receivable	**1,123,743**	-
Conversion cost receivable	**7,600,157**	-
PAKISTAN PENSION FUND		
Remuneration Income	**35,835**	-
Remuneration receivable	**265,852**	-
Closing balance of investment in units	**112,992,000**	-
Share of load receivable	**36,264**	-
PAKISTAN ISLAMIC INTERNATIONAL ELEMENT FUND		
Remuneration Income	**65,071**	-
Remuneration receivable	**503,002**	-
Share of load receivable	**45,128**	-
PAKISTAN CAPITAL PROTECTED FUND -1		
Others receivable	**286,155**	-
PAKISTAN ISLAMIC PENSION FUND		
Remuneration Income	**20,974**	-
Remuneration receivable	**156,708**	-
Closing balance of investment in units	**110,991,000**	-
Share of load receivable	**15,412**	-
PAKISTAN CAPITAL PROTECTED FUND - FIS		
Remuneration Income	**38,890**	-
Remuneration receivable	**292,377**	-
Closing balance of investment in units	**1,396,582**	-
PAKISTAN CASH MANAGEMENT FUND		
Remuneration Income	**371,653**	-
Remuneration Receivable	**3,203,401**	-
Other Receivable	**70,679**	-
Formation cost - Recievable	**600,000**	-

	June 30, 2011	June 30, 2010
	--------- Rupees ---------	
PAKISTAN INCOME ENHANCEMENT FUND		
Remuneration Income	**266,785**	-
Remuneration Receivable	**2,003,530**	-
Share of load Receivable	**133,472**	-
Others Receivable	**2,000**	-
Formation cost - Recievable	**600,000**	-
AH DOW JONES SAFE PAKISTAN TITANS 15 INDEX FUND		
Remuneration Income	**13,569**	
Remuneration receivable	**102,055**	-
Closing balance of investment in units	**34,818,000**	-
Others receivable	**2,720,000**	-
Formation cost - recievable	**1,000,000**	-

31. SUBSEQUENT EVENT - NON ADJUSTING

The Board of Directors in its meeting held on September 29, 2011 has announced a cash dividend in respect of the year ended June 30, 2011 of Rs.1.5 per share of Rs.10 each (15%) [June 30, 2010: Rs.1.0 per share of Rs.10 each (10%)]. These financial statements do not include the effect of this appropriation which will be accounted for subsequent to the year end.

32. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 29, 2011 by the Board of Directors of the Company.

33. GENERAL

Figures have been rounded off to the nearest rupee.

Yasir Qadri
CHIEF EXECUTIVE

Nasim Beg
Executive Vice Chairman / Director

FORM OF PROXY
ELEVENTH ANNUAL GENERAL MEETING
ON OCTOBER 25, 2011

The Company Secretary,
Arif Habib Investments Limited,
8th Floor, Techno City Corporate Tower,
Hasrat Mohani Road,
Karachi - Pakistan.

I / We ____ of ____ in the district of ____________________ being a Member of ARIF HABIB INVESTMENTS LIMITED, hereby appoint ____________________ of ____________________ as my/our proxy to vote for me/us and on my/our behalf at the Eleventh Annual General Meeting of the Company to be held on October 25, 2011 and at any adjournment thereof.

Signed this ____________________ day of ____________________ 2011.

Witnesses:

1. Signature: ____________________
   Name: ____________________
   Address: ____________________
   CNIC or
   Passport No. ____________________

2. Signature: ____________________
   Name: ____________________
   Address: ____________________
   CNIC or
   Passport No. ____________________

Shareholder
Folio No.
CDC Participant I.D No.
&
Sub Account No.

Signature on five
Rupees
Revenue Stamp

This Signature should
agree with the specimen
registered with the
Company

Important:

1. This proxy form duly completed and signed, must be received at the Registered Office of the Company at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi -Pakistan, not less than 48 hours before the time of holding the meeting.

2. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of the proxy shall be rendered invalid.

3. CDC shareholders and their proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.

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AFFIX
CORRECT
POSTAGE

ARIF HABIB INVESTMENTS LIMITED
8th Floor, Techno City Corporate Tower,
Hasrat Mohani Road, Karachi.

Fold Here

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Arif Habib Investments Limited
A Subsidiary of
MCB Bank Limited

8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.
UAN: (+92-21) 11-11-622-24, Toll Free: 0800-622-24, Fax: (+92-21) 32276898, 32276908, Email: info@mcbah.com, URL: www.mcbah.com