



Bachat ka Dusra Naam

**Annual Report
2012**



 **PAKISTAN**
CAPITAL
MARKET FUND

Aik Teer Say Dou Shikar

Arif Habib Investments Limited (A subsidiary of MCB Bank Limited)

PAKISTAN CAPITAL MARKET FUND

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Vision

To become synonymous with Savings

Mission

To become a preferred Savings and Investment Manager in the domestic and regional markets, while maximizing stakeholder's value.

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.

PAKISTAN CAPITAL MARKET FUND

FUND'S INFORMATION

| | | |
|--|--|---|
| Management Company | Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi | |
| Board of Directors of the Management Company | Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad | Chairman(subject to the approval of SECP) Executive Vice Chairman Chief Executive (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director Director (subject to the approval of SECP) |
| Audit Committee | Mr. Haroun Rashid Mr. Nasim Beg Mr. Samad A. Habib Mr. Ali Munir | Chairman Member Member Member |
| Human Resource Committee | Dr. Salman Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Yasir Qadri | Chairman Member Member Member Member |
| Company Secretary & CFO of the Management Company | Mr. Muhammad Saqib Saleem | |
| Trustee | Central Depository Company of Pakistan Limited CDC House, 990B, Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400 | |
| Bankers | Bank AL Habib Limited Summit Bank Limited MCB Bank Limited Standard Chatered Bank Limited Habib Bank Limited Bank Al-Falah Limited Bank of Punjab Limited Habib Metro Bank Limited Deutsche Bank Limited | |
| Auditors | A.F. Ferguson & Co.-Chartered Accountants State Life Building No. 1-C, I.I. Chundrigar Road, Karachi-74000 | |
| Legal Advisor | Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530 | |
| Registrar | JWAFFS Registrar Services (Private) Limited Kashif Centre, Room No. 505, 5th Floor, Near Hotel Mehran, Main Shahrah-e-Faisal, Karachi. | |
| Rating | AM2 - Management Quality Rating assigned by PACRA | |

PAKISTAN CAPITAL MARKET FUND REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2012

The board of Directors of Arif Habib Investment Limited, the Management Company of Pakistan Capital Market Fund (PCMF), is pleased to present the Annual Report on the affairs of PCMF for the year ending June 30, 2012.

Economy & Money Market Overview and Outlook

Despite continued macro-economic challenges throughout the period, the year under review (July '11-June '12) could be classified as a mixed bag for the economy and capital markets as some of the key macroeconomic indicators have depicted positive trend during the period under review despite having burgeoning fiscal challenges.

The external account, which was the top performing sector during the previous year, couldn't maintain its positive trend during FY12 owing to widening trade deficit on the back of lower cotton and higher oil prices despite having record-high workers' remittances. During the year, export dipped by 3% while imports grew by 12% causing the overall trade deficit to widen to around US\$ 15.4 billion, 46% higher YoY. Despite record-high level of workers' remittances flow of US\$ 13.2 billion, higher trade and income deficit caused the current account balance to post a deficit of US\$ 4.5 billion as against a surplus of US\$ 214 million last year. Given higher current account deficit coupled with meager financial account flows, country's balance of payment position declined significantly during the year by around US\$ 3.3 billion - taking the FX reserves down to a level of US\$ 15.3 billion, while also causing sizeable depreciation of 10% in the PKR-USD exchange rate during the year.

Inflationary pressures, on the other hand, have remained largely on the lower side during the period with YoY CPI Inflation averaging 11.0% amid change in CPI methodology as well as high base-effect of last year. Moreover, real economy has shown a relatively improved picture during the year with FY12 real GDP growth stood at 3.7%, slightly higher than the revised GDP growth of 3.0% during the last year.

Fiscal indiscipline continued to remain a cause of concern for the economic managers as the country is expected to witness a higher deficit of over 8% of the GDP during FY12 (including one-off circular debt adjustments). Even during the first 9M of the fiscal year, the country witnessed a fiscal deficit of Rs. 895 billion, 4.3% of the GDP. Although growth in tax revenue collection has been strong, lower non-tax revenue on the back of non-realization of CSF proceeds 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. Government borrowing from Central Bank has gone up by Rs. 508 billion during FY12, which is staggering 44% of total outstanding stock.

Considering the volatility in the macroeconomic variables, the State Bank of Pakistan has also altered its monetary stance at least twice during the year. Given benign YoY CPI Inflation coupled with lower GoP borrowing from SBP as well as contained external current account deficit during the earlier part of the year, the SBP cut its policy discount rate cumulatively by 200 bps to 12.0%. However, gradual deterioration in the macro-economic environment lately has compelled the central bank to keep its policy DR unchanged for the next 4 policies during the latter part of the year. Due to an overall relatively lower interest rate environment, 1 year PKRV averaged at around 12.4% during FY12, much lower than the average 13.4% a year ago.

During FY12, key monetary indicators have shown reasonable improvement with money supply (M2) posting a strong growth of 14.4%. Although Net Domestic Asset (NDA) growth has been a key contributor behind M2 growth during this year as well, sizeable YoY decline of 32% in Net Foreign Assets (NFA) has been very alarming - also reflecting weak BOP position.

Significant credit demand by the government coupled with an attractive risk-return profile has kept government papers a very attractive investment vehicle for the investors during this year also. However, in absence of new credit creation, existing Term Finance Certificates (TFC) market became liquid and bank issued TFCs continued to command improvement in prices during the period under review. Moreover, GoP Ijarah Sukuk (GIS), like previous year, has remained 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 this year also in both primary as well as secondary markets.

Although medium term macroeconomic picture remains gloomy, benign CPI inflation trend coupled with the release of US\$ 1.18 billion under Coalition Support Fund by the US does provide a short term breather thereby creates a potential room for monetary easing by the State Bank of Pakistan in the upcoming monetary policy announcement. We continue to emphasize that the realization of sizeable foreign inflows holds the key in rejuvenating economic engine, while a potential return to IMF program in the next 6-8 months would adversely affect the liquidity and interest rate scenario.

In this fast changing interest rates scenario, the fund will remain committed towards superior quality assets while continue to exploit attractive opportunities in the market.

Equities Market Overview and Outlook

The local bourses gave an average performance with the KSE-100 index rising by about 10% in FY12 as against 29% return posted in FY11. Pakistan equity market, however, remained the 3rd best performing market in the region this year as well after Philippines and Thailand.

KSE-100 Index made a depressing start with market shedding 13% during the first couple of months and made the yearly bottom at around 10,800 levels. Alongside negative returns, the market continued to remain dull with consistently low turnover throughout the period remained indicative of investor's shyness towards equity asset class. Even a cumulative cut of 200 bps in DR by the SBP during the first half failed to generate strong momentum among equity investors due to fear of aggressive sell off by foreign investors. Global equities market went down significantly during the quarter, which also had an adverse impact on emerging and frontier markets including Pakistan. Other resistive forces that played a dampening role for the market were political unrest, worsened law and order situation, strained Pak-US relations, floods in Sindh and energy crisis. Foreigners were net seller during the first half with an outflow of US\$ 151 million.

PAKISTAN CAPITAL MARKET FUND REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2012

After a depressing first half, the Capital Gains Tax amnesty came as a piece of fortune to the investors at the local equities market and the KSE-100 index surged by 22% during the latter half of the year under review. The expectation of reprieving CGT also waved a magic wand on the volumes too where 2HFY12 saw buoyant volumes while marking a 33-month high at 577mn shares traded in a day. Participation from retail investors also returned to the market during the latter part of this year where mid and small-cap stocks remained the highlights of market activities lately. After a significant sell-off during the first half, foreigners' also jumped on to the bandwagon during the latter half with a net inflow of US\$ 62 million.

Macro economic factors remained challenging the KSE performance included sustained high oil and declining cotton prices resulting in higher trade deficit, lack of foreign flows as well IMF repayments depleted FX reserves and caused PKR to depreciate against the US\$ by around 10%. On the positive front, the SBP remained in a monetary easing cycle with a cumulative reduction of 200 bps in the policy discount rate during the year- improving the fundamentals of debt-laden companies.

Sector wise, Cements, Power and Autos outperformed the KSE-100 index while sectors like Chemicals, Textiles and Refineries remained among the underperformers. Best performing stocks included EFOODS, MEBL, BAFL, and DGKC.

We believe that the political arena would turn noisy on the back of election year ahead as well as continued confrontation between government and judiciary. Global economic environment would remain jittery in the near term, which could provide further hiccups to the international as well as local equity markets. However, expectation of monetary easing by the SBP in the upcoming monetary policy on the back of benign inflation as well as release of CSF payment should support the bull-run in the market in the near term while any major deterioration in key macro-indicators going forward could have a toll on the market performance. Strong earnings growth, sizeable discount to regional markets, high dividend yield and relatively cheaper PE valuations warrant decent returns for long term investors in our view.

Fund's Performance

The investment objective of the fund is to maximize returns available from Pakistan's capital market by investing the fund in equity as well as debt instruments while diversifying the risk within the market. The fund is benchmarked against a composite based on 50% KSE-100 Index and 50% 1 year T-Bills.

Period under review is marked with numerous major events on international, political and macroeconomic fronts that not only affected market movements but also kept changing fundamentals of many sectors and companies. Fund kept a vigilant eye on such developments and kept adjusting sector, company and overall equity exposure of the fund accordingly. During the year fund not only kept strong positions in defensive sectors like Oil & Gas and Electricity but also took aggressive positions in Banks and Construction & Materials remained highest earning growth sectors of the year while fund took a cautious stance towards fertilizer companies because of high degree of earnings uncertainty. The fund remained committed towards its philosophy of top-down investment approach, where macroeconomic factors play a critical role in setting the overall strategy of the fund.

On the fixed income side, the fund continued managing its Treasury Bills exposure according to market conditions and interest rate outlook. The fund increased exposure towards TFCs while reducing its exposure in preference shares and T-Bills during the year. The fund generated a return of 9.4% during the year as against its benchmark return of 11.6%, while since inception return of the fund stands at 173.1% as against its benchmark return of 163.8%.

The Fund yields for the period under review remained as follows:

| Performance Information (%) | PCMF | Benchmark |
|-----------------------------|--------|-----------|
| Last twelve Months Return | 9.4% | 11.6% |
| Since Inception | 173.1% | 163.8% |

During the year your fund earned net income of Rs 32.314 million. The Board in the meeting held on June 25, 2012 has declared final distribution amounting to Rs. 26.570 million (i.e. Rs. 0.6078 per unit).

During the period, units worth Rs. 56.117 million were issued including bonus units worth Rs. 55.463 million and units with a value of Rs. 68.462 million were redeemed. As on 30 June 2012 the NAV of the Fund was Rs. 7.55 per unit.

Update on Workers' Welfare Fund

Through the Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment it appears that WWF Ordinance has become applicable to all Collective Investment Schemes (CISs) whose income exceeds Rs. 0.5 million in a tax year. In light of this, the Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honorable Sindh High Court challenging the applicability of WWF on CISs which was dismissed mainly on the ground that MUFAP is not an aggrieved party.

Subsequently, clarifications were issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. These clarifications were forwarded by the Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on these clarifications, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Other mutual funds to whom notices were issued by the FBR also took up the matter with FBR for their withdrawal.

**PAKISTAN CAPITAL MARKET FUND
REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY
FOR THE YEAR ENDED JUNE 30, 2012**

Further, a fresh Constitutional Petition filed with the Honorable High Court of Sindh by a CIS / mutual fund and a pension fund through their trustee and an asset management company inter alia praying to declare that mutual funds / voluntary pension funds being pass through vehicles / entities are not industrial establishments and hence, are not liable to contribute to the WWF under the WWF Ordinance. The proceedings of the Honorable Court in this matter have concluded and the Honorable Court has reserved its decision.

Subsequent to the year ended June 30, 2011, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC.

In view of the afore mentioned developments, the Management Company firmly believes that there is no compelling reason to make provision on account of WWF contribution in the financial statements. Further, the Management Company also expects that the constitutional petition pending in the Honourable High Court of Sindh on the subject as referred above will be decided in favour of the Mutual Funds. However the auditor of the Fund because of pending adjudication of the Constitutional petition in Honourable Sindh High Court and included an emphasis of matter paragraph in auditor's report highlighting the said issue.

