



Arif Habib Investments Limited

Half Yearly Report
December 31, 2010
(Unaudited)



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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 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

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

Share Registrar

Noble Computer Services (Private) Limited
Mezzanine Floor, House of Habib Building (Siddiqsons Tower),
3-Jinnah Cooperative Housing Society,
Main Shahr-e-Faisal, Karachi, Pakistan.
Tel: (021) 34325482-87
Fax: (021) 34325442
Website: www.noble-computers.com

Registered Office

Arif Habib Centre, 23 M.T. Khan Road, Karachi-74000
Tel: (92-21) 111-468-378 (111-INVEST)
Fax: (021) 32470351, 32470337
E-mail: marketing@arifhabib.com.pk
Website: www.arifhabib.com.pk

Bankers

Summit Bank Limited
(Formerly: Arif Habib Bank Limited)
Bank Al-Habib Limited
Allied Bank Limited
MCB Bank Limited
Deutsche Bank AG

Ratings (PACRA)

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

Audit Committee

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



Mr. Zeeshan
CFO & Company Secretary

Auditors

M/s. Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants



Legal Advisors

M/s. Bawaney & Partners
Mr. Shamsuddin Khan

REPORT OF THE DIRECTORS FOR THE SIX MONTHS ENDED DECEMBER 31, 2010

The Board of Directors of Arif Habib Investments Limited (AHI) is pleased to present its report together with the Condensed Interim Financial Statements for the Half Year ended December 31, 2010.

Financial Highlights

	December 31, 2010 Pak Rupees (Million)
Assets under Management	13,182
Revenue	269.8
Net profit after tax	105.8
Total Assets	626.86
Shareholders' Equity	568.84
Earnings Per Share (Basic and diluted) Pak Rupees	2.94

Performance Review

During the six months, AHI recorded a gross income of Rs.269.8 million, which includes management / investment advisory fee of Rs.127.43 million, dividend income of Rs.54.71 million and capital gain of Rs.82.72 million. After accounting for administrative, operating, financial & other expenses and income sharing of Rs.159.82 million, the company earned a profit before tax of Rs.101.4 million. Due to deferred tax adjustment, the net profit after tax for the six months amounted to Rs.105.8 million as compared to net profit of Rs. 77.91 million for the corresponding six months ended December 31, 2009. Consequently, the Earnings per share - (Basic and diluted - restated) of Rs.2.16 in the corresponding six months in 2009-10 have increased to Earnings per share - (Basic and diluted) of Rs.2.94 during the six months ended December 31, 2010.

Possible merger with MCB Asset Management Company Limited

We reproduce here with contents of letter sent by the company to KSE on January 20, 2011:

Letter dated January 20, 2011:

"Further to our letters on the above subject dated March 9, 2010, September 2, 2010 and December 31, 2010, this is to inform you that the sponsors of Arif Habib Investments Limited (AHI-AMC) and MCB Asset Management Company Limited (MCB-AMC) have signed the Shareholders' agreement on January 19, 2011 for the proposed merger between the two entities. Sponsors of both the entities believe that the combined force of MCB and Arif Habib Group will strengthen the asset management business considerably and will be in the greater interest of the investing public.

Following has been agreed by the sponsors subject to all regulatory approvals and compliances:

- *Arif Habib Investments Limited, being a listed company, shall be the surviving entity. Whereas, subject to availability of name and requisite regulatory approvals being given, the Company shall be re-named as "MCB-Arif Habib Savings and Investments Limited" or such other name as may be agreed by both the parties.*
- *Based on the agreed swap ratio, the shareholders of MCB-AMC shall be issued 1.2 shares in lieu of each share of MCB-AMC held by them. Thus the paid up capital of the merged entity shall double to 72,000,000 shares of Rs. 10 each, i.e., Rs. 720,000,000 (Seven Hundred and twenty million). Of these shares, 36,000,000 shares will be held by MCB Bank and a similar number by the current shareholders of AHI-AMC.*
- *Both the sponsors shall have an equal representation on the Board of the merged entity.*
- *Mr. Mian Mohammed Mansha shall be the Chairman of the Board, Mr. Nasim Beg the Executive Vice Chairman and Mr. Yasir Qadri the Chief Executive Officer of the merged entity."*

Conversion of Closed end Funds to Open end Funds

The Board of Directors of Pakistan Premier Fund Limited (PPFL) in its meeting held on June 17, 2010 passed a resolution that the company be converted into an open end scheme subject to all regulatory approvals and compliances. The Fund was converted into an open-end scheme with effect from December 22, 2010.

The Board of Directors in its meeting held on June 17, 2010 passed a resolution that Pakistan Strategic Allocation Fund (PSAF) be converted into an open end scheme subject to all regulatory approvals and compliances. The Fund was converted into an open-end scheme with effect from November 11, 2010.

