



**Bachat** ka Doosra Naam

**Annual Report  
2012**



PAKISTAN

**PREMIER**

FUND

Din Eid, Raat Shabraat

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

# PAKISTAN PREMIER 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 PREMIER FUND

## FUND'S INFORMATION

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

# PAKISTAN PREMIER 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 Premier Fund (PPF), is pleased to present the Annual Report on the affairs of PPF for the year ended June 30, 2012.

#### Equities Market Overview

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.

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.

#### Future Outlook

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 provide long term capital appreciation through a research-based selection of a combination of value and growth stocks. 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 and Gas and Electricity but also took aggressive positions in Banks and Construction and 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. Besides these major shifts, fund exploited many lucrative opportunities offered by various companies related to Fixed Line Telecommunication, Engineering, Automobile & Parts and Pharma and Biotech sectors.

The fund generated a return of 13.6% during the year as against its benchmark KSE-100 Index return of 10.4%, an out-performance of 3.2%. Since inception return of the fund has been staggering at 506.9% as against its benchmark return of 417.6%, an out-performance by 89.3%. Net assets of fund were reduced by Rs 220m (around 32%) during the year as many investors decided to book profit in major positive rallies.

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

Performance Information (%)	PPF	Benchmark
Last twelve Months Return	13.6%	10.4%
Since Inception	506.9%	417.6%



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

During the year your fund earned net income of Rs 57.501 million. The Board in the meeting held on June 25, 2012 has declared final distribution amounting to Rs. 42.045 million (i.e. Rs. 0.9568 per unit).

During the period, units worth Rs.62,504 million (including Rs.57.030 million worth of bonus units) were issued and units with a value of Rs.282.078 million were redeemed. As on 30 June 2012 the NAV of the Fund was Rs. 9.75 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.

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' report highlighting the said issue.

The aggregate unrecognised amount of WWF as at June 30, 2012 amounted to Rs12.212 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 Lahore Stock Exchange.

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 it applies to the Management Company; hence appropriate disclosure has been made in the Directors' Report of the Management Company.

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

- 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 22 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

- 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. The trades in Units of the Fund carried out by Directors, CEO, Company Secretary & Chief Financial Officer of the Management Company and their spouses and minor children are as under:

S. No.	Name	Designation	Investment	Redemption	Bonus
			(Number of Units)		
1.	Mr. Nasim Beg	Executive Vice Chairman	-	-	522
2.	Mr. Yasir Qadri	Chief Executive Officer	-	-	-
3.	Mr. Muhammad Saqib Saleem	Company Secretary & Chief Financial Officer	-	-	-

**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 & 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 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.

On behalf of the Board

**Yasir Qadri**  
Chief Executive Officer

Karachi: August 15, 2012

# PAKISTAN PREMIER FUND REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2012

## Fund Type and Category

Pakistan Premier Fund PPFL is an Open-End Equity Scheme.

## Fund Benchmark

The benchmark for PPFL is KSE 100 Index.

## Investment Objective

The objective of the fund is to provide investors long term capital appreciation from its investments in Pakistani equities.

## Investment Strategy

Pakistan Premier Fund Limited (PPFL) is an open end equity fund. The fund takes a long term value investing approach and the portfolio is diversified across all major sectors with stocks having long term positive fundamentals. PPFL is a long only fund. The funds which are not invested in equities are required to be kept in bank deposits and short-term money market instruments/Placements.