The aggregate unrecognised amount of WWF as at June 30, 2012 amounted to Rs. 4.317 million.

Corporate Governance

The Fund is committed to high standards of corporate governance and the Board of Directors of the Management Company is accountable to the unit holders 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 Fund remains committed to conduct business in line with listing regulations of Karachi, Lahore and Islamabad Stock Exchanges.

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

- a. Financial statements present fairly the statement of affairs, the results of operations, cash flows and Change in unit holders' fund.
- b. Proper books of accounts of the Fund have been maintained during the year.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable prudent judgment.
- d. Relevant International Accounting Standards, as applicable in Pakistan, provisions of the Non Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- h. Key financial data as required by the Code of Corporate Governance has been summarized in the financial statements.
- i. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- j. The statement as to the value of investments of provident fund is not applicable on the Fund but applies to the Management Company, hence no disclosure has been made in the Directors' Report of the Management Company.
- k. The detailed pattern of unit holding, as required by NBFC Regulations and the Code of Corporate Governance are enclosed.
- l. The details of attendance of Board of Directors meeting is disclosed in note 20 to the attached financial statements. During the year four meetings of Audit Committee were held on 19th September 2011, 26th October 2012, 26 January 2012 and 24th April 2012, the details of attendance is as follows:

| S. No. | Name | Designation | Attendance required | Attended | Leave granted |
|--------|--------------------|----------------------------------|---------------------|----------|---------------|
| 1. | Mr. Haroun Rashid | Chairman | 4 | 3 | 1 |
| 2. | Mr. Nasim Beg | Member - Executive Vice Chairman | 4 | 4 | - |
| 3. | Mr. Samad A. Habib | Member | 4 | 2 | 2 |
| 4. | Mr. Ali Munir | Member | 4 | 2 | 2 |

**PAKISTAN CAPITAL MARKET FUND
REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY
FOR THE YEAR ENDED JUNE 30, 2012**

- m. As required by the Code, all the directors of the Management Company will attend the training Program for directors by the year 2016. Currently, two of the directors are exempt from obtaining mandatory training having the requisite qualification and experience. Further Directors' have also being briefed about the recent changes made in laws and regulations to enable them to effectively manage the affairs of the management company.
- n. No trades in the Units of the Fund were carried out during the year by Directors, CE, CFO/Company Secretary of the Management Company and their spouses and minor children.

External Auditors

The fund's external auditors, A.F. Ferguson & Co., Chartered Accountants, have retired after the conclusion of audit for current year. Since AFF have consented to act as the External Auditors of the Management Company, they are not eligible for reappointment as statutory auditors of the Fund. The audit committee of the Board has recommended appointment of KPMG Taseer Hadi Khalid & Co., Chartered Accountants, (who have given consent to such appointment) as auditors for the year ending June 30, 2012.

Acknowledgement

The Board of Directors of the Management Company is thankful to the valued investors of the Fund for their reliance and trust in Arif Habib Investments Limited. The Board also likes to thank the Securities and Exchange Commission of Pakistan, State Bank of Pakistan, Central Depository Company of Pakistan Limited (the Trustee of the Fund) and the management of the Karachi Stock Exchange, Islamabad Stock Exchange and Lahore Stock Exchange for their continued cooperation, guidance, substantiation and support. The Board also acknowledges the efforts put in by the team of the Management Company for the growth and meticulous management of the Fund.

For and on behalf of the board

Yasir Qadri
Chief Executive Officer

Karachi: August 15, 2012

PAKISTAN CAPITAL MARKET FUND REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2012

Fund Type and Category

Pakistan Capital Market Fund (PCMF) is an Open-End Balanced Scheme

Fund Benchmark

The benchmark for Pakistan Capital Market Fund is 50% KSE 100 Index + 50% 1 Year T-Bill

Investment Objective

The objective of the Fund is to maximize returns available from Pakistan's capital market by investing the Fund Property in equity as well as debt instruments while diversifying the risk within the market.

Investment Strategy

Pakistan Capital Market Fund (PCM) is an open-end balanced fund that invests in a range of asset classes such as equity and debt in Pakistani market. The asset allocation to equities and debt is made on the basis of relative attractiveness of each asset class. The investment process is driven by fundamental research. For equities investment, fundamental outlook of sectors/companies and DCF (Discounted Cash Flow) valuations are the primary factors in sectors' allocation and stock selection. For debt investment, interest rate outlook is the key determining factor and allocation to this segment is increased when the yields are comparatively higher compared to the total returns on equities. Investment is made in corporate bonds (investment grade) and government bonds. Cash is kept in deposits with highly rated banks. PCM is a long only Fund and cannot undertake leveraged investments. Under the NBFC Rules, it is only allowed to borrow up to 15% of net assets for up to 90 days to meet redemption needs.

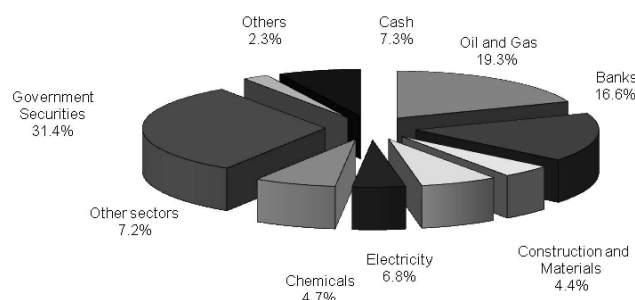
Manager's Review

PCM delivered a return of 9.4% vis-à-vis benchmark (50% KSE100+50% 1 Yr T-Bill) return of 11.6% in FY12. Net assets of the fund which were Rs 0.39bn at the beginning of the period were reduced by around 9% to Rs 0.35bn. Average equity allocation of the fund comes out to be around 54% for the year.

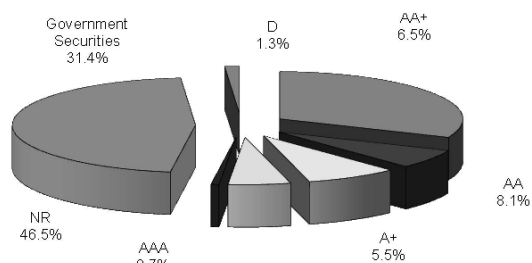
The fund changed overall equity allocation several times during the year in sync with various developing market scenarios. Market largely remained depressed during the first half of the year which was followed by a mostly unidirectional bullish trend during second half of the year. Capital gains tax amnesty scheme was the hallmark for strong stock market performance during the latter half, while better than expected financial performance of many key sectors and companies coupled with declining interest rate outlook also supported the momentum. Equity allocation was brought down from June 2011 of 55.6% to 41.9% in June 2012. Substantial portion of the portfolio remained concentrated in Oil & Gas, Banking and Electricity sectors during the year which performed reasonably well.

On the fixed income side, PCM reduced its preference shares holding from 4.2% to 2.3%. The fund, however, increased allocation to TFCs from 11.2% to 14.8% by year end mainly increasing exposure to TFCs of the Banking sector. Cash exposure fluctuated from 4% to 16% during the year with a year end exposure of 7.3%.

Asset Allocation as on June 30, 2012 (% of total assets)



Asset Quality as on June 30, 2012 (% of total assets)



Mr. Mohsin Pervaiz
Fund Manager

Karachi: August 15, 2012

**PAKISTAN CAPITAL MARKET FUND
TRUSTEE REPORT TO THE UNIT HOLDERS
FOR THE YEAR ENDED JUNE 30, 2012**

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shahra-e-Faisal
Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



ISO 27001 Certified

TRUSTEE REPORT TO THE UNIT HOLDERS

PAKISTAN CAPITAL MARKET FUND

**Report of the Trustee pursuant to Regulation 41(h) and clause 9 of schedule V of
the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We Central Depository Company of Pakistan Limited, being the Trustee of Pakistan Capital Market Fund (the Fund) are of the opinion that Arif Habib Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2012 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: October 17, 2012



PAKISTAN CAPITAL MARKET FUND

STATEMENT OF THE COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED JUNE 30, 2012

This statement is being presented by the Board of Directors of Arif Habib Investments Limited ("the Management Company"), the Management Company of Pakistan Capital Market Fund ("the Fund") to comply with the Code of Corporate Governance contained in Listing Regulations of Karachi Stock Exchange, Lahore Stock Exchange and Islamabad 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.

Pakistan Capital Market Fund is an open end mutual fund and is listed at Karachi Stock Exchange, Lahore Stock Exchange and Islamabad Stock Exchange. The Fund, being a unit trust scheme, does not have its own Board of Directors. The Management Company, Arif Habib Investments Limited, on behalf of the Fund, has applied the principles contained in the Code in the following manner:

1. The Management Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes

| Category | Names |
|---------------------------|--|
| Independent Directors | 1. Dr. Salman Shah 2. Mr. Haroun Rashid 3. Mr. Mirza Mehmood |
| Executive Directors | 1. Mr. Nasim Beg - Executive Vice Chairman 2. Mr. Yasir Qadri - Chief Executive Officer |
| Non - Executive Directors | 1. Mian Mohammad Mansha 2. Mr. Ahmed Jehangir 3. Mr. Samad Habib |

The independent directors meets the criteria of independence under clause i (b) of the Code.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Management Company.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the period no casual vacancy occurred on the board of the Management Company
5. The Management Company had prepared a 'Code of Conduct' and ensured that appropriate steps had been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed vision / mission statement, overall corporate strategy and significant policies of the Management 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 Officer, other executive and non-executive directors, have been taken by the Board. No new appointment of Chief Executive Officer, other executive and non-executive directors were made during the year.
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. The minutes of the meetings were appropriately recorded and circulated.
9. As required by the Code, all the directors of the Management Company will attend the training Program for directors by the year 2016. Currently, two of the directors are exempt from obtaining mandatory training having the requisite qualification and experience. Accordingly, the Management Company is compliant with this requirement for the current year. Further Directors' have also being briefed about the recent changes made in laws and regulations to enable them to effectively manage the affairs of the management company.
10. No new appointments of Chief Financial Officer and Company Secretary were made during the year. The Board has approved the remuneration and terms and conditions of employment, as determined by the Chief Executive Officer. Subsequent to the year end, the Management Company has appointed Head of Internal Audit who is also planned to be designated as the secretary to the Audit Committee in the upcoming Audit Committee meeting.
11. The Directors' Report of the fund for the year ended June 30, 2012 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by Chief Executive Officer and Chief Financial Officer of the Management Company before approval of the Board.
13. The Directors, Chief Executive Officer and executives of the Management Company do not hold any interest in the units of the Fund other than that disclosed in the pattern of unit holding.
14. The Management Company has complied with all the corporate and financial reporting requirements of the Code.

**PAKISTAN CAPITAL MARKET FUND
STATEMENT OF THE COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2012**

15. The Board has formed an Audit Committee for the Management Company. It comprises of four members, three of whom are the directors of the Management Company. Two are non-executive directors and the Chairman of the Committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of the interim and final results of the Fund 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.
17. The Board has formed an HR and Remuneration Committee. It comprises four members, of whom two are non-executive directors and the chairman of the committee is an independent director.
18. During the year, the Management Company has outsourced the internal audit function to Ernst & Young Ford Rhodes Sidat Hyder & Co. Chartered Accountants who are considered to be suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Management Company.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and units of the fund. The firm and all its partners are also in compliance with International Federation of Accountants guidelines on code of ethics as adopted by ICAP.
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 International Federation of Accountants guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities and Fund's unit, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the Code have been complied with towards which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

On behalf of the Board

Yasir Qadri
Chief Executive Officer

Karachi: August 15, 2012

**PAKISTAN CAPITAL MARKET FUND
REVIEW REPORT TO THE UNIT HOLDERS ON THE
STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES
OF THE CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2012**



A. F. FERGUSON & CO.

**REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE
WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Arif Habib Investments Limited**, the Management Company of **Pakistan Capital Market Fund**, to comply with the Listing Regulation No. 35 (Chapter XI) of the Karachi, Lahore and Islamabad Stock Exchanges where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance 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 the 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Regulation 35 (x) of the Listing Regulations requires the Management 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 the above requirements 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 prices or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance for and on behalf of the Fund, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2012.

We draw attention to paragraph 10 of the annexed statement which highlights that subsequent to the year end the Management Company has appointed the Head of Internal Audit who is also planned to be designated as the secretary to the Audit Committee in the upcoming Audit Committee meeting.