Maturity of Fund

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

Industry Performance

Mutual fund industry witnessed 11% growth in assets under management (AUM) during 2nd Quarter of Financial Year 2010-11. This growth was contributed by Islamic Income funds, followed by the cash funds and equity funds. It is pertinent to mention here that the fresh inflow was seen only in cash funds and Islamic Income funds while the growth in equity funds was largely contributed by the upward movement of equity prices. The risk averseness of investors remained the main reason behind the growth of cash funds.

AUM of equity funds increased 16% to reach Rs.63.7 billion by the end of quarter. That was largely contributed by the upward movement of equity prices. Market increased 20.06% during the quarter largely on the back of foreign portfolio inflow of US\$144 million. Local investors were also aggressive during this time period and remained net buyers in the market. Fresh inflows in the equity fund were minimal. This might be indicative of the general investors' perception about the near term economic outlook and political uncertainty due to which they are still shy from the equity based mutual funds.

Size of Conventional income funds was reduced by 11% and stood at Rs.42 billion by the end of December. Increased volatility due to the MUFAP TFC pricing mechanism kept investors away from income funds. Rising interest rate scenario also affected the income funds. State Bank increased discount rate by 50 (Basis Points) bps three consecutive times since the beginning of financial year. That impacted the Government Bond prices negatively thus hurting the fund's return.

Contrary to this, Islamic Income fund size reached Rs.14 billion as compared to Rs.5.6 billion at the start of the quarter. Moreover, two Government Ijara Sukuk (GIS) Sukuk's auction in the last quarter also increased the liquidity of investable instruments for Islamic Funds.

Cash fund category remained the largest recipient of new money. Shorter duration, low volatility and quality of the underlying instrument (government paper) have become the foremost choice of the investors. The fund size of cash fund crossed Rs. 50 billion by the end of quarter as compared to Rs. 41.3 billion at the beginning.

Outlook

Industry outlook in near future is still challenging economic slowdown, rising interest rates, lower savings and the government's fiscal deficit are the major hindrances behind the growth of this industry. Cash fund is likely to remain the major recipient of fresh inflows due to the attractive yield on Government papers.

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

Nasim Beg
Chief Executive

Karachi: February 19, 2011

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of Arif Habib Investments Limited (the Company) as at 31 December 2010 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial statements for the six-month period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The financial statements of the Company for the year ended 30 June 2010 and for the half year ended 31 December 2009 were audited and reviewed respectively by another firm of Chartered Accountants who had expressed an unqualified opinion and unqualified conclusion vide their audit report dated 04 August 2010 and review report dated 22 February 2010, respectively.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

**M/s. Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants**

Date: 19 February 2011

Karachi

CONDENSED INTERIM BALANCE SHEET AS AT DECEMBER 31, 2010

		(Un-audited) December 31, 2010	(Audited) June 30, 2010
	Note	----- (Rupees) -----	
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	6	122,609,800	122,537,826
Intangible assets	7	6,038,196	6,060,959
Available-for-sale investments	8	251,674,332	200,232,141
Long-term loans, advances and receivables		10,280,812	18,307,708
Long-term deposits		507,000	507,000
Deferred tax asset		33,142,563	21,844,744
		424,252,703	369,490,378
CURRENT ASSETS			
Receivable from related parties	9	39,644,958	75,007,967
Loans and advances		5,640,665	8,929,222
Prepayments and other receivables		55,567,882	60,559,037
Available-for-sale investments	10	16,177,734	281,471,672
Cash and bank balances	11	85,578,573	26,428,134
		202,609,812	452,396,032
TOTAL ASSETS		626,862,515	821,886,410
SHARE CAPITAL AND RESERVES			
Authorised capital 36,000,000 Ordinary shares of Rs.10 each (June 30, 2010: 30,000,000 Ordinary shares of Rs.10 each)		360,000,000	300,000,000
Issued, subscribed and paid-up capital	12	360,000,000	300,000,000
Unappropriated profit		143,858,946	98,057,373
Fair value reserve - unrealized gain in value of available-for-sale investments		64,982,356	90,008,246
TOTAL EQUITY		568,841,302	488,065,619
NON-CURRENT LIABILITIES			
Long-term financing	13	-	82,000,000
CURRENT LIABILITIES			
Trade and other payables		55,218,795	75,326,874
Mark-up accrued on financing		1,457,312	6,756,348
Current portion of long term financing	13	-	153,250,000
Short term financing		-	15,000,000
Taxation - net		1,345,106	1,487,569
		58,021,213	251,820,791
TOTAL LIABILITIES		58,021,213	333,820,791
CONTINGENCIES AND COMMITMENTS	14		
TOTAL EQUITY AND LIABILITIES		626,862,515	821,886,410