## Manager's Review

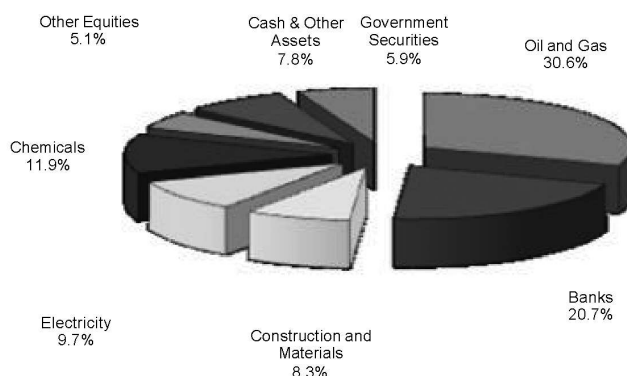
During the year under review, NAV per unit of Pakistan Premier Fund increased by 13.6% as compared to the benchmark KSE-100 Index return of 10.4%, resulting in an out performance of 3.2% by the fund. Tax amnesty on capital gains coupled with the return of foreigners in the market remained the positive highlighting factors during the year, which kept the market rolling. Unstable political conditions, deteriorating macro-factors, worsening law and order situation, worldwide recessionary conditions and Euro zone crisis however continued to cast shadow of doubt on equity market performance. The fund remained vigilant and tried to concentrate its exposure in those stocks and sectors that are largely immune fundamentally from deteriorating macroeconomic conditions.

The fund started the year with an equity allocation of 78.3%. Fund manager changed overall equity allocation several times during the year in sync with various developing market scenarios. Maximum equity allocation during the year remained 90.1% while minimum was 80.1%. Average equity allocation during the year comes out to be around 78.5%. 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.

The fund initially had around 16.3% exposure in Oil and Gas sector which was gradually increased and maintained above 30% as this sector is relatively shielded from deteriorating economic fundamentals. The fund had a high exposure of around 18% in Chemicals, mainly in fertilizers; at the beginning of the year which was brought down significantly during the year amid frequent shut downs in gas supplies as well as higher imports of urea, which was sold at reduced prices. The fund had low exposure (around 10.6%) in Banks at the beginning which was increased to around 28% by third quarter to take advantage of the year end results; however fund realized some capital gain and brought its exposure down to around 21% by year-end. Unlike previous year, Construction and Materials sector is a key highlighting sector for the year as it depicted strong earnings growth on the back of higher gross margins. The fund took advantage of this scenario and increased allocation to around 14% in third quarter, while it was reduced to around 8.3% by the year-end as the fund preferred to realize capital gains. Moreover, the fund took small exposures in Engineering, Automobile and Parts, Personal Goods, Pharma & Bio Tech and Fixed Line Telecommunication sectors throughout the year to capitalize on various positive developments within these sectors. The fund however liquidated its allocation of around 10% in General Industries during the year.

Since inception return of the fund was 506.9% as compared to the benchmark's return of 417.6%, an out-performance of 89.3%. The fund's Net Assets declined by 32% from PKR 688 Million at the beginning of the year to PKR 468 Million as on June 30, 2012. The decline in net assets of the fund is primarily attributable to redemption pressures amid a) conversion of fund from closed-end to open-end and b) positive returns of the local stock exchanges as some investors opted to realize capital gains of the fund.

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



**Mr. Muhammad Asim, CFA**  
Fund Manager

Karachi: August 15, 2012



**PAKISTAN PREMIER 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 Shakra-e-Faisal  
Karachi - 74400. Pakistan.  
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Fax: (92-21) 34326020 - 23  
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Email: info@cdcpak.com



ISO 27001 Certified

**TRUSTEE REPORT TO THE UNIT HOLDERS**

**PAKISTAN PREMIER 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 Premier 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 PREMIER 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 Premier Fund ("the Fund") to comply with the Code of Corporate Governance contained in Listing Regulations of Lahore 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 Premier Fund is an open end mutual fund and is listed at Lahore 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 PREMIER 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 PREMIER 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 Premier Fund**, to comply with the Listing Regulation No. 35 (Chapter XI) of the Lahore Stock Exchange 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

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
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Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O.Box 39, Lahore-54660, Pakistan; Tel: +92 (42) 35715864-71; Fax: +92 (42) 35715872  
Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O.Box 3021, Islamabad-44000, Pakistan; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924  
Kabul: House No. 1, Street No. 3, Darulaman Road, Ayoub Khan Meina, Opposite Ayoub Khan Mosque, Kabul, Afghanistan; Tel: +93 (799) 315320, +93 (799) 315320



**PAKISTAN PREMIER 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 Premier 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.