Chartered Accountants

Karachi

Dated: September 17, 2012

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**PAKISTAN CAPITAL MARKET FUND
INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS
FOR THE YEAR ENDED JUNE 30, 2012**



A. F. FERGUSON & CO.

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **Pakistan Capital Market Fund (here in after referred to as "the Fund")**, which comprise the statement of assets and liabilities as at June 30, 2012, and the related income statement, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at June 30, 2012, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Emphasis of matter paragraph

We draw attention to note 12.1 to the accompanying financial statements which refers to an uncertainty relating to the future outcome of the litigation regarding contribution to the Workers' Welfare Fund which is currently pending adjudication at the Honorable High Court of Sindh. Our opinion is not qualified in respect of this matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: September 17, 2012

Karachi

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FINANCIAL STATEMENTS

**PAKISTAN CAPITAL MARKET FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2012**

| | Note | 2012 ------(Rupees in '000)----- | 2011 |
|---|------|-------------------------------------|-------------------|
| ASSETS | | | |
| Bank balances | 4 | 26,595 | 9,272 |
| Investments | 5 | 327,659 | 377,621 |
| Dividend and profit receivable | 6 | 4,360 | 4,873 |
| Advances and deposits | 7 | 3,743 | 3,267 |
| TOTAL ASSETS | | <u>362,357</u> | <u>395,033</u> |
| LIABILITIES | | | |
| Payable to Arif Habib Investments Limited - Management Company | 8 | 673 | 652 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 9 | 58 | 65 |
| Payable to Securities and Exchange Commission of Pakistan | 10 | 305 | 366 |
| Payable on redemption of units | | 1 | - |
| Payable against investments | | 2,798 | - |
| Dividend payable | | 2,798 | 2,798 |
| Accrued expenses and other liabilities | 11 | 1,671 | 934 |
| TOTAL LIABILITIES | | <u>8,304</u> | <u>4,815</u> |
| NET ASSETS | | <u>354,053</u> | <u>390,218</u> |
| UNIT HOLDERS' FUND (as per statement attached) | | <u>354,053</u> | <u>390,218</u> |
| Contingencies and Commitments | 12 | | |
| | | (Number of Units) | |
| Number of units in issue | | <u>46,884,712</u> | <u>48,429,525</u> |
| | | (Rupees) | |
| NET ASSET VALUE PER UNIT | 3.10 | <u>7.55</u> | <u>8.06</u> |

The annexed notes 1 to 25 form an integral part of these financial statements.



Chief Executive Officer

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



Director

**PAKISTAN CAPITAL MARKET FUND
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012**

| | Note | 2012 ----- (Rupees in '000) ----- | 2011 |
|--|------|--------------------------------------|---------------|
| INCOME | | | |
| Capital gain on sale of investments - net | | 7,798 | 17,442 |
| Income from investment in government securities | | 6,616 | 15,352 |
| Income from term finance certificates | | 7,552 | 6,453 |
| Income from placements with financial institutions | | - | - |
| Income from preference shares | | 1,321 | 2,544 |
| Dividend income | | 17,205 | 13,891 |
| Profit on bank deposits | | 3,835 | 1,997 |
| Other Income | | 58 | - |
| | | <u>44,385</u> | <u>57,679</u> |
| Unrealised appreciation on re - measurement of investments classified as 'financial assets at fair value through profit or loss' | 5.7 | 2,389 | 18,833 |
| Reversal of income from non - performing term finance certificates and sukuk bonds | | - | 2,471 |
| | | <u>46,774</u> | <u>78,983</u> |
| Impairment loss on investments classified as 'available for sale' | 5.8 | - | (654) |
| Total income | | <u>46,774</u> | <u>78,329</u> |
| OPERATING EXPENSES | | | |
| Remuneration of Arif Habib Investments Limited - Management Company | 8.1 | 7,178 | 8,611 |
| Sindh Sales Tax on Management Company's remuneration | 8.2 | 1,149 | - |
| Remuneration of Central Depository Company of Pakistan Limited - Trustee | 9.1 | 720 | 861 |
| Annual fee - Securities and Exchange Commission of Pakistan | 10 | 305 | 366 |
| Securities transaction cost | | 2,596 | 909 |
| Bank charges | | 81 | 66 |
| Fees and subscription | | 190 | 258 |
| Legal and professional charges | | 83 | 62 |
| Auditors' remuneration | 13 | 555 | 481 |
| Amortisation of conversion cost | | - | 575 |
| Printing charges | | 821 | 378 |
| Total operating expenses | | <u>13,678</u> | <u>12,567</u> |
| Net income from operating activities | | <u>33,096</u> | <u>65,762</u> |
| Element of loss and capital losses included in the prices of units issued less those in units redeemed | | (782) | (23,137) |
| Net income for the year before taxation | | <u>32,314</u> | <u>42,625</u> |
| Taxation | 14 | - | - |
| Net income for the year after taxation | | <u>32,314</u> | <u>42,625</u> |
| OTHER COMPREHENSIVE INCOME | | | |
| Reclassification of unrealised diminution upon disposal of investments classified as 'available for sale' | 5.8 | (1,453) | - |
| Net unrealised diminution on remeasurement of investments classified as 'available for sale' | 5.8 | - | (8,087) |
| Total comprehensive income for the year | | <u>30,861</u> | <u>34,538</u> |
| Earnings per unit | 3.11 | | |

The annexed notes 1 to 25 form an integral part of these financial statements.



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)

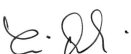


Director

**PAKISTAN CAPITAL MARKET FUND
DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012**

| | 2012 | 2011 |
|---|------------------------------|-----------------|
| | ----- (Rupees in '000) ----- | |
| Accumulated losses brought forward | | |
| - Realised loss | (108,914) | (9,271) |
| - Unrealised loss | <u>10,275</u> | <u>(4,598)</u> |
| | <u>(98,639)</u> | <u>(13,869)</u> |
| Element of income and capital gains included in prices of units issued less those in units redeemed | 3,876 | 1,877 |
| Net income for the year | 32,314 | 42,625 |
| Final distribution for the year ended June 30, 2011: Rs 0.5966 per unit (2010: 2.9 per unit) | | |
| - Bonus units | (28,893) | (129,272) |
| Final distribution for the year ended June 30, 2012: Rs 0.6078 per unit (2011: nil per unit) | | |
| - Bonus units | (26,570) | - |
| Accumulated losses carried forward | <u>(117,912)</u> | <u>(98,639)</u> |
| Accumulated losses comprising of | | |
| - Realised loss | (120,301) | (108,914) |
| - Unrealised gain | <u>2,389</u> | <u>10,275</u> |
| | <u>(117,912)</u> | <u>(98,639)</u> |

The annexed notes 1 to 25 form an integral part of these financial statements.



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)

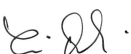


Director

**PAKISTAN CAPITAL MARKET FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2012**

| | Note | 2012 ----- (Rupees in '000) ----- | 2011 |
|---|------|--------------------------------------|------------------|
| Net assets at the beginning of the year | | 390,218 | 444,548 |
| Issue of 88,418 units (2011: 482,844 units) | | 654 | 3,620 |
| Redemption of 9,043,176 units (2011: 14,914,825 units) | | (68,462) | (115,625) |
| | | <u>(67,808)</u> | <u>(112,005)</u> |
| | | 322,410 | 332,543 |
| Issue of 3,873,064 bonus units for the year ended June 30, 2011 (2010 : 18,284,691 bonus units) | | 28,893 | 129,272 |
| Issue of 3,636,881 bonus units for the year ended June 30, 2012 (2011 : Nil bonus units) | | 26,570 | - |
| Element of (income) / loss and capital (gains) / losses included in prices of units sold less those in units redeemed | | | |
| - amount representing loss and capital losses - transferred to the Income Statement | | 782 | 23,137 |
| - amount representing unrealised capital losses and capital gains that form part of the unit holders' fund - transferred to Distribution Statement | | (3,876) | (1,877) |
| | | <u>(3,094)</u> | <u>21,260</u> |
| Net unrealised diminution during the year on remeasurement of investments classified as 'available for sale' | 5.8 | - | (8,087) |
| Reclassification of unrealised diminution upon disposal of investments classified as 'available for sale' | 5.8 | (1,453) | - |
| Final distribution for the year ended June 30, 2011: Rs 0.5966 per unit (2010: 2.9 per unit) - Bonus units | | (28,893) | (129,272) |
| Final distribution for the year ended June 30, 2012: Rs 0.6078 per unit (2011: 0.5966 per unit) - Bonus units | | (26,570) | - |
| Capital gain on sale of investments | | 7,798 | 17,442 |
| Unrealised appreciation on re-measurement of investments classified as 'at fair value through profit or loss' | | 2,389 | 18,833 |
| Element of income and capital gains included in prices of units sold less those in units redeemed - amount representing income that form part of the unit holders' fund | | 3,876 | 1,877 |
| Other net income for the year | | 22,127 | 6,350 |
| | | (19,273) | (84,770) |
| Net assets as at the end of the year | | 354,053 | 390,218 |

The annexed notes 1 to 25 form an integral part of these financial statements.



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



Director

**PAKISTAN CAPITAL MARKET FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012**

| Note | 2012 | 2011 |
|--|------------------------------|------------------|
| | ----- (Rupees in '000) ----- | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income for the year before taxation | 32,314 | 42,625 |
| Adjustments for non - cash and other items: | | |
| Amortisation of conversion cost | - | 575 |
| Unrealised appreciation on remeasurement of investments classified as at fair value through profit or loss | (2,389) | (18,833) |
| Net element of loss and capital losses included in prices of units issued less those in units redeemed | 782 | 23,137 |
| Dividend income | (17,205) | (13,891) |
| Impairment loss on equity investments classified as 'available for sale' | - | 654 |
| | 13,502 | 34,267 |
| Decrease / (increase) in assets | | |
| Investments | 51,159 | 109,305 |
| Profit and dividend receivable | 112 | 1,096 |
| Deposits and other receivables | (476) | - |
| | 50,795 | 110,401 |
| Increase / (decrease) in liabilities | | |
| Payable against purchase of investments | 2,798 | - |
| Payable on redemption of units | 1 | (141) |
| Payable to Arif Habib Investments Limited- Management Company | 21 | (75) |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | (7) | (8) |
| Payable to Securities and Exchange Commission of Pakistan | (61) | (97) |
| Accrued expenses and other liabilities | 737 | 145 |
| | 3,489 | (176) |
| Dividend received | 17,606 | 13,375 |
| Net cash generated from operating activities | 85,392 | 157,867 |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Receipt from issue of units | 654 | 3,620 |
| Payment on redemption of units | (68,462) | (115,625) |
| Dividend paid | - | (7) |
| Net cash used in financing activities | (67,808) | (112,012) |
| Net increase / (decrease) in cash and cash equivalents during the year | 17,584 | 45,855 |
| Cash and cash equivalents at the beginning of the year | 82,785 | 36,930 |
| Cash and cash equivalents at the end of the year | 100,369 | 82,785 |

The annexed notes 1 to 25 form an integral part of these financial statements.



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



Director

PAKISTAN CAPITAL MARKET FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

1 LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Capital Market Fund (PCMF) was established under a trust deed executed between Arif Habib Investments Limited (AHIL) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee on October 27, 2003. The Investment Adviser of PCMF obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake investment advisory services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. Formation of PCMF as a closed-end scheme was authorized by SECP on November 5, 2003.

During the year 2005, the Fund was converted from a closed-end scheme to an open-end scheme. The Fund is listed on all three stock exchanges in Pakistan.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by SECP. The registered office of the management company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.

Based on shareholders' resolutions of MCB-AMC and AHIL the two companies have merged as of June 27, 2011 through operation of an order from the SECP issued under Section 282L of the Companies Ordinance 1984 (Order through letter no. SCD/NBFC-II/MCBAMCL & AHIL/271/2011 dated June 10, 2011). AHIL being a listed company is the surviving entity and in compliance of SBP's approval, it is a subsidiary of MCB Bank. However, subsequent to the completion of the merger, the SECP issued an order postponing the effective date of the merger to July 30, 2011 (through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AHI/348/2011 dated June 27, 2011). Since the merger had already taken place and the subsequent order of the SECP could not be complied with, the Company has sought a ruling by the honourable SHC. The honourable SHC has held the SECP's subsequent order in abeyance and instructed SECP to treat the companies as merged pending a final ruling. Irrespective of the final ruling, the Fund's assets and NAV remain unaffected.