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

Chief Executive

Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2010**

	Note	Six months ended		Three months ended	
		December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
		(Rupees)			
REVENUE					
Management fee / investment advisory fee	15	127,431,440	129,416,714	61,476,068	66,683,450
Processing and other related income		2,824,152	7,626,910	905,581	6,043,206
Return on bank deposits		2,120,279	416,255	1,158,669	321,664
Dividend income	16	54,706,206	-	5,106,154	-
Gain on sale of available-for-sale investments - net		82,718,211	76,937,739	81,793,430	10,313,318
		269,800,288	214,397,618	150,439,902	83,361,638
EXPENSES					
Administrative and operating expenses	17	(127,731,923)	(102,795,085)	(66,209,007)	(55,253,275)
Management / processing and other related income sharing		(14,559,967)	(21,717,214)	(6,365,525)	(15,939,929)
Finance cost	18	(15,456,083)	(26,558,572)	(6,564,315)	(12,817,439)
Worker's Welfare Fund		(2,069,424)	-	(1,238,394)	-
		(159,817,397)	(151,070,871)	(80,377,241)	(84,010,643)
		109,982,891	63,326,747	70,062,661	(649,005)
Impairment on available-for-sale investments		(2,407,000)	(181,050)	(2,407,000)	-
Impairment loss on property and equipment		(1,377,225)	-	(1,377,225)	-
Provision against receivable from proposed funds		(6,930,844)	-	(6,930,844)	-
Other income		2,134,556	11,116,763	1,334,333	5,788,265
PROFIT BEFORE TAXATION		101,402,378	74,262,460	60,681,925	5,139,260
Taxation					
- Current		(6,878,907)	(687,299)	(1,161,498)	(365,241)
- Prior year		(19,719)	-	(19,719)	-
- Deferred		11,297,821	4,338,592	8,203,480	3,885,965
		4,399,195	3,651,293	7,022,263	3,520,724
NET PROFIT FOR THE PERIOD		105,801,573	77,913,753	67,704,188	8,659,984
Earnings per share - basic and diluted		2.94	2.16	1.88	0.24

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF
COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2010**

	Six months ended		Three months ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
	----- (Rupees) -----			
Net profit for the period	105,801,573	77,913,753	67,704,188	8,659,984
Other comprehensive income / (loss):				
Net unrealised gain / (loss) on available-for-sale investments	23,702,855	(5,674,394)	20,341,621	(21,177,302)
Transfer to profit and loss on disposal of available-for-sale investments	(48,728,745)	(7,516,026)	(47,979,328)	(5,708,692)
	(25,025,890)	(13,190,420)	(27,637,707)	(26,885,994)
Total comprehensive income / (loss) for the period	80,775,683	64,723,333	40,066,481	(18,226,010)

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

Chief Executive

Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2010**

	December 31, 2010	December 31, 2009
	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	101,402,378	74,262,460
Adjustments:		
Depreciation	8,333,961	4,640,929
Amortisation	647,763	686,859
Impairment loss on available-for-sale investments	2,407,000	181,050
Provision for bad debt	-	448,070
Provision against receivable from funds	6,930,844	-
Dividend income	(54,706,206)	-
Gain on sale of available-for-sale investments - net	(82,718,211)	(76,937,739)
Loss on sale of property and equipment	9,684	267,774
Impairment loss on property and equipment	1,377,225	-
Finance cost	15,456,083	20,226,330
	(102,261,857)	(50,486,727)
(Increase) / decrease in current assets		
Receivable from related parties	35,363,009	(19,412,872)
Loans and advances	3,288,557	(3,318,300)
Prepayments and other receivables	(2,964,189)	2,870,266
	35,687,377	(19,860,906)
Increase in current liabilities trade and other payables	(20,108,079)	(931,751)
Cash generated from operations	14,719,819	2,983,076
Taxes paid	717,315	(4,451,087)
Finance cost paid	(20,755,119)	(27,459,301)
Long-term receivables	(1,017,148)	26,983,656
Long-term deposits	-	161,025
Net cash used in operating activities	(6,335,133)	(1,782,631)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(8,313,545)	(2,239,942)
Payments against intangible assets	(625,000)	(610,000)
Proceeds from sale of property and equipment	830,842	370,539
Purchases of available-for-sale investments	(30,214,180)	(483,374,564)
Proceeds from sale of available-for-sale investment	299,351,249	518,519,860
Dividend received	54,706,206	-
Net cash from investing activities	315,735,572	32,665,893
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term finance obtained	-	150,000,000
Repayment of long-term financing	(235,250,000)	(26,625,000)
Repayment of short-term financing	(15,000,000)	(160,716,447)
Net cash used in financing activities	(250,250,000)	(37,341,447)
Net increase / (decrease) in cash and cash equivalents	59,150,439	(6,458,185)
Cash and bank balances at the beginning of the period	26,428,134	12,558,793
Cash and bank balances at the end of the period	85,578,573	6,100,608