**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.

**Emphasis of matter paragraph**

We draw attention to note 14.1 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.

Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: September 17, 2012

Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
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# **FINANCIAL STATEMENTS**



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

	June 30	June 30
	2012	2011
	-----Rupees in '000-----	
<b>ASSETS</b>		
Bank balances	4 <span style="border: 1px solid black; padding: 2px;">34,756</span>	47,629
Investments	5 <span style="border: 1px solid black; padding: 2px;">463,605</span>	652,364
Dividend and profit receivable	6 <span style="border: 1px solid black; padding: 2px;">978</span>	1,340
Deposits, prepayments and other receivables	7 <span style="border: 1px solid black; padding: 2px;">2,915</span>	2,700
Advance tax	8 <span style="border: 1px solid black; padding: 2px;">2,655</span>	2,655
<b>Total assets</b>	504,909	706,688
<b>LIABILITIES</b>		
Payable to the Management Company	9 <span style="border: 1px solid black; padding: 2px;">5,979</span>	6,840
Payable to the Trustee	10 <span style="border: 1px solid black; padding: 2px;">77</span>	116
Payable to the Securities and Exchange Commission of Pakistan	11 <span style="border: 1px solid black; padding: 2px;">518</span>	1,101
Payable on redemption of units	<span style="border: 1px solid black; padding: 2px;">1,831</span>	194
Payable against purchase of investments	<span style="border: 1px solid black; padding: 2px;">17,013</span>	-
Unclaimed dividend	12 <span style="border: 1px solid black; padding: 2px;">10,266</span>	10,266
Accrued expenses and other liabilities	13 <span style="border: 1px solid black; padding: 2px;">1,293</span>	646
<b>Total liabilities</b>	36,977	19,163
<b>NET ASSETS</b>	<u>467,932</u>	<u>687,525</u>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>	<u>467,932</u>	<u>687,525</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	14	
	<b>Number of units</b>	
<b>NUMBER OF UNITS IN ISSUE</b>	<u>48,007,325</u>	<u>71,355,463</u>
	-----Rupees in '000-----	
<b>NET ASSET VALUE PER UNIT</b>	3.10 <span style="border: 1px solid black; padding: 2px;">9.75</span>	<span style="border: 1px solid black; padding: 2px;">9.64</span>

The annexed notes 1 to 29 form an integral part of these financial statements.

  
\_\_\_\_\_  
Chief Executive Officer

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

  
\_\_\_\_\_  
Director

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

	Note	For the year ended June 30, 2012	For the period from December 22, 2010 to June 30, 2011
-----Rupees in '000-----			
<b>INCOME</b>			
Capital gain on sale of investments - net		15,681	6,944
Income from government securities		2,464	7,569
Profit on bank deposits		6,146	2,057
Dividend income		41,162	20,198
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5.3	12,088	24,890
Other income		-	431
<b>Total income</b>		77,541	62,089
<b>EXPENSES</b>			
Remuneration of the Management Company	9.1	10,897	7,738
Sindh sales tax on remuneration of the Management Company	9.2	1,744	-
Remuneration of the Trustee	10.1	1,090	771
Annual fee - Securities and Exchange Commission of Pakistan	11.1	518	368
Securities transaction cost		4,275	351
Settlement and bank charges		345	154
Fees and subscriptions		214	112
Auditors' remuneration	15	549	382
Printing and related expenses		898	21
<b>Total expenses</b>		20,530	9,897
<b>Net income from operating activities</b>		57,011	52,192
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		490	(10,789)
<b>Net income for the year / period before taxation</b>		57,501	41,403
Taxation	16	-	-
<b>Net income for the year / period before taxation</b>		57,501	41,403
Other comprehensive income / (loss) for the year / period		-	-
<b>Total comprehensive income for the year / period</b>		57,501	41,403

**Earnings per unit**

17

The annexed notes 1 to 29 form an integral part of these financial statements.