The Fund has been categorised as 'Balanced Scheme' as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorization of Collective Investment Schemes (CIS). Units are offered for public subscription on a continuous basis. The units are transferrable and can be redeemed by surrendering them to the Fund.

The Fund primarily invests in a mix of listed equity and debt securities, unlisted government securities and secured debt securities, money market transactions and reverse repurchase transactions.

Pakistan Credit Rating Agency Limited (PACRA) has assigned asset manager rating of 'AM2' and '4-Star normal' rating to the Management Company and the Fund respectively.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2 Basis of preparation

2.1 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 Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

The following standards, amendments and interpretations to approved accounting standards have been published and are mandatory for the Fund's accounting period beginning on or after July 1, 2011:

PAKISTAN CAPITAL MARKET FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

- a) IFRS 7, 'Financial Instruments: Disclosures' This amendment is effective from January 1, 2011. The amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment does not have any significant impact on the Fund's financial statements, other than certain additional disclosures.
- b) IFRS 7, 'Financial instruments: Disclosures'. This amendment is effective from July 1, 2011. The amendment aims to promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The amendment does not have any impact on the Fund's financial statements during the current year.
- c) IAS 1, 'Presentation of financial statements' (effective January 1, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment does not have any impact on the Fund's financial statements.
- d) IAS 24 (revised), 'Related party disclosures', issued in November 2009. It superseded IAS 24, 'Related Party Disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The revised standard does not have any impact on the Fund's financial statements.

There are other new and amended standards and interpretation that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

2.3 New and amended standards and interpretations that are not yet effective and have not been early adopted

The following revised standard has been published and is mandatory for accounting periods beginning on or after July 1, 2012:

- a) IAS 1, 'Financial statement presentation' (effective July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment will not have any significant effect on the Fund's financial statements.
- b) IAS 32, 'Financial instruments: Presentation', (effective January 1, 2014). This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The management of the Fund is in the process of assessing the impact of this amendment on the Fund's financial statements.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2012 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of its accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments (note 3.2 and note 5).

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except that certain financial assets have been carried at fair value in accordance with the requirements of International Accounting Standard (IAS) 39 ; 'Financial Instruments Recognition and Measurement.'

2.6 Functional and presentation currency

The financial statements are presented in Pak Rupees, which is the Fund's functional and presentation currency.

PAKISTAN CAPITAL MARKET FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below:

3.1 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of assets and liabilities at cost. Cash and cash equivalents comprise of bank balances and short term investments having original maturities of less than three months.

3.2 Financial assets

3.2.1 Classification

The Fund classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the appropriate classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

a) At fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the 'financial assets at fair value through profit or loss' category.

b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

c) Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held to maturity investments or (c) financial assets at fair value through profit or loss.

3.2.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

3.2.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

3.2.4 Subsequent measurement

a) Financial assets 'at fair value through profit or loss' and available for sale.

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss and available for sale are valued as follows:

- Basis of valuation of term finance certificates

Investment in term finance certificates and sukuk bonds are valued in accordance with the methodology for valuation of debt securities prescribed in the SECP's circular no.1 of 2009 dated January 06, 2009. Under the said directive, investment in term finance certificates are valued on the basis of traded, thinly traded and non traded securities. Accordingly, investment in term finance certificates have been valued at the rates determined and announced by MUFAP based on the methodology prescribed in the circular.

Net gains and losses arising from changes in the fair value of financial assets 'at fair value through profit or loss' are taken to 'income statement'.

PAKISTAN CAPITAL MARKET FUND

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FOR THE YEAR ENDED JUNE 30, 2012

- Basis of valuation of equity securities

The investment of the Fund in equity securities is valued on the basis of closing quoted market prices available at the stock exchange.

Net gains and losses arising on changes in the fair value of financial assets carried at fair value through profit or loss are taken to the Income Statement.

Net gains and losses arising on changes in fair value of available for sale financial assets are taken to other comprehensive income until these are derecognised. At this time, the cumulative gain or loss previously recognised in the other comprehensive income is transferred to income before taxation.

- Basis of valuation of government securities

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Market Association of Pakistan in accordance with the requirements of the NBFC Regulations.

Net gains and losses arising from changes in the fair value of financial assets 'at fair value through profit or loss' are taken to the 'income statement'.

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are taken to other comprehensive income until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised in other comprehensive income is transferred to income before taxation.

b) Loans and receivable

Subsequent to initial recognition financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest method.

Gain or loss is also recognised in the 'income statement' when financial assets carried at amortised cost are derecognised or impaired.

3.2.5 Impairment

The carrying amounts of the Fund's assets are revalued at each balance sheet date to determine whether there is any indication of impairment in any asset or group of assets. If such indication exists, the recoverable amount of the assets is estimated and impairment losses are recognised immediately as an expense in the income statement. In case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as 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 other comprehensive income is reclassified from other comprehensive income and recognised in income before taxation. Impairment losses recognised on equity financial assets recognised in the income statement are not reversed in income before taxation but in other comprehensive income. For loans and receivables, a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Provision for non-performing debt securities is made in accordance with the criteria for provision of non-performing debt securities specified in Circular No. 1 of 2009 dated January 06, 2009 and Circular No. 13 of 2009 dated May 04, 2009 issued by the SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company.

3.2.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

3.2.7 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Assets and Liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

PAKISTAN CAPITAL MARKET FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

3.2.8 Reclassification

The Fund may choose to reclassify a non-derivative trading financial asset in equity securities out of the 'held for trading' category to the 'available for sale' category if the financial asset is no longer held for the purpose of selling it in the near term. Such reclassifications are made only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. Reclassifications are made at fair value as of the reclassification date which then becomes the new cost and no reversals of fair value gains or losses recorded before the reclassification date are subsequently made.

3.3 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

3.4 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the income statement.

3.5 Securities under repurchase / resale agreements

Transactions of purchase under resale (reverse-repo) of government securities are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repo) are not recognised in the Statement of Assets and Liabilities. Amount paid under these agreements are included in receivable in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the reverse-repo agreement.

All reverse repo transactions are accounted for on the settlement date.

3.6 Proposed distribution

Distributions declared subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

3.7 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. The sales load is payable to the investment facilitators, distributors and the Management Company. Transaction costs are recorded as the income of the Fund.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption requests during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

3.8 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of income per unit and distribution of income already paid out on redemption.

The Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period which pertains to unrealised gains / (losses) held in the Unit Holder's Funds in a separate reserve account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognised in the Income Statement.

PAKISTAN CAPITAL MARKET FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

3.9 Provisions

Provisions are recognised when the Fund 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 of obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.10 Net asset value per unit

The net asset value (NAV) per unit, as disclosed on the Statement of Assets and Liabilities, is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

3.11 Earnings per unit

Earnings per unit (EPU) has not been disclosed as in the opinion of the management determination of weighted average units for calculating EPU is not practicable.

3.12 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

3.13 Revenue recognition

- Profit on investments is recognised on an accrual basis. (In case of financial assets classified as non-performing, income is recognised on receipt basis).
- Profit on bank deposits is recognised on an accrual basis.
- Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised capital gains / (losses) arising on marking to market of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Dividend income is recognised when the right to receive dividend is established.
- Income on issue and purchase of units is recognised when the units are issued and redeemed at the transaction date.
- Discount on purchase of Market Treasury Bills is amortised to income statement using the straight line method.

3.14 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement. Translation differences on non-monetary financial assets and liabilities such as equities at fair value through profit or loss are recognised in the Income Statement within the fair value net gain or loss.

PAKISTAN CAPITAL MARKET FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

| 4 | BANK BALANCES | Note | 2012 | 2011 |
|------------|---|------------------------------|-----------------------|----------------|
| | | ----- (Rupees in '000) ----- | | |
| | In current accounts | | 4,162 | 3,520 |
| | In saving accounts | 4.1 | <u>22,433</u> | <u>5,752</u> |
| | | | <u>26,595</u> | <u>9,272</u> |
| 4.1 | These balances carry mark-up rate ranging from 6% to 10.5% (2011: 5% to 10.5%). | | | |
| 4.2 | CASH AND CASH EQUIVALENTS | Note | 2012 | 2011 |
| | | ----- (Rupees in '000) ----- | | |
| | Balances with banks | | 26,595 | 9,272 |
| | Treasury Bills having maturity of 3 months or less | 4.1 | <u>73,774</u> | <u>73,513</u> |
| | | | <u>100,369</u> | <u>82,785</u> |
| 5 | INVESTMENTS | | | |
| | Fair value through profit or loss | | | |
| | Listed equity securities | 5.1 | 151,963 | 191,444 |
| | Listed preference shares | 5.2 | 8,333 | 16,667 |
| | Term finance certificates-listed | 5.3 | 53,569 | 44,308 |
| | Government securities | 5.4 | <u>113,794</u> | <u>97,041</u> |
| | | | <u>327,659</u> | 349,460 |
| | Available for sale | | | |
| | Listed equity securities | 5.5 | <u>-</u> | <u>28,161</u> |
| | | | <u>327,659</u> | <u>377,621</u> |