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF
CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2010**

	Issued, subscribed and paid-up capital	Unappropriated profit	Fair value reserve - Unrealised gain / (loss) in value of available-for-sale investments	Total
	----- (Rupees) -----			
Balance as at July 01, 2009	300,000,000	33,807,704	20,881,617	354,689,321
Total comprehensive income for six months period ended December 31, 2009	-	77,913,753	(13,190,420)	64,723,333
Balance as at December 31, 2009	<u><u>300,000,000</u></u>	<u><u>111,721,457</u></u>	<u><u>7,691,197</u></u>	<u><u>419,412,654</u></u>
Balance as at July 01, 2010	300,000,000	98,057,373	90,008,246	488,065,619
Total comprehensive income for six months period ended December 31, 2010	-	105,801,573	(25,025,890)	80,775,683
Bonus shares issued @ 20% of issued share capital	60,000,000	(60,000,000)	-	-
Balance as at December 31, 2010	<u><u>360,000,000</u></u>	<u><u>143,858,946</u></u>	<u><u>64,982,356</u></u>	<u><u>568,841,302</u></u>

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

Chief Executive

Director

**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM
FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2010**

1. LEGAL STATUS AND NATURE OF BUSINESS

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 to Arif Habib Investments Limited (AHI). The registered office of the Company is situated at Arif Habib Centre, 23 M. T. Khan Road, Karachi, Pakistan. The Company is a subsidiary of Arif Habib Corporation Limited (AHCL) (Formerly: Arif Habib Securities Limited) which has 60.18% (June 30, 2010: 60.18%) direct holding in the Company.

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.

During the period, AHCL, the sponsors of AHI, have signed a Memorandum of understanding with MCB Bank Limited to proceed with the merger of AHI with MCB Asset Management Company Limited, subject to all regulatory approvals and compliances. The Board of Directors of AHI has also approved the merger subject to relevant approvals and signing of shareholders' agreement. Subsequent to the balance sheet date the shareholders' agreement has been signed for the merger of AHI with MCB Asset Management Company Limited. The formalities for completion of the merger are in progress.

	Note	Net asset value as at	
		December 31, 2010	June 30, 2010
		----- (Rupees in million) -----	
		(Un-audited)	(Audited)
Open-end mutual funds			
Pakistan Income Fund		1,937	2,101
Pakistan Stock Market Fund		1,637	1,841
MetroBank-Pakistan Sovereign Fund		1,756	1,507
Pakistan International Element Islamic Fund		431	410
Pakistan Capital Market Fund		447	445
Pakistan Cash Management Fund		2,225	2,061
Pakistan Income Enhancement Fund		1,688	2,224
Pakistan Capital Protected Fund - Fixed Income Securities		254	245
AH Dow Jones SAFE Pakistan Titans 15 Index Fund	1.1	124	-
Pakistan Premier Fund Limited	1.2	875	1,750
Pakistan Strategic Allocation Fund	1.3	1,135	2,531
Close-end mutual funds			
Pakistan Capital Protected Fund-I	1.4	-	617
Pension Funds			
Pakistan Pension Fund		198	176
Pakistan Islamic Pension Fund		120	110
Discretionary Portfolio		357	322

- 1.1** AH Dow Jones SAFE Pakistan Titans 15 Index Fund (AHDJPF) was launched during the current period. 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.
- 1.2** 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.
- 1.3** 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.
- 1.4** 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.

2. STATEMENT OF COMPLIANCE

These condensed interim financial statements of the Company for the six months period ended December 31, 2010 have been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non Banking Finance Companies and Notified Entities Regulations, 2008, and directives issued by the Securities and Exchange Commission of Pakistan (SECP). In case where requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non Banking Finance Companies and Notified Entities Regulations, 2008 have been followed.

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2010.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation followed for the preparation of these condensed interim financial statements are same as those applied in preparing the financial statements for the year ended June 30, 2010.

During the period, following amendment, interpretation and improvements to the accounting standards became effective:

Amendments / interpretations issued by International Accounting Standards Board (IASB)

- IAS 32 - Financial Instruments: Presentation - Classification of Rights Issues (Amendment)
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

Improvements to various standards issued by International Accounting Standards Board (IASB)

Issued in May 2008

IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations

Issued in April 2009

IFRS 2 – Share-based Payments

IAS 1 – Presentation of Financial Statements

IAS 17 – Leases

IAS 38 – Intangible Assets

IAS 39 Financial Instruments: Recognition and Measurement

IFRIC 9 – Reassessment of Embedded Derivatives

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

4. TAXATION

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 (one-half percent for the tax year 2010) of turnover under section 113 of the Income Tax Ordinance, 2001 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.