  
Chief Executive Officer

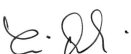
**For Arif Habib Investments Limited  
(Management Company)**

  
Director

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

	For the year ended June 30, 2012	For the period from December 22, 2010 to June 30, 2011
	-----Rupees in '000-----	
<b>Accumulated loss brought forward</b>	<b>(26,030)</b>	(160,470)
Net income for the year / period after taxation	<b>57,501</b>	41,403
Net element of income and capital gains included in prices of units issued less those in units redeemed	<b>13,420</b>	93,037
Final distribution for the year ended June 30, 2011: Rs 0.2100 per unit		
- Issue of bonus units	<b>(14,985)</b>	-
Final distribution for the year ended June 30, 2012: Rs 0.9568 per unit		
- Issue of bonus units	<b>(42,045)</b>	-
<b>Accumulated loss carried forward</b>	<u><u>(12,139)</u></u>	<u><u>(26,030)</u></u>
<b>Accumulated loss comprising</b>		
- Realised loss	<b>(24,227)</b>	(50,920)
- Unrealised gain	<b>12,088</b>	24,890
	<u><u>(12,139)</u></u>	<u><u>(26,030)</u></u>

The annexed notes 1 to 29 form an integral part of these financial statements.

  
\_\_\_\_\_  
Chief Executive Officer

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

  
\_\_\_\_\_  
Director

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

Note	For the year ended June 30, 2012	For the period from December 22, 2010 to June 30, 2011
-----Rupees in '000-----		
<b>Net assets at the beginning of the year / period</b>	<b>687,525</b>	-
Issue of 545,564 units (2011: 171,230,656 units)	5,474	1,550,976
Issue of 5,928,023 bonus units (2011: Nil units)	57,030	-
Redemption of 29,821,725 units (2011: 99,875,193 units)	(282,078) (219,574)	(915,643) 635,333
Net element of (income) / losses and capital (gains) / losses included in prices of units issued less those in units redeemed		
- amount transferred to the Income Statement	(490)	10,789
- amount transferred to the Distribution Statement	(13,420) (13,910)	(93,037) (82,248)
Final distribution for the year ended June 30, 2011: Rs 0.2100 per unit		
- Issue of bonus units	(14,985)	-
Final distribution for the year ended June 30, 2012: Rs 0.9568 per unit		
- Issue of bonus units	(42,045) (57,030)	- -
Capital gain on sale of investments - net	15,681	6,944
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5.3 12,088	24,890
Other income (net of expenses) for the year / period	29,732 57,501	9,569 41,403
Net element of income and capital gains included in prices of units issued less those in units redeemed - transferred to Distribution Statement	13,420	93,037
<b>Net assets at the end of the year / period</b>	<b>467,932</b>	<b>687,525</b>

The annexed notes 1 to 29 form an integral part of these financial statements.