PAKISTAN CAPITAL MARKET FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

5.1 Listed equity securities- 'At fair value through profit or loss'

| Name of the Investee company | Number of shares ----- | | | | | Balance as at June 30, 2012 | | | Market value as percentage of investments | Market value as percentage of net assets | Paid up value of shares held as a percentage of total paid up capital of the investee |
|--|------------------------|---------------------------|-------------------------------------|-----------------------|---------------------|-----------------------------|----------------|-----------------------------|---|--|---|
| | As at July 1, 2011 | Purchases during the year | Bonus / right issue during the year | Sales during the year | As at June 30, 2012 | Cost | Market value | Appreciation / (Diminution) | | | |
| ------(Rupees in '000)----- | | | | | | | | | | | |
| SHARES OF LISTED COMPANIES - Fully paid ordinary shares of Rs 10 each unless stated otherwise | | | | | | | | | | | |
| OIL AND GAS | | | | | | | | | | | |
| Pakistan Oilfields Limited | 78,569 | 34,374 | - | 88,863 | 24,080 | 8,689 | 8,836 | 147 | 2.70 | 2.50 | 0.01 |
| Pakistan Petroleum Limited | 103,200 | 198,700 | 8,320 | 147,500 | 162,720 | 29,572 | 30,639 | 1,067 | 9.35 | 8.65 | 0.01 |
| Pakistan State Oil Limited | 113,000 | 70,422 | - | 183,400 | 22 | 6 | 5 | (1) | 0.00 | 0.00 | 0.00 |
| Attock Refinery Limited | - | 25,000 | - | 25,000 | - | - | - | - | - | - | - |
| Attock Petroleum Limited | - | 77,766 | - | 21,649 | 56,117 | 24,154 | 26,620 | 2,466 | 8.12 | 7.52 | 0.08 |
| Oil and Gas Development Co. Ltd | - | 53,000 | - | 30,000 | 23,000 | 3,485 | 3,690 | 205 | 1.13 | 1.04 | 0.00 |
| | | | | | | <u>65,906</u> | <u>69,790</u> | <u>3,884</u> | | | |
| CHEMICALS | | | | | | | | | | | |
| Engro Corporation Limited | 165,600 | 440,500 | 15,330 | 621,430 | - | - | - | - | - | - | - |
| Fauji Fertilizer Company Limited | - | 687,247 | 13,484 | 640,731 | 60,000 | 6,406 | 6,663 | 257 | 2.03 | 1.88 | 0.01 |
| Fatima Fertilizer Company Limited | 800,000 | 1,432,000 | - | 1,814,462 | 417,538 | 10,788 | 10,301 | (487) | 3.14 | 2.91 | 0.02 |
| | | | | | | <u>17,194</u> | <u>16,964</u> | <u>(230)</u> | | | |
| CONSTRUCTION AND MATERIALS | | | | | | | | | | | |
| Lucky Cement Limited | 205,000 | 376,215 | - | 492,000 | 89,215 | 9,507 | 10,295 | 788 | 3.14 | 2.91 | 0.00 |
| Cherat Cement Limited | - | 37,000 | - | 6,000 | 31,000 | 700 | 918 | 218 | - | - | - |
| D. G Khan Cement Limited | - | 50,000 | - | 50,000 | - | - | - | - | - | - | - |
| | | | | | | <u>10,207</u> | <u>11,213</u> | <u>1,006</u> | | | |
| GENERAL INDUSTRIALS | | | | | | | | | | | |
| Packages Limited | 74,624 | 1 | - | 74,625 | - | - | - | - | - | - | - |
| Millat tractors limited | - | 14,500 | - | - | 14,500 | 7,033 | 7,001 | (32) | 2.14 | 1.98 | 0.04 |
| | | | | | | <u>7,033</u> | <u>7,001</u> | <u>(32)</u> | | | |
| TEXTILE | | | | | | | | | | | |
| Nishat Mills Limited. | - | 150,000 | - | 150,000 | - | - | - | - | - | - | - |
| | | | | | | <u>-</u> | <u>-</u> | <u>-</u> | | | |
| FOOD | | | | | | | | | | | |
| Engro Foods Limited | - | 25,000 | - | 25,000 | - | - | - | - | - | - | - |
| | | | | | | <u>-</u> | <u>-</u> | <u>-</u> | | | |
| HOUSEHOLD GOODS | | | | | | | | | | | |
| Pak Elektron Limited | 591,478 | - | - | 591,478 | - | - | - | - | - | - | - |
| | | | | | | <u>-</u> | <u>-</u> | <u>-</u> | | | |
| ELECTRICITY | | | | | | | | | | | |
| The Hub Power Company Limited | - | 2,125,825 | - | 1,731,312 | 394,513 | 15,640 | 16,526 | 886 | 5.04 | 4.67 | 0.03 |
| Kot Addu Power Company Limited | 541,470 | 200,000 | - | 741,470 | - | - | - | - | - | - | - |
| Nishat Chunian Power Limited | - | 1,541,648 | - | 990,000 | 551,648 | 8,566 | 8,181 | (385) | 2.50 | 2.31 | 0.34 |
| Nishat Power Limited | - | 376,967 | - | 376,967 | - | - | - | - | - | - | - |
| Pakgen Power Limited | - | 50,000 | - | 50,000 | - | - | - | - | - | - | - |
| | | | | | | <u>24,206</u> | <u>24,707</u> | <u>501</u> | | | |
| TELECOMMUNICATIONS | | | | | | | | | | | |
| Pakistan Telecommunication Company Li | - | 1,463,226 | - | 1,463,226 | - | - | - | - | - | - | - |
| | | | | | | <u>-</u> | <u>-</u> | <u>-</u> | | | |
| BANKS | | | | | | | | | | | |
| Allied Bank Limited | 341,422 | - | 8,572 | 349,994 | - | - | - | - | - | - | - |
| MCB Bank Ltd | - | 82,532 | 3,053 | 85,585 | - | - | - | - | - | - | - |
| Askari Bank Limited | - | 151,332 | - | 50,000 | 101,332 | 1,620 | 1,375 | (245) | 0.42 | 0.39 | 0.00 |
| Bank Al-Habib | - | 397,033 | 40,804 | 319,307 | 118,530 | 3,393 | 3,375 | (18) | 1.03 | 0.95 | 0.01 |
| United Bank Limited | - | 237,807 | - | 174,807 | 63,000 | 4,779 | 4,938 | 159 | 1.51 | 1.39 | 0.01 |
| Meezan Bank Limited | - | 384,593 | 23,074 | 407,667 | - | - | - | - | - | - | - |
| National Bank Of Pakistan | - | 592,100 | - | 592,100 | - | - | - | - | - | - | - |
| Bank Alfalah Limited | - | 100,000 | - | - | 100,000 | 1,735 | 1,710 | (25) | 0.52 | 0.48 | 0.01 |
| Adamjee Insurance Company Limited | - | 500 | - | 500 | - | - | - | - | - | - | - |
| | | | | | | <u>11,527</u> | <u>11,398</u> | <u>(129)</u> | | | |
| PHARMA AND BIO TECHNOLOGY | | | | | | | | | | | |
| Glaxosmithkline Pakistan Limited | - | 57,000 | - | - | 57,000 | 3,673 | 3,605 | (68) | - | - | - |
| Abbot Laboraories Pakistan Limited | - | 61,196 | - | - | 61,196 | 7,284 | 7,285 | 1 | - | - | - |
| | | | | | | <u>10,957</u> | <u>10,890</u> | <u>(67)</u> | | | |
| Total as at June 30, 2012 | | | | | | <u>147,030</u> | <u>151,963</u> | <u>4,933</u> | | | |
| Total as at June 30, 2011 | | | | | | <u>181,098</u> | <u>191,444</u> | <u>10,346</u> | | | |

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5.2 Listed preference shares- 'At fair value through profit or loss'

| Name of the investee company | Number of shares | | | | | Balance as at June 30, 2012 | | | --- Market Value --- | | Paid up value of shares held as a percentage of total paid up capital of the investee |
|------------------------------------|--------------------|---------------------------|-------------------------------------|-----------------------|---------------------|-----------------------------|---------------|-----------------------------|--------------------------------------|-------------------------------|---|
| | As at July 1, 2011 | Purchases during the year | Bonus / right issue during the year | Sales during the year | As at June 30, 2012 | Cost | Market value | Appreciation / (diminution) | As a percentage of total investments | As a percentage of net assets | |
| ----- Number of certificates ----- | | | | | | | | | | | |
| ----- (Rupees in '000) ----- | | | | | | | | | | | |
| PERSONAL GOODS | | | | | | | | | | | |
| Masood Textile Mills Limited | 1,666,667 | - | - | 833,333 | 833,334 | 8,333 | 8,333 | - | 2.54 | 2.35 | 1.39 |
| Total as at June 30, 2012 | | | | | | 8,333 | 8,333 | - | | | |
| Total as at June 30, 2011 | | | | | | 16,667 | 16,667 | - | | | |

5.3 Term Finance Certificates - 'At fair value through profit or loss'

| Name of the investee company | Issue date | As at July 1, 2011 | Purchases during the year | Sales / matured during the year | As at June 30, 2012 | Balance as at June 30, 2012 | | | --- Market Value --- | | Percentage in relation to the size of issue |
|--|-------------|--------------------|---------------------------|---------------------------------|---------------------|-----------------------------|---------------|-----------------------------|--------------------------------------|-------------------------------|---|
| | | | | | | Cost | Market value | Appreciation / (diminution) | As a percentage of total investments | As a percentage of net assets | |
| ----- Number of certificates ----- | | | | | | | | | | | |
| ----- (Rupees in '000) ----- | | | | | | | | | | | |
| Worldcall Telecom Limited I | 28-Nov-2006 | 3,000 | - | 3,000 | - | - | - | - | - | - | 0.00 |
| United Bank Limited III | 8-Sep-2006 | 7,020 | - | - | 7,020 | 29,483 | 28,991 | (492) | 8.85 | 8.19 | 1.76 |
| Maple Leaf Cement Factory Limited (refer Note 5.3.1) | 3-Dec-2007 | 2,000 | - | - | 2,000 | 6,098 | 4,700 | (1,398) | 1.43 | 1.33 | 0.13 |
| Maple Leaf Cement Factory Limited | 31-Mar-2010 | 75 | - | - | 75 | 375 | - | (375) | - | - | 0.00 |
| NIB Bank Limited | 5-Mar-2008 | - | 4,000 | - | 4,000 | 19,768 | 19,878 | 110 | 6.07 | 5.61 | 11.52 |
| Total as at June 30, 2012 | | | | | | 55,724 | 53,569 | (2,155) | | | |
| Total as at June 30, 2011 | | | | | | 35,805 | 44,308 | 8,503 | | | |

5.3.1 Securities listed below have been classified as non-performing in accordance with SECP Circular 1 of 2009 and the Fund's provisioning policy for non-performing exposure. Accordingly, the carrying values stated above have been arrived at after taking into account provisions as under:

| Name of Company | 2012 | | | 2011 | | |
|---|---------------------|----------------|--------------------|---------------------|----------------|--------------------|
| | Outstanding balance | Provision held | Net carrying value | Outstanding balance | Provision held | Net carrying value |
| -----Rs in '000----- | | | | | | |
| Maple Leaf Cement Factory Limited (3-12-07) | 6,107 | (1,407) | 4,700 | 6,107 | - | 6,107 |
| Maple Leaf Cement Factory Limited (31-3-10) | 375 | (375) | - | 375 | - | 375 |

5.3.2 These carry a rate of return ranging from 12.91% to 16.47% (2011: 14.07% to 16.49%) per annum.

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

| Issue Date | Tenor | Face value in denomination of Rs '000 | | | Balance as at June 30, 2012 | | | ----- Investment ----- | | |
|----------------------------------|----------|---------------------------------------|---------------------------|---------------------------------|-----------------------------|----------------|----------------|-----------------------------|---------------------------------------|--|
| | | As at July 1, 2011 | Purchases during the year | Sales / matured during the year | As at June 30, 2012 | Cost | Market value | Appreciation / (Diminution) | Market value as a percentage of total | Market value as a percentage of net assets |
| ----- (Rupees in '000) ----- | | | | | | | | | | |
| Market Treasury Bills | | | | | | | | | | |
| June 2, 2011 | 3 Months | 75,000 | - | 75,000 | - | - | - | - | - | - |
| June 16, 2011 | 6 Months | 25,000 | - | 25,000 | - | - | - | - | - | - |
| May 19, 2011 | 3 Months | - | 20,000 | 20,000 | - | - | - | - | - | - |
| May 19, 2011 | 6 Months | - | 35,000 | 35,000 | - | - | - | - | - | - |
| September 8, 2011 | 6 Months | - | 20,000 | 20,000 | - | - | - | - | - | - |
| May 3, 2012 | 3 Months | - | 40,000 | - | 40,000 | 39,683 | 39,676 | (7) | 12.11 | 11 |
| June 28, 2012 | 3 Months | - | 35,000 | - | 35,000 | 34,100 | 34,098 | (2) | 10.41 | 10 |
| | | | | | | 73,783 | 73,774 | (9) | | |
| Government Ijara Sukuk | | | | | | | | | | |
| Government Ijara Sukuk - 5 | 3 Years | - | 50,000 | 10,000 | 40,000 | 40,400 | 40,020 | (380) | | |
| Total as at June 30, 2012 | | | | | | 114,183 | 113,794 | (389) | | |
| Total as at June 30, 2011 | | | | | | 97,057 | 97,041 | (16) | | |

**PAKISTAN CAPITAL MARKET FUND
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5.5 Listed equity securities - 'available for sale'

| Name of the Investee company | ----- Number of shares ----- | | | | Balance as at June 30, 2012 | | | Market value as percentage of investments | Market value as percentage of net assets | Paid up value of shares held as a percentage of total paid up capital of |
|------------------------------|------------------------------|---------------------------|-------------------------------------|-----------------------|-----------------------------|----------------------|--------------|---|--|--|
| | As at July 1, 2011 | Purchases during the year | Bonus / Right issue during the year | Sales during the year | As at June 30, 2012 | Cost less impairment | Market value | | | |

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

Shares of listed companies - Fully paid ordinary shares of Rs 10 each unless stated otherwise

| | | | | | | | | | | |
|-----------------------------------|---------|---|---|---------|---|--------|--------|-------|---|---|
| GENERAL INDUSTRIALS | | | | | | | | | | |
| Packages Limited | 134,307 | - | - | 134,307 | - | - | - | - | - | - |
| AUTOMOBILE AND PARTS | | | | | | | | | | |
| Pak Suzuki Motors Company Limited | 83,047 | - | - | 83,047 | - | - | - | - | - | - |
| PERSONAL GOODS | | | | | | | | | | |
| Kohinoor Mills Limited | 361,484 | - | - | 361,484 | - | - | - | - | - | - |
| Suraj Cotton Mills Limited | 211,446 | - | - | 211,446 | - | - | - | - | - | - |
| Total as at June 30, 2012 | | | | | | | | | | |
| Total as at June 30, 2011 | | | | | | | | | | |
| | | | | | | 26,708 | 28,161 | 1,453 | | |