5. FINANCIAL RISK MANAGEMENT

The Financial risk management objectives and policies adopted by the Company are consistent with those as disclosed in the financial statements of the Company for the year ended June 30, 2010.

	Note	(Un-audited) December 31, 2010 ----- (Rupees) -----	(Audited) June 30, 2010
6. PROPERTY AND EQUIPMENT			
Operating fixed assets	6.1	122,338,880	122,266,906
Capital work-in-progress		270,920	270,920
		<u>122,609,800</u>	<u>122,537,826</u>

6.1 Following additions and disposals in operating fixed assets were made during the period.

	(Un-audited) ----- Six months ended			
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
	----- Cost of additions -----		----- Cost of disposals -----	
	(Rupees) -----			
Operating fixed assets				
Generator	-	-	-	495,000
Office equipment	7,500	48,070	-	-
Telecommunication	138,000	208,800	30,000	93,480
Computer equipment	79,975	1,431,596	-	928,196
Furniture and fixtures	55,670	551,476	-	-
Vehicles	10,145,600	-	2,557,500	-
	<u>10,426,745</u>	<u>2,239,942</u>	<u>2,587,500</u>	<u>1,516,676</u>

6.2 During the period, the Company has purchased two vehicles amounting to Rs.2,113,200 from its executives.

6.3 During the period, a vehicle has been sold to Chief Executive Officer at the written down value of Rs.816,217 in accordance with the Company policy.

7. INTANGIBLE ASSETS

Following additions to and disposals in intangible assets were made during the period.

	(Un-audited) ----- Six months ended			
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
	----- Cost of additions -----		----- Cost of disposals -----	
	(Rupees) -----			
Software	<u>625,000</u>	<u>610,000</u>	<u>-</u>	<u>-</u>

	Note	(Un-audited) December 31, 2010 ----- (Rupees) -----	(Audited) June 30, 2010
8. AVAILABLE-FOR-SALE INVESTMENTS			
In Collective Investment Schemes - related parties	8.1	251,674,332	200,232,141

**SELECTED EXPLANATORY NOTES TO THE CONDENSED
INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**

FOR THE HALF YEAR ENDED DECEMBER 31, 2010

8.1 In collective investment schemes - related parties									
As at December 31, 2010					As at June 30, 2010				
Name of the investee company / fund	As at the beginning of the period	Purchase / (transfer) * / (sale) / bonus units net	As at December 31, 2010	Impairment for the six months ended upto June 30, 2010	Cost	Impairment upto June 30, 2010	Cost less impairment	Market value	Unrealised gain / (loss) on revaluation of investments
Pakistan Pension Fund	900,000	-	900,000	(11,088,000)	90,000,000	(11,088,000)	78,912,000	99,441,000	20,529,000
Pakistan Islamic Pension Fund	900,000	-	900,000	(8,097,000)	90,000,000	(8,097,000)	81,903,000	99,516,000	17,613,000
Pakistan Capital Protected Fund - Fixed Income Securities (FIS)	122,257	42.45	124,502	-	1,222,570	-	1,222,570	1,275,141	52,571
AH Dow Jones SAFE Pakistan	-	600,000	600,000	-	30,000,000	-	30,000,000	-	-
Titanis 15 Index Fund (AHDPIF)	-	-	-	-	211,222,570	(19,185,000)	192,037,570	200,232,141	38,194,571
					211,222,570	(19,185,000)	192,037,570	200,232,141	38,194,571
8.2 The above includes investments valuing Rs.Ntl (June 30, 2010: Rs.1,98,957 million) pledged against financing from a commercial bank.									
9. RECEIVABLE FROM RELATED PARTIES									
Management for receivable from Pakistan Capital Protected Fund-I amounted to Rs.Ntl (June 30, 2010: Rs.36,038 million). During the current period, an amount of Rs.43,789 million has been received from the Fund against outstanding management fee / formation cost on completion of term of the Fund. See note 1.4.									
10. AVAILABLE-FOR-SALE INVESTMENTS									
In Collective Investment Schemes - related parties									
In unquoted equity instrument									
As at December 31, 2010					As at June 30, 2010				
(Un-audited) December 31, 2010	(Un-audited) June 30, 2010	(Un-audited) December 31, 2010	(Un-audited) June 30, 2010	(Audited) June 30, 2010	(Un-audited) December 31, 2010	(Un-audited) June 30, 2010	(Un-audited) December 31, 2010	(Un-audited) June 30, 2010	(Audited) June 30, 2010
(Rupees)					(Rupees)				
10.1	10.1	14,102,734	276,823,672	276,823,672	10.1	14,102,734	276,823,672	276,823,672	276,823,672
10.2	10.2	2,075,000	4,648,000	4,648,000	10.2	2,075,000	4,648,000	4,648,000	4,648,000
		16,177,734	281,471,672	281,471,672		16,177,734	281,471,672	281,471,672	281,471,672
10.1 In collective investment schemes - related parties									
Name of the investee company / fund	As at the beginning of the period	Purchase / (transfer) * / (sale) / bonus units net	As at December 31, 2010	Impairment for the six months ended upto June 30, 2010	Cost	Impairment upto June 30, 2010	Cost less impairment	Market value / fair value	Unrealised gain / (loss) in value of investments - available-for-sale
Pakistan Premier Fund Limited	16,975,034	(16,900,000)	75,034	-	505,755	-	505,755	691,813	186,058
Pakistan Strategic Allocation Fund	15,629,000	(14,127,000)	1,502,000	-	7,630,586	-	7,630,586	12,616,800	4,986,214
Metrobank-Pakistan Sovereign Fund	12,738	3,762	16,500	-	620,800	-	620,800	794,121	173,321
Pakistan Capital Protected Fund-I	3,329,803	0,329,803	-	-	-	-	-	-	-
					8,757,141	-	8,757,141	14,102,734	5,345,593
					8,757,141	-	8,757,141	14,102,734	5,345,593
10.2 In unquoted equity instrument									
Cineplex Limited	830,000	-	830,000	(5,295,400)	9,777,400	(2,407,000)	2,075,000	2,075,000	-
					9,777,400	(5,295,400)	2,075,000	2,075,000	-
10.3 The above includes investment valuing Rs.Ntl (June 30, 2010: Rs.224.9 million) pledged against financing from a commercial bank.									