  
\_\_\_\_\_  
Chief Executive Officer

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

  
\_\_\_\_\_  
Director

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

Note	For the year ended June 30, 2012	For the period from December 22, 2010 to June 30, 2011
	-----Rupees in '000-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year / period before taxation	57,501	41,403
<b>Adjustments for non-cash and other items</b>		
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(12,088)	(24,890)
Dividend income	(41,162)	-
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(490)	10,789
	<u>3,761</u>	<u>27,302</u>
<b>(Increase) / decrease in assets</b>		
Investments - net	131,654	528,719
Dividend and profit receivable	(367)	1,015
Deposits, prepayments and other receivables	(215)	135
	<u>131,072</u>	<u>529,869</u>
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	(861)	(658)
Payable to the Trustee	(39)	116
Payable to the Securities and Exchange Commission of Pakistan	(583)	367
Unclaimed dividend	-	(53,321)
Payable against purchase of investments	17,013	-
Accrued expenses and other liabilities	647	(1,813)
	<u>16,177</u>	<u>(55,309)</u>
Dividend received	41,891	-
<b>Net cash generated from operating activities</b>	<u>192,901</u>	<u>501,862</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issue of units	5,474	13,399
Payments on redemption of units	(280,441)	(915,449)
	<u>(274,967)</u>	<u>(902,050)</u>
Bank balance transferred from Pakistan Premier Fund Limited upon conversion	-	546,590
<b>Net cash used in financing activities</b>	<u>(274,967)</u>	<u>(355,460)</u>
<b>Net (decrease) / increase in cash and cash equivalents during the year / period</b>	<u>(82,066)</u>	<u>146,402</u>
Cash and cash equivalents at the beginning of the year / period	146,402	-
<b>Cash and cash equivalents at the end of the year / period</b>	<u>4.2</u> <u>64,336</u>	<u>146,402</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

  
\_\_\_\_\_  
Chief Executive Officer

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

  
\_\_\_\_\_  
Director

# PAKISTAN PREMIER 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 Premier Fund (the Fund) was constituted by virtue of a Scheme of Arrangement for conversion of Pakistan Premier Fund Limited (PPFL) into an open end scheme under a Trust Deed executed between Arif Habib Investments Limited (AHIL), as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on November 12, 2010 after being approved by the Securities and Exchange Commission of Pakistan (SECP) on November 11, 2010 in accordance with the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

Based on the shareholders' resolutions of MCB Asset Management Company Limited and AHIL the two companies 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 and AHIL/271/2011 dated June 10, 2011). AHIL being a listed company was the surviving entity and in compliance of SBP's approval, it is a subsidiary of MCB Bank Limited. However, subsequent to the completion of the merger, the SECP issued an order postponing the effective date of the merger to July 30, 2011 (through letter no. SCD/PR and DD/AMCW/MCB-AMCL and 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 sought ruling by the honourable Sindh High Court (SHC). The honourable SHC 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 Management Company of the Fund has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.

The Fund has been categorised as an open-end equity scheme as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorisation of Collective Investment Schemes (CISs) and is listed on the Lahore Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferrable and can be redeemed by surrendering them to the Fund.

Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of "AM2" (positive outlook) to the Management Company while the Fund has been assigned a stability short-term rating of 3-star and a long-term rating of 4-star.

The Fund primarily invests in shares of listed equity securities and cash and near cash instruments which include cash in bank accounts (excluding term deposit receipts), and treasury bills not exceeding 90 days remaining in maturity.

As per clause 2.3.1 of the Trust Deed, the Fund became operative from the "effective date" upon conversion of Pakistan Premier Fund Limited into an open end scheme. Therefore, the financial statements for the period ended June 30, 2011 were prepared from December 22, 2010, i.e., the "effective date" of conversion.

The face value per unit is Rs 10. As per the scheme of conversion of the closed-end fund into an open-end scheme, a swap ratio of 1:1 (i.e. for each fully paid up share of par value of Rs 10 of Pakistan Premier Fund Limited, each share holder whose name was entered in the Register of Members of Pakistan Premier Fund Limited on the effective date was issued one unit of the open-end scheme of the par value of Rs 10 with no front-end load upon issuance of the units of open-end scheme, the shares of Pakistan Premier Fund Limited and the corresponding share certificates were deemed to be cancelled and of no effect) was approved by the share holders of Pakistan Premier Fund Limited vide their Special Resolution dated September 25, 2010. Hence, the initial issuance of 169,804,687 units of Pakistan Premier Fund was made at the net asset value received against each unit (i.e. 9.05 per unit).

In accordance with the letter no. SCD/AMCWPPFL/277/2011 of Specialised Companies Division of the Securities and Exchange Commission of Pakistan, Pakistan Premier Fund Limited (PPFL) was dissolved and the name was deleted from the register of companies with effect from June 14, 2011.