- 5.6 Investments include quoted equity securities with market value of Rs 8,849,138 (2011: Rs 29,051,327) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

| | 2012 | 2011 |
|--|------------------|----------------|
| | (Rupees in '000) | |
| 5.7 Net unrealised diminution on remeasurement of investments classified as 'fair value through profit or loss' - net | | |
| Market value of investments | 327,659 | 349,460 |
| Carrying value of investments | (325,270) | (330,627) |
| | <u>2,389</u> | <u>18,833</u> |
| 5.8 Net unrealised appreciation / (diminution) in value of investments classified as 'available-for-sale' | | |
| Market value of investments | - | 28,161 |
| Cost less impairment | - | (26,708) |
| | - | 1,453 |
| Impairment loss on financial assets classified as 'available for sale' - transferred to income statement | - | 654 |
| Reversal during the year | - | 2,107 |
| Less: Net unrealised appreciation in fair value of investments at the beginning of the year | (1,453) | (12,653) |
| Realised on disposal | 1,453 | 2,459 |
| | <u>-</u> | <u>(8,087)</u> |
| 6 DIVIDEND AND PROFIT RECEIVABLE | | |
| Dividend receivable | 115 | 516 |
| Profit accrued on bank deposits | 211 | 84 |
| Profit accrued on term finance certificates | 2,093 | 1,729 |
| Profit accrued on preference shares | 1,321 | 2,544 |
| Profit accrued on Ijarah Sukuk | 620 | - |
| | <u>4,360</u> | <u>4,873</u> |

**PAKISTAN CAPITAL MARKET FUND
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7 ADVANCES AND DEPOSITS

| | | |
|---|--------------|--------------|
| Advance tax | 342 | 342 |
| Deposit with National Clearing Company of Pakistan Limited | 2,625 | 2,625 |
| Deposit with Central Depository Company of Pakistan Limited | 300 | 300 |
| Others | 476 | |
| | <u>3,743</u> | <u>3,267</u> |

8 PAYABLE TO THE MANAGEMENT COMPANY

| | | |
|--|------------|------------|
| Management Company's remuneration | 580 | 652 |
| Sindh Sales Tax on Management Company's remuneration | 93 | - |
| | <u>673</u> | <u>652</u> |

8.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company of the Fund is entitled to a remuneration, during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter, of an amount equal to two percent of such assets of the Fund. The management company has charged remuneration at two percent per annum.

8.2 During the current period, the provincial government has levied Sindh Sales Tax at the rate of 16% on the Remuneration of the Management Company through the Sindh Sales Tax on Services Act 2011 effective from July 1, 2011.

9 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

| | Note | 2012 | 2011 |
|-------------|------|------------------------------|-----------|
| | | ----- (Rupees in '000) ----- | |
| Trustee fee | 9.1 | <u>58</u> | <u>65</u> |
| | | <u>58</u> | <u>65</u> |

9.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein based on the daily net assets of the Fund.

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2012 is as follows:

| Amount of Funds Under Management (Average NAV) | Tariff per annum |
|--|--|
| Upto Rs. 1,000 million | Rs 0.7 million or 0.20% p.a. of NAV, whichever is higher |
| On an amount exceeding Rs 1,000 million | Rs 2.0 million plus 0.10% p.a. of NAV exceeding Rs 1,000 million |

The remuneration is paid to the trustee monthly in arrears.

10 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the NBFC Regulations, a collective investment scheme categorised as 'Balanced Scheme' is required to pay as annual fee to the SECP, an amount equal to 0.095 percent of the average annual net assets of the Fund.

11 ACCRUED EXPENSES AND OTHER LIABILITIES

| | 2012 | 2011 |
|--|------------------------------|------------|
| | ----- (Rupees in '000) ----- | |
| Brokerage payable | 452 | 4 |
| FED Payable | 71 | - |
| Auditor's remuneration payable | 414 | 320 |
| Credit rating fee | 100 | 100 |
| Legal and professional charges payable | 50 | 55 |
| Printing and related expenditure payable | 493 | 330 |
| Others | 91 | 125 |
| | <u>1,671</u> | <u>934</u> |

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12 CONTINGENCIES AND COMMITMENTS

12.1 CONTRIBUTION TO WORKERS WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In light of this, Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honorable Sindh High Court challenging the applicability of WWF on CISs which was dismissed mainly on the ground that MUFAP is not an aggrieved party.

Subsequently, clarifications were issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. These clarifications were forwarded by the Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on these clarifications, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Other mutual funds to whom notices were issued by the FBR also took up the matter with FBR for their withdrawal.

Further, a fresh Constitutional Petition has been filed with the Honorable High Court of Sindh by a CIS / mutual fund and a pension fund through their trustee and an asset management company inter alia praying to declare that mutual funds / voluntary pension funds being pass through vehicles / entities are not industrial establishments and hence, are not liable to contribute to the WWF under the WWF Ordinance. The proceedings of the Honorable Court in this matter have concluded and the Honorable Court has reserved its decision.

Subsequent to the year ended June 30, 2011, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company believes that the Fund is not liable to contribute to WWF and hence no provision has been recognised by the Management Company. The aggregate unrecognised amount of WWF as at June 30, 2012 amounted to Rs 4.317 million (including 0.646 million for the current year)

12.2 There were no other contingencies and commitments outstanding as at June 30, 2012.

13 AUDITOR'S REMUNERATION

| | 2012 | 2011 |
|-----------------------------------|------------------------------|-------------|
| | ----- (Rupees in '000) ----- | |
| Annual audit fee | 275 | 250 |
| Half yearly review | 150 | 125 |
| Other certifications and services | 100 | 75 |
| Out of pocket expenses | 30 | 31 |
| | <u>555</u> | <u>481</u> |

14 TAXATION

The income of the Fund is exempt from income tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded provision for taxation as the Management Company has distributed more than ninety percent of the Fund's accounting income for the current year to its unit holders.

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

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. The Board of directors of the Management Company has approved the category of the Fund as 'Balanced Fund'.

In accordance with clause (iv) of the investment criteria laid down for 'Balanced scheme', the Fund is required to invest in debt securities having rating not lower than A- (A Minus). However, as at June 30, 2012, the Fund is in non-compliance with the above-mentioned requirement in respect of the following:

**PAKISTAN CAPITAL MARKET FUND
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| Name of non-compliant investment | Name of Company | Value of investment before provision | Provision held, if any | Value of investment after provision | Percentage of net assets | Percentage of gross assets |
|----------------------------------|---|--------------------------------------|------------------------|-------------------------------------|--------------------------|----------------------------|
| Investment in debt securities* | Maple Leaf Cement Factory Limited - Term Finance Certificate | 6,107 | (1,407) | 4,700 | 1.33% | 1.30% |
| Investment in debt securities** | Maple Leaf Cement Factory Limited(31-3-2011) - Term Finance Certificate | 375 | (375) | - | 0.00% | 0.00% |

* At the time of purchase, the said Sukuk was in compliance of the said circular (i.e. investment grade) and was subsequently downgraded to Non-investment grade.

** This was issued against outstanding markup receivable from Maple Leaf Cement Factory Limited against a restructuring agreement. Rated as non investment grade.

16 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons of the Fund include the Management Company (AMC), other collective investment schemes being managed by the Management Company, the Trustee, directors and key management personnel and other associated undertakings.

Performance fee payable to the Management Company is determined in accordance with the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and constitutive documents of the Fund.

Other transactions with connected persons are in the normal course of business and are carried out on agreed terms.

16.1 Details of the transactions with connected persons are as follows:

| | 2012 | 2011 |
|--|------------------|--------|
| | (Rupees in '000) | |
| Arif Habib Investments Limited- Management Company | | |
| Remuneration for the year including Sindh Sales Tax on Management Remuneration | 8,327 | 8,611 |
| Sales load for the year | - | 39 |
| Arif Habib Investments Limited - Employee Provident Fund | | |
| Redemption of Nil units (2011: 225,629 units) | - | 1,821 |
| Bonus units issued : Nil (2011: 65,629 units) | - | 464 |
| Summit Bank Limited (Formerly Arif Habib Bank Limited) | | |
| Profit on bank deposits | - | 24 |
| MCB Bank Limited | | |
| Profit on bank deposits | 1,988 | - |
| Other related parties | | |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Remuneration for the year | 720 | 861 |
| CDS charges for the year | 24 | 11 |
| CDS Induction Charges | - | 68 |
| Directors and executives of the management company | | |
| Issue of Nil units (2011: 16,042 units) | - | 118 |
| Units redeemed Nil units (2011: 578,532 units) | - | 4,635 |
| Issue of 753 bonus units (2011: 164,969 units) | 6 | 1,166 |
| Arif Habib Limited - Brokerage house | | |
| Brokerage | 204 | 138 |
| Summit Capital Private Limited | | |
| Brokerage paid* | - | 8 |
| Bank Al Falah Limited | | |
| Issue of 1,616,740 bonus units (2011: 2,809,606 units) | 12,103 | 19,864 |

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* The amount disclosed represents the amount of brokerage paid to connected persons and not the purchase or sale value of securities transacted through them. The purchase or sale value has not been treated as transactions with connected persons as the ultimate counter parties are not connected persons.

| | June 30, 2012 | June 30, 2011 |
|---|--------------------------|--------------------------|
| | (Rupees in '000) | |
| 16.2 Amounts outstanding as at the year end | | |
| Arif Habib Investments Limited- Management Company | | |
| Payable to the Management Company | 673 | 652 |
| Directors and executives of the management company | | |
| Units held 5,252 units (2011: 4,499 units) | 40 | 36 |
| MCB Bank Limited | | |
| Bank Balances | 1,200 | - |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Security deposit | 300 | 300 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 58 | 65 |
| Bank Al Falah Limited | | |
| Units held 11,275,972 units (2011: 9,659,232 units) | 85,134 | 77,853 |

17 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of investment committee of the Fund are as follows:

| | 2012 | | |
|--------------------|-----------------------------|----------------------|--------------------------------|
| | Designation | Qualification | Experience in years |
| Mr. Yasir Qadri | Chief Executive | MBA | 17 |
| Mr. Kashif Rafi | Fund Manager - Fixed Income | MBA and CFA Level | 11 |
| Mr. Muhammad Asim | Fund Manager - Equity Funds | MBA & CFA | 9 |
| Mr. Syed Akbar Ali | Senior Research Analyst | MBA & CFA | 7 |
| Mr. Mohsin Pervez | Senior Research Analyst | MBA | 11 |

17.1 Mr. Mohsin Pervez is the manager of the Fund. He is also the fund manager of Pakistan Strategic Allocation fund.

| 18 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID | 2012 |
|--|-------------|
| 1 Arif Habib Limited | 10.11% |
| 2 Fortune Securities Limited | 8.07% |
| 3 Elixir Securities Private Limited | 7.14% |
| 4 Taurus Securities Limited | 6.04% |
| 5 Invest and Finance Securities Limited | 5.40% |
| 6 Top line Securities Limited | 5.37% |
| 7 KASB Securities Limited | 5.20% |
| 8 Foundation Securities Limited | 5.13% |
| 9 Jahangir Siddiqui Capital Limited | 4.15% |
| 10 Invisor Securities Private Limited | 4.10% |

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2011

| | | |
|----|--|--------|
| 1 | Arif Habib Limited | 23.77% |
| 2 | KASB Securities Limited | 8.74% |
| 3 | Invest and Finance Securities Limited | 8.17% |
| 4 | NAEL Capital (Private) Limited | 7.48% |
| 5 | D.J.M. Securities(Private) Limited | 7.40% |
| 6 | Aba Ali Habib Securities (Private) Limited | 5.93% |
| 7 | Foundation Securities(Private) Limited | 5.04% |
| 8 | First Capital Equities Limited | 4.77% |
| 9 | Invisor Securities(Private) Limited | 3.39% |
| 10 | Casim Investment (Private) Limited | 3.03% |