11. CASH AND BANK BALANCES

This includes cash at bank in deposit accounts with Summit Bank Limited (formerly: Arif Habib Bank Limited), a related party, amounting to Rs.84,648 (June 30, 2010: Rs.24,839) million carrying mark-up at the rate of 11% (June 30, 2010: 11.5%) per annum.

12. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

(Un-audited) December 31, 2010	(Audited) June 30, 2010		(Un-audited) December 31, 2010	(Audited) June 30, 2010
----- (Number of shares) -----			----- (Rupees) -----	
5,000,000	5,000,000	Ordinary shares of Rs.10 each	50,000,000	50,000,000
31,000,000	25,000,000	- Fully paid in cash	310,000,000	250,000,000
36,000,000	30,000,000	- Issued as bonus shares	360,000,000	300,000,000

12.1 As at December 31, 2010, AHCL, the Holding Company, held 21,664,167 (June 30, 2010: 18,053,473) Ordinary shares of Rs.10 each.

13. LONG TERM FINANCING

	Note		
From Bank - Secured			
Allied Bank Limited - DF I		-	49,000,000
Allied Bank Limited - DF II		-	86,250,000
Summit Bank Limited		-	100,000,000
(Formerly: Arif Habib Bank Limited) - a related party		-	235,250,000
	13.1	-	(153,250,000)
Less: Current portion		-	82,000,000

13.1 During the current period, the Company has exercised the early repayment option and repaid the entire amount of financing.

14. CONTINGENCIES

14.1 Bank guarantees

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 SBL, a related party, in favour of third party.

14.2 Tax demand

During the current period, the tax department has amended the assessment order for the tax year 2008 and has raised income tax demand for Rs.49.33 million primarily based on proration of expenses against income covered under Normal Tax Regime and Final Tax Regime relating to exempt capital gain and dividend income. Consequently, the tax refund claimed by the Company for the relevant tax year amounting to Rs.29.39 million turned into tax liability of Rs.19.94 million. On the request of rectification of order by the Company, the demand was reduced by the tax department to Rs.40.12 million making the tax liability Rs.10.73 million. The Company has also requested for rectification of Rs.0.72 million against which tax had already been paid.

The Company has filed an appeal before the Commissioner Inland Revenue (CIR) against the amended assessment order, which was pending for hearing as on the balance sheet date. The Company has also filed appeal for the stay of demand with the CIR, which has been granted.

The management maintains that management fee / investment advisory fee is the core business income of the Company and, hence, no specific expenses were incurred for earning the capital gain and dividend income. Based on the merits of the above case, the Company's management, based on the opinion of tax advisor, believes that the ultimate decision will be in its favour and therefore, no provision has been made for the liability in these condensed interim financial statements.