19 PATTERN OF UNITHOLDING

| June 30, 2012 | | | |
|-----------------------------|------------------------|-------------------|--------------------------------|
| | Number of unit holders | Investment amount | Percentage of total investment |
| ------(Rupees in '000)----- | | | |
| Individuals | 3,202 | 239,809 | 67.73 |
| Bank / DFI | 4 | 85,238 | 24.07 |
| Insurance company | 5 | 1,219 | 0.27 |
| Non Banking Finance Company | 3 | 193 | 0.05 |
| Retirement fund | 5 | 8,224 | 2.32 |
| Public Limited Company | - | - | - |
| Other: | 36 | 19,369 | 5.47 |
| | <u>3,255</u> | <u>354,053</u> | <u>100.00</u> |
| June 30, 2011 | | | |
| | Number of unit holders | Investment amount | Percentage of total investment |
| ------(Rupees in '000)----- | | | |
| Individuals | 3,516 | 272,886 | 69.93 |
| Bank / DFI | 8 | 78,480 | 20.11 |
| Insurance company | 4 | 1,022 | 0.26 |
| Non Banking Finance Company | - | - | - |
| Retirement fund | 8 | 19,359 | 4.96 |
| Public Limited Company | 3 | 204 | 0.05 |
| Other: | 33 | 18,267 | 4.68 |
| | <u>3,572</u> | <u>390,218</u> | <u>100.00</u> |

20 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 89th, 90th, 91st, 92nd, 93rd, 94th, 95th, 96th and 97th BoD meetings of the Fund were held on July 4, 2011, August 8, 2011, September 10, 2011, September 29, 2011, October 26, 2011, January 27, 2012, March 29, 2012, April 27, 2012 and June 25, 2012 respectively. Information in respect of attendance by Directors in the meetings is given below:

| Name of Directors | Number of meetings held | Number of Meetings | | Meetings not attended |
|---|-------------------------|--------------------|---------------|--|
| | | Attended | Leave granted | |
| 1 Mian Muhammad Mansha | 9 | 4 | 5 | 89th, 90th, 93rd, 96th and 97th meetings |
| 2 Mr. Nasim Beg | 9 | 9 | - | - |
| 3 Syed Salman Ali Shah | 9 | 8 | 1 | 92nd meeting |
| 4 Mr. Haroun Rashid | 9 | 6 | 3 | 91st, 92nd and 95th meetings |
| 5 Mr. Ahmed Jahangir | 9 | 7 | 2 | 91st and 92nd meetings. |
| 6 Mr. Samad A. Habib | 9 | 6 | 3 | 89th, 91st and 96th meetings |
| 7 Mr. Mirza Mahmood Ahmad | 9 | 7 | 2 | 89th and 97th meetings |
| 8 Mr. Yasir Qadri (Chief Executive Officer) | 9 | 9 | - | |

21 FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

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21.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Board of Directors of the Management Company and regulations laid down by the Securities and Exchange Commission of Pakistan.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

21.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as all transactions are carried out in Pak Rupees.

21.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds KIBOR based interest bearing Term Finance Certificates exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on June 30, 2012, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs 0.155 million (2011: Rs 0.11 million).

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by the Financial Market Association of Pakistan is expected to change over time. Further, in case of variable rate instruments, the sensitivity has been done from the last repricing date. Accordingly, the sensitivity analysis prepared as of June 30, 2012 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

Presently, the Fund holds GOP Ijarah Sukuk exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase/ decrease in 6 months weighted average yield of market treasury bills on June 30, 2012 with all other variables held constant, the net assets of the Fund and net income for the period would have been higher / lower by Rs 51,512 (2011: Rs Nil).

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2012, the Fund holds Treasury bills which are classified as at fair value through profit or loss exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the Financial Markets Association of Pakistan on June 30, 2012 with all other variables held constant, the net income for the year and net assets would be lower by Rs 0.100 million (2011: Rs 0.21 million). In case of 100 basis points decrease in rates announced by the Financial Markets Association of Pakistan on June 30, 2012, with all other variables held constant, the net income for the year and net assets would be higher by Rs 0.100 million (2011:Rs 0.21 million).

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by the Financial Market Association of Pakistan is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2012 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

Yield / interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

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-----As at June 30, 2012-----

| | Exposed to Yield / Interest risk | | | Not exposed to Yield / Interest rate risk | Total |
|---|----------------------------------|--|--------------------|---|----------------|
| | Upto three months | More than three months and upto one year | More than one year | | |
| ------(Rupees in '000)----- | | | | | |
| On-balance sheet financial instruments | | | | | |
| Financial assets | | | | | |
| Balances with banks | 22,433 | - | - | 4,162 | 26,595 |
| Investments | 127,343 | 48,353 | - | 151,963 | 327,659 |
| Dividend and profit receivable | - | - | - | 4,360 | 4,360 |
| Advances and deposits | - | - | - | 3,401 | 3,401 |
| Sub Total | 149,776 | 48,353 | - | 163,886 | 362,015 |
| Financial liabilities | | | | | |
| Payable to Arif Habib Investments Limited - Management Company | - | - | - | 673 | 673 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | - | - | - | 58 | 58 |
| Payable on redemption of units | - | - | - | 1 | 1 |
| Payable against investments | - | - | - | 2,798 | 2,798 |
| Dividend payable | - | - | - | 2,798 | 2,798 |
| Accrued expenses and other liabilities | - | - | - | 1,600 | 1,600 |
| Sub Total | - | - | - | 7,928 | 7,928 |
| On-balance sheet gap | 149,776 | 48,353 | - | 155,958 | 354,087 |
| Off-balance sheet financial instruments | | | | | |
| Off-balance sheet gap | - | - | - | - | - |

-----As at June 30, 2011-----

| | Exposed to Yield / Interest risk | | | Not exposed to Yield / Interest rate risk | Total |
|--|----------------------------------|--|--------------------|---|----------------|
| | Upto three months | More than three months and upto one year | More than one year | | |
| ------(Rupees in '000)----- | | | | | |
| On-balance sheet financial instruments | | | | | |
| Financial assets | | | | | |
| Balances with banks | 5,752 | - | - | 3,520 | 9,272 |
| Investments | 73,513 | 23,528 | 60,975 | 219,605 | 377,621 |
| Dividend and profit receivable | - | - | - | 4,873 | 4,873 |
| Advances and Deposits | - | - | - | 2,925 | 2,925 |
| Sub Total | 79,265 | 23,528 | 60,975 | 230,923 | 394,691 |
| Financial liabilities | | | | | |
| Payable on redemption of units | - | - | - | - | - |
| Payable to the Management Company | - | - | - | 652 | 652 |
| Payable to Central Depository Company of Pakistan Limited -Trustee | - | - | - | 65 | 65 |
| Accrued expenses and other liabilities | - | - | - | 934 | 934 |
| Dividend payable | - | - | - | 2,798 | 2,798 |
| Sub Total | - | - | - | 4,449 | 4,449 |
| On-balance sheet gap | 79,265 | 23,528 | 60,975 | 226,474 | 390,242 |
| Off-balance sheet financial instruments | | | | | |
| Off-balance sheet gap | - | - | - | - | - |

21.1.3 Price Risk

The Fund is exposed to equity price risk because of investments held by the Fund and classified on the Statement of Assets and Liabilities as available for sale and at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks in accordance with the risk management guidelines adopted by the Management Company. The Fund's constitutive document / NBFC Regulations also limit individual equity securities to no more than 10% of net assets, or issued capital of the investee company and sector exposure limit to 25% of net assets.

In case of 5% increase in KSE 100 index on June 30, 2012, net income and net assets of the Fund would increase by Rs 6.978 million (2011: Rs 12.205 million) as a result of gains/losses on equity securities at fair value through profit or loss.

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In case of 5% decrease in KSE 100 index on June 30, 2012, net income and net assets of the Fund would decrease by Rs 6.978 million (2011: Rs 12.205 million) as a result of gains/losses on equity securities at fair value through profit or loss.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2012 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE 100 index.

21.2 Credit risk

Credit risk represents the risk of loss if counter parties fail to perform as contracted. Credit risk arises from deposits with banks and financial institutions, and credit exposure arising as a result of dividends receivable on equity securities. For banks and financial institutions, credit ratings and other factors are evaluated. Credit risk on dividend receivable is minimal due to statutory protection. All transactions in listed securities are settled / paid for upon delivery using the National Clearing Company of Pakistan Limited. The risk of default is considered minimal due to inherent systematic measures taken therein. In addition, the internal risk management policies and investment guidelines (approved by the Board of Directors) require the Fund to invest in debt securities that have been rated as investment grade by a well known rating agency.

The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30, 2012:

| Bank Balances by rating category | 2012 |
|---|-------------|
| A1+ | 99.95% |
| A-1 | 0.01% |
| Unrated | 0.04% |
| | 2011 |
| AA+ | 49.18% |
| AAA | 23.98% |
| AA | 18.94% |
| A+ | 0.12% |
| A | 0.43% |
| AA- | 7.35% |

The analysis below summarises the credit quality of the Fund's investment in Term Finance Certificates as at June 30, 2012 and June 30, 2011:

| Term Finance Certificates by rating category | 2012 | 2011 |
|---|---------------|-------------|
| AA | 54.12% | 80.06% |
| A+ | 37.11% | 5.56% |
| BB+ | 8.77% | 14.38% |

22.2.1 The maximum exposure to credit risk before any credit enhancement as at June 30, 2012 is the carrying amount of the financial assets.

22.2.3 An analysis of the financial assets that are individually impaired as per the requirements of Circular No. 1 dated January 6, 2009 and Circular No. 13 dated May 4, 2009 issued by the Securities and Exchange Commission of Pakistan are as under:

| | 2012 | 2011 |
|----------------------------------|------------------------|-------------|
| | (Rupees in 000) | |
| Term Finance Certificates | - | - |
| 15 to 89 | - | - |
| 90 to 179 | - | - |
| 180 to 270 | - | - |
| 270 to 365 | 4,700 | - |
| over 365 | - | - |

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Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

21.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

For the purpose of making redemptions the Fund has the ability to borrow in the short term, however such need did not arise during the year. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue.

The Fund did not withhold any redemption requests during the year.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

| | As at June 30, 2012 | | | |
|---|----------------------------|--------------------------|---|---------------------------|
| | Total | Upto three months | More than three months and upto one year | More than one year |
| | -----Rupees '000----- | | | |
| Liabilities | | | | |
| Payable to the Management Company | 673 | 673 | - | - |
| Payable to Central Depository Company of Pakistan | 58 | 58 | | |
| Dividend payable | 2,798 | 2,798 | - | - |
| Accrued expenses and other liabilities | 1,600 | 1,600 | | |
| Payable on redemption of units | 1 | 1 | - | - |
| Payable against purchase of investments | 2,798 | 2,798 | | |
| | <u>7,928</u> | <u>7,928</u> | <u>-</u> | <u>-</u> |
| | As at June 30, 2011 | | | |
| | Total | Upto three months | More than three months and upto one year | More than one year |
| | -----Rupees '000----- | | | |
| Liabilities | | | | |
| Payable to the Management Company | 652 | 652 | - | - |
| Payable to Central Depository Company of Pakistan | 65 | 65 | - | - |
| Dividend payable | 2,798 | 2,798 | - | - |
| Accrued expenses and other liabilities | 934 | 934 | - | - |
| Payable on redemption of units | - | - | - | - |
| | <u>4,449</u> | <u>4,449</u> | <u>-</u> | <u>-</u> |

PAKISTAN CAPITAL MARKET FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

21.4 Financial instruments by category

| -----As at June 30, 2012----- | | | |
|--------------------------------|---|--------------------|----------------|
| Loans and receivables | Assets at fair value through profit or loss | Available for sale | Total |
| -----Rupees in '000----- | | | |
| Assets | | | |
| Balances with banks | 26,595 | - | 26,595 |
| Investments | - | 327,659 | 327,659 |
| Dividend and profit receivable | 4,360 | - | 4,360 |
| Deposits | 3,401 | - | 3,401 |
| | <u>34,356</u> | <u>327,659</u> | <u>362,015</u> |

| -----As at June 30, 2012----- | | | |
|---|--|-----------------------------|--------------|
| | Liabilities at fair value through profit or loss | Other financial liabilities | Total |
| -----Rupees in '000----- | | | |
| Liabilities | | | |
| Payable to the Management Company | - | 673 | 673 |
| Payable to Central Depository Company of Pakistan | - | 58 | 58 |
| Dividend payable | - | 2,798 | 2,798 |
| Accrued expenses and other liabilities | - | 1,600 | 1,600 |
| Payable on redemption of units | - | 1 | 1 |
| Payable against purchase of investments | - | 2,798 | 2,798 |
| | <u>-</u> | <u>7,928</u> | <u>7,928</u> |

| -----As at June 30, 2011----- | | | |
|--------------------------------|---|--------------------|----------------|
| Loans and receivables | Assets at fair value through profit or loss | Available for sale | Total |
| -----Rupees in '000----- | | | |
| Assets | | | |
| Balances with banks | 9,272 | - | 9,272 |
| Investments | - | 349,460 | 377,621 |
| Dividend and profit receivable | 4,873 | - | 4,873 |
| Deposits | 2,925 | - | 2,925 |
| | <u>17,070</u> | <u>349,460</u> | <u>394,691</u> |

| -----As at June 30, 2011----- | | | |
|--|--|-----------------------------|--------------|
| | Liabilities at fair value through profit or loss | Other financial liabilities | Total |
| -----Rupees in '000----- | | | |
| Liabilities | | | |
| Remuneration payable to Management Company | - | 652 | 652 |
| Remuneration payable to Trustee | - | 65 | 65 |
| Dividend payable | - | 2,798 | 2,798 |
| Accrued expenses and other liabilities | - | 934 | 934 |
| | <u>-</u> | <u>4,449</u> | <u>4,449</u> |

21.5 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

**PAKISTAN CAPITAL MARKET FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

The Fund has adopted the amendments to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

| | ----- As at June 30, 2012 ----- | | | |
|---|---------------------------------|---------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Total |
| | ----- Rupees in '000 ----- | | | |
| ASSETS | | | | |
| Investment in securities - at fair value through profit or loss | 160,296 | 162,663 | 4,700 | 327,659 |

22 CAPITAL RISK MANAGEMENT

The Fund's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns to unit holders and to maintain a strong capital base to meet unexpected losses or opportunities. In accordance with the NBFC Regulations the Fund is required to distribute at least ninety percent of its income from sources other than capital gain as reduced by such expenses as are chargeable to the Fund.