15. MANAGEMENT FEE / INVESTMENT ADVISORY FEE

(Un-audited)				
Note	Six months ended		Three months ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
(Rupees)				
From collective investment				
Schemes - related parties	127,090,282	129,020,471	61,299,753	66,479,838
From discretionary portfolio	341,158	396,243	176,315	203,612
	127,431,440	129,416,714	61,476,068	66,683,450

15.1 In collective investment schemes - related parties

Pakistan Income Fund	15,674,126	18,311,737	7,738,675	10,074,376
Pakistan Stock Market Fund	17,481,712	21,877,297	8,309,334	11,299,945
MetroBank-Pakistan Sovereign Fund	9,822,997	4,141,504	5,553,414	2,140,737
Pakistan Premier Fund Limited	15,946,157	17,101,944	7,439,854	8,869,852
Pakistan Capital Market Fund	4,457,751	5,721,059	2,220,647	2,710,361
Pakistan Strategic Allocation Fund	22,031,593	28,737,383	9,558,531	13,147,113
Pakistan International Element Islamic Fund	5,184,462	7,594,864	2,601,304	3,627,911
Pakistan Capital Protected Fund - I	710,292	8,882,828	-	4,477,405
Pakistan Pension Fund	1,393,271	1,059,197	715,955	549,206
Pakistan Islamic Pension Fund	856,758	744,123	436,418	381,020
Pakistan Cash Management Fund	16,019,951	5,058,255	8,535,171	3,202,261
Pakistan Income Enhancement Fund	15,386,901	9,790,280	7,000,728	5,999,651
Pakistan Capital Protected Fund (Fixed Income Securities)	1,887,705	-	953,116	-
AH Dow Jones SAFE Pakistan Titans 15 Index Fund	236,606	-	236,606	-
	127,090,282	129,020,471	61,299,753	66,479,838

16. DIVIDEND INCOME

This include dividend amounting to Rs.36.66 million (December 31, 2009: Rs.Nil) received during the period from Pakistan Premier Fund and Rs.18.03 million (December 31, 2009: Rs.Nil) from Pakistan Strategic Allocation Fund.

17. ADMINISTRATIVE AND OPERATING EXPENSES

Note	(Un-audited)			
	Six months ended		Three months ended	
	December 31,	December 31,	December 31,	December 31,
	2010	2009	2010	2009
	(Rupees)			
Salaries and benefits	73,445,306	54,696,945	37,977,177	27,508,624
Marketing and advertising	10,981,705	13,579,282	5,578,955	10,190,058
Training and development	1,072,244	369,634	596,371	167,774
Rent, rates and taxes	8,449,677	6,908,105	4,236,449	3,600,675
Electricity	1,197,238	2,239,454	523,681	802,447
Communication	2,296,604	2,330,552	962,948	1,094,416
Printing, stationery and other supplies	1,191,564	1,420,147	521,998	594,915
Staff welfare	635,868	859,708	306,180	547,717
Insurance	308,308	79,050	174,139	39,492
Repairs and maintenance	2,521,964	784,274	2,160,285	446,368
IT related maintenance	2,068,126	1,257,251	1,153,760	803,763
Fees and subscriptions	1,862,524	1,672,072	1,136,978	707,159
Legal and professional fee	4,570,810	2,564,239	2,083,953	1,510,833
SECP fee	1,456,255	852,534	677,513	586,783
Technical fee	968,897	900,000	444,093	450,000
Auditors' remuneration	340,036	284,537	143,751	134,499
Travelling and conveyance	1,350,762	1,450,867	557,742	1,130,044
Registrar fee	2,025,206	1,763,467	1,051,673	820,092
Depreciation	8,333,961	4,640,929	4,626,118	2,855,045
Amortisation	647,763	686,859	334,298	350,180
Donation	803,847	158,630	221,170	83,120
Loss on sale of property and equipment	9,684	267,776	9,684	29,812
Brokerage expenses	-	1,650,019	-	12,750
Provision for bad debt	-	448,070	-	448,070
Directors' meeting fee	1,075,000	800,000	700,000	240,000
Others	118,574	130,684	30,091	98,639
	127,731,923	102,795,085	66,209,007	55,253,275

17.1 This amount includes contribution to pension fund amounting to Rs.3.694 (December 31, 2009: Rs.3.498) million and allocation to Profitability bonus amounting to Rs.16.440 (December 31, 2009: Rs.1.659) million.

18. FINANCE COST

	(Un-audited)			
	Six months ended		Three months ended	
	December 31,	December 31,	December 31,	December 31,
	2010	2009	2010	2009
	(Rupees)			
Mark-up on				
Long-term financing from bank	14,150,168	19,878,436	6,148,438	12,757,196
Short-term financing from bank	1,063,709	6,605,668	179,957	-
Bank and other financial charges	242,206	74,468	235,920	60,243
	15,456,083	26,558,572	6,564,315	12,817,439

19. DISCRETIONARY PORTFOLIO

	(Un-audited)		(Audited)	
	December 31, 2010		June 30, 2010	
	Cost	Market value	Cost	Market value
	(Rupees)			
Clients	3		2	
- Equity portfolio	48,342,726	58,346,024	48,669,238	49,463,724
Clients	1		2	
- Debt portfolio	273,601,309	267,894,488	251,398,131	245,707,323

20. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are carried out by the Company on agreed terms. The related parties comprise of AHCL (the Holding Company), associates, directors of the Company, key management personnel, post employment benefit plans and other related parties. Other related parties include the Collective Investment Schemes managed by the Company. Transactions / Balances with / investments in related parties, other than those as disclosed in Notes 6.2, 6.3, 8.1, 9, 10.1, 11, 12.1, 14.1, 15.1, 16 and 17.1, are disclosed as follows:

	(Un-audited) Six months ended	
	December 31, 2010	December 31, 2009
	(Rupees)	
Transactions with related parties during the period		
i) Associates		
Legal advisor fee paid to director of CIS under management (Pakistan Premier Fund Ltd.)	95,784	96,275
Director's meeting fee / travelling expenses	1,242,746	948,655
ii) Other related parties		
Management fee / investment advisory fee	127,090,282	129,020,471
Processing and other related income	2,824,152	7,626,910
Investment / conversion in Funds at cost	30,012,280	483,374,564
Sale proceeds against redemption from Funds	299,351,249	328,376,897
Return on bank deposit - SBL	2,113,861	359,025
Mark-up on balances with CIS under management	-	1,805,441
IPO profit on core investment	474,805	1,153,604
Mark-up accrued on employees loan	159,404	299,872
Reimbursement to CIS / Pension funds against expenses / issuance of units to investors	102,500	439,200
SBL - accrual against facilitation / distribution / bank charges / mark-up expenses	5,096,760	12,597,181
Expenses sharing with Arif Habib Limited (AHL); Arif Habib Corporation Limited (AHCL); Arif Habib REIT Management Limited (AHRML); and Pakistan Private Equity Management	-	365,646
Brokerage expenses	-	1,650,019
Mark-up accrued on loan from AHCL	1,063,709	-
Arif Habib Centre rent and other expense sharing with Rotocast Engineering Company (Private) Limited	10,506,292	1,092,239
	(Un-audited) December 31, 2010	(Audited) June 30, 2010
	(Rupees)	
Amounts outstanding as at period / year end		
Long-term receivables		
From funds	800,000	6,708,351
From employees	14,439,037	17,518,043
Receivable from related parties against management fee, mark-up income, processing income and others		
From CIS and Pension Funds	38,067,294	74,652,957
From AHL, AHRML and Employees' Trust	1,577,664	355,012
Loans and advances	4,282,020	5,784,196
Deposits with Summit Bank Limited (formerly: Arif Habib Bank Limited)	84,649,000	24,839,933
Trade and other payables		
To CEO / employees (against profit participation)	9,377,149	8,617,435
To Mr. Arif Habib against mark-up on loan	1,457,312	1,457,312
To AHCL against mark-up on loan	-	581,523
To SBL against mark-up on loan	-	3,866,521
To Rotocast Engineering Co. (Pvt.) Ltd. against allocation of assets at Arif Habib Centre	388,140	1,372,180
To offerors against payments for listing expenses	4,102,022	4,102,022

21. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions for the purposes of comparison.

Significant reclassifications made in profit and loss account are as follows:

From	To	Nature	Six months ended December 31, 2009 ----- (Rupees) -----	Three months ended December 31, 2009 -----
Finance cost				
Interest income on financial assets	Other income	Un-winding of discount	6,332,242	2,192,797
Administrative expenses				
Fees and subscriptions	SECP fee	Renewal of license and annual fees paid to SECP	392,202	243,301
Legal and professional fee	SECP fee	Annual fees paid to SECP for PCMF and PPF	460,332	343,482
Repairs and maintenance	IT related maintenance	IT hardware and software maintenance expenses	1,257,251	803,763
Entertainment	Staff welfare	Cost incurred on staff welfare	859,708	547,717

22. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial informations were authorised for issue on **February 19, 2011** by the Board of Directors of the Company.

23. GENERAL

23.1 Figures for the quarter ended December 31, 2010 and the corresponding figures for the quarter ended December 31, 2009 as reported in these condensed interim financial statements have not been subject to limited scope review by the external auditors.

23.2 Figures have been rounded off to the nearest Rupee.

Chief Executive

Director



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