The Fund manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Fund may adjust the amount of dividend paid to shareholders or issue new shares.

In accordance with the risk management policies stated in note 21, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of investments.

The Fund is not subject to externally imposed capital requirements.

23 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. There has been no significant rearrangements and reclassifications made in these financial statements.

24 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on **August 15, 2012** by the Board of Directors of the Management Company.

25 GENERAL

25.1 The Fund has elected to present all non owner changes in equity (i.e. comprehensive income in the income statement).

25.2 Figures have been rounded off to the nearest thousand rupees.



Chief Executive Officer

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



Director

**PAKISTAN CAPITAL MARKET FUND
PATTERN OF HOLDING AS PER REQUIREMENT OF
CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2012**

| Category | Number of Unit Holders | Number of Units |
|--|---------------------------|--------------------|
| Associated companies, undertakings and related parties | - | - |
| Directors, CEO and their spouse and minor children | - | - |
| Executives | - | - |
| Trust | 5 | 1,089,099 |
| Banks, Development Finance Institutions, Non-Banking Finance Institutions and insurance companies | 11 | 198,490 |
| Shareholders holding Five percent or more voting interest in the listed company -Bank Alfalah Limited | 1 | 11,275,972 |
| Individuals | 3,202 | 31,756,210 |
| Others | 36 | 2,564,940 |
| Total | 3,255 | 46,884,711 |

**PAKISTAN CAPITAL MARKET FUND
PATTERN OF UNIT HOLDING BY SIZE
FOR THE YEAR ENDED JUNE 30, 2012**

| No. of Unit Holders | Units Holdings | Total Units Held |
|----------------------------|--|-------------------------|
| 2,072 | (SHAREHOLDING FROM 1.0000 TO 5000.0000) | 3,348,580.99 |
| 519 | (SHAREHOLDING FROM 5001.0000 TO 10000.0000) | 3,523,726.89 |
| 251 | (SHAREHOLDING FROM 10001.0000 TO 15000.0000) | 3,247,990.05 |
| 38 | (SHAREHOLDING FROM 15001.0000 TO 20000.0000) | 654,550.13 |
| 40 | (SHAREHOLDING FROM 20001.0000 TO 25000.0000) | 881,324.53 |
| 139 | (SHAREHOLDING FROM 25001.0000 TO 30000.0000) | 3,749,528.55 |
| 21 | (SHAREHOLDING FROM 30001.0000 TO 35000.0000) | 693,874.06 |
| 7 | (SHAREHOLDING FROM 35001.0000 TO 40000.0000) | 264,101.78 |
| 23 | (SHAREHOLDING FROM 40001.0000 TO 45000.0000) | 948,976.13 |
| 3 | (SHAREHOLDING FROM 45001.0000 TO 50000.0000) | 141,004.14 |
| 24 | (SHAREHOLDING FROM 50001.0000 TO 55000.0000) | 1,275,890.59 |
| 6 | (SHAREHOLDING FROM 55001.0000 TO 60000.0000) | 348,398.03 |
| 5 | (SHAREHOLDING FROM 60001.0000 TO 65000.0000) | 315,849.55 |
| 11 | (SHAREHOLDING FROM 65001.0000 TO 70000.0000) | 743,645.30 |
| 4 | (SHAREHOLDING FROM 70001.0000 TO 75000.0000) | 287,083.91 |
| 3 | (SHAREHOLDING FROM 75001.0000 TO 80000.0000) | 227,530.13 |
| 9 | (SHAREHOLDING FROM 80001.0000 TO 85000.0000) | 726,306.81 |
| 3 | (SHAREHOLDING FROM 85001.0000 TO 90000.0000) | 260,731.74 |
| 8 | (SHAREHOLDING FROM 90001.0000 TO 95000.0000) | 752,060.48 |
| 3 | (SHAREHOLDING FROM 95001.0000 TO 100000.0000) | 290,729.08 |
| 5 | (SHAREHOLDING FROM 100001.0000 TO 105000.0000) | 507,366.79 |
| 3 | (SHAREHOLDING FROM 105001.0000 TO 110000.0000) | 324,863.46 |
| 2 | (SHAREHOLDING FROM 120001.0000 TO 125000.0000) | 241,721.39 |
| 6 | (SHAREHOLDING FROM 130001.0000 TO 135000.0000) | 806,308.29 |
| 2 | (SHAREHOLDING FROM 135001.0000 TO 140000.0000) | 276,932.79 |
| 1 | (SHAREHOLDING FROM 140001.0000 TO 145000.0000) | 142,295.72 |
| 3 | (SHAREHOLDING FROM 160001.0000 TO 165000.0000) | 483,332.10 |
| 1 | (SHAREHOLDING FROM 165001.0000 TO 170000.0000) | 169,571.10 |
| 2 | (SHAREHOLDING FROM 185001.0000 TO 190000.0000) | 376,498.66 |
| 1 | (SHAREHOLDING FROM 195001.0000 TO 200000.0000) | 198,819.33 |
| 2 | (SHAREHOLDING FROM 210001.0000 TO 215000.0000) | 425,006.38 |
| 2 | (SHAREHOLDING FROM 230001.0000 TO 235000.0000) | 468,421.73 |
| 1 | (SHAREHOLDING FROM 235001.0000 TO 240000.0000) | 238,978.29 |
| 1 | (SHAREHOLDING FROM 240001.0000 TO 245000.0000) | 241,094.54 |
| 2 | (SHAREHOLDING FROM 260001.0000 TO 265000.0000) | 525,051.17 |
| 2 | (SHAREHOLDING FROM 265001.0000 TO 270000.0000) | 537,158.64 |
| 1 | (SHAREHOLDING FROM 270001.0000 TO 275000.0000) | 270,233.02 |
| 1 | (SHAREHOLDING FROM 295001.0000 TO 300000.0000) | 295,437.25 |
| 1 | (SHAREHOLDING FROM 305001.0000 TO 310000.0000) | 305,809.80 |
| 1 | (SHAREHOLDING FROM 335001.0000 TO 340000.0000) | 337,067.05 |
| 1 | (SHAREHOLDING FROM 345001.0000 TO 350000.0000) | 349,153.12 |
| 1 | (SHAREHOLDING FROM 390001.0000 TO 395000.0000) | 394,811.60 |
| 1 | (SHAREHOLDING FROM 445001.0000 TO 450000.0000) | 448,527.47 |
| 1 | (SHAREHOLDING FROM 470001.0000 TO 475000.0000) | 470,013.81 |
| 1 | (SHAREHOLDING FROM 530001.0000 TO 535000.0000) | 533,601.30 |
| 1 | (SHAREHOLDING FROM 535001.0000 TO 540000.0000) | 537,158.64 |
| 1 | (SHAREHOLDING FROM 625001.0000 TO 630000.0000) | 629,818.51 |
| 1 | (SHAREHOLDING FROM 710001.0000 TO 715000.0000) | 714,963.65 |
| 1 | (SHAREHOLDING FROM 835001.0000 TO 840000.0000) | 835,281.69 |
| 1 | (SHAREHOLDING FROM 840001.0000 TO 845000.0000) | 841,553.85 |
| 1 | (SHAREHOLDING FROM 11275001.0000 TO 11280000.0000) | 11,275,971.86 |
| 3,255 | Total : | 46,884,711 |

**PAKISTAN CAPITAL MARKET FUND
PERFORMANCE TABLE
FOR THE YEAR ENDED JUNE 30, 2012**

| | June 30, 2012 | June 30, 2011 | June 30, 2010 | June 30, 2009 | June 30, 2008 | June 30, 2007 | June 30, 2006 | June 30, 2005 | June 30, 2004 |
|-------------------------------------|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | (Rupees in '000) | | | | | | | | |
| Net Assets | 354,053 | 390,218 | 444,548 | 548,937 | 835,029 | 1,084,197 | 1,435,651 | 1,698,167 | 1,618,903 |
| Net Income | 32,314 | 42,625 | 140,941 | (153,427) | 86,943 | 108,929 | 392,053 | 525,758 | 126,354 |
| Net Asset Value per Unit | 7.55 | 8.06 | 9.97 | 8.28 | 10.85 | 14.59 | 14.53 | 13.08 | 9.97 |
| Dividend distribution - interim (%) | - | - | - | - | - | - | - | 12.50 | - |
| Dividend distribution - final (%) | 7.50 | 6.00 | 29.00 | - | 3.00 | 30.00 | 30.00 | 17.50 | 8.25 |
| | (Rupees) | | | | | | | | |
| Closing selling price per unit | 7.70 | 8.22 | 10.17 | 8.45 | 11.30 | 14.96 | 14.90 | | |
| Highest selling price per unit | 8.38 | 8.47 | 10.80 | 10.81 | 13.35 | 14.98 | 6.92 | | |
| Lowest selling price per unit | 7.15 | 7.26 | 8.69 | 7.14 | 10.78 | 11.31 | 12.44 | | |
| Closing repurchase price per unit | 7.55 | 8.06 | 9.97 | 8.28 | 10.85 | 14.59 | 14.53 | | |
| Highest repurchase price per unit | 8.21 | 8.22 | 10.58 | 10.38 | 13.02 | 14.61 | 16.50 | | |
| Lowest repurchase price per unit | 7.01 | 7.04 | 8.52 | 7.00 | 10.35 | 11.03 | 12.13 | | |
| Dividend distribution - Final | | | 2.90 | - | 0.30 | 3.00 | 3.00 | | |
| | Announcement Date of Distribution | | | | | | | | |
| Final | July 4, 2011 | July 5, 2010 | - | July 3, 2008 | July 4, 2007 | July 4, 2006 | | | |
| | (Percentage) | | | | | | | | |
| Total return of the Fund | 9.40 | 13.97 | 20.41 | (21.52) | (6.38) | 26.54 | 28.24 | | |
| Income Distribution | 7.50 | 8.44 | 35.02 | - | 2.59 | 26.02 | 26.48 | | |
| Capital growth | 1.90 | 5.53 | (14.61) | (21.52) | (8.97) | 0.52 | 1.77 | | |
| Average Annual return of the fund | | | | | | | | | |
| One Year | 9.40 | 13.97 | 20.41 | (21.52) | (6.38) | 26.54 | 28.24 | | |
| Two Year | 12.36 | 37.30 | (2.79) | (14.27) | 8.84 | 26.84 | 34.64 | | |
| Three Year | 16.73 | 7.70 | (4.00) | (2.40) | 14.63 | 31.88 | - | | |

Disclaimer

The past performance is not necessarily indicative of future performance and unit prices and investments and returns may go down, as well as up.