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



# PAKISTAN PREMIER FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2012

#### 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 (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, 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 Regulations or the directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Trust Deed, 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:

- a) IFRS 7, 'Financial Instruments: Disclosures' (effective 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' (effective July 1, 2011). This 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 as currently no items are being reported under other comprehensive income in the Income Statement.
- 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 interpretations 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 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards and amendments to standards have been published and are 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 under 'other comprehensive income' (OCI) in the Income Statement on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment will not have any effect on the Fund's financial statements.
- b) IFRS 7, 'Financial instruments: Disclosures' (effective January 1, 2013). This amendment reflects the joint IASB and FASB requirements to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements. The management of the Fund is in the process of assessing the impact of this amendment on the Fund's financial statements.

# PAKISTAN PREMIER FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2012

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 the 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 involving a higher degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements principally relate to classification and valuation of investments (notes 3.2 and 5).

#### 2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except for investments classified as 'financial assets at fair value through profit and loss' which are carried at fair value in accordance with the criteria laid down in International Accounting Standard (IAS 39): "Financial Instruments: Recognition and Measurement."

#### 2.6 Functional and presentation currency

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

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

#### 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 highly liquid investments having original maturities of three months or less.

#### 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) Financial assets 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.

# PAKISTAN PREMIER FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2012

#### 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 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. A security listed on the stock exchange for which no sale is reported on the reporting date is valued at its last sale price on the next preceding date on which such exchange is open and if no sale is reported for such date the security is valued at an amount neither higher than the closing asked price nor lower than the closing bid price. Security for which no market rate is available is carried at face value.

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 shown under other comprehensive income is transferred to income before taxation as capital gain / (loss).

##### - 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 Markets 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 carried 'at fair value through profit or loss' are taken to the Income Statement.

##### b) Loans and receivables

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 reporting 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.

# PAKISTAN PREMIER FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2012

#### 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.

#### 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. These are initially recognised at fair value and subsequently stated at amortised cost.

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

#### 3.6 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 / period, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders.

The fund is also exempt from the provisions of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

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.

#### 3.7 Proposed distributions

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

#### 3.8 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.

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

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.

**3.9 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.

**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 / period end.

**3.11 Revenue recognition**

- Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Income from government securities is recognised using the effective interest method.
- Profit on bank deposits is recognised on an accrual basis.
- Dividend income is recognised when the right to receive dividend is established.
- Unrealised capital gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the year / period in which they arise.

	Note	June 30, 2012	June 30, 2011
4		-----Rupees in '000-----	
		<b>10,265</b>	10,265
	4.1	<b>24,491</b>	37,364
		<b>34,756</b>	47,629

4.1 These carry mark-up at rates ranging between 10.50% and 12.00% per annum (2011: 10.50% and 11.50% per annum).

	Note	June 30, 2012	June 30, 2011
4.2		-----Rupees in '000-----	
		<b>34,756</b>	47,629
	3.1	<b>29,580</b>	98,773
		<b>64,336</b>	146,402

	Note	June 30, 2012	June 30, 2011
5		-----Rupees in '000-----	
		Financial assets at fair value through profit or loss	
	5.1	<b>29,580</b>	98,773
	5.2	<b>431,883</b>	553,591
	5.3	<b>2,142</b>	-
		<b>463,605</b>	652,364

**PAKISTAN PREMIER FUND**  
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**5.1 Government Securities**

Issue date	Tenor	----- Face value -----				Balance as at June 30, 2012			Market value as percentage of total investments	Market value as percentage of net assets
		As at July 1, 2011	Purchases during the year	Sales / matured during the year	As at June 30, 2012	Carrying Value	Market value	Appreciation / (Diminution)		
-----Rupees in '000-----										
<b>MARKET TREASURY BILLS</b>										
April 21, 2011	3 Months	50,000	-	50,000	-	-	-	-	-	-
June 2, 2011	3 Months	50,000	-	50,000	-	-	-	-	-	-
May 3, 2012	3 Months	-	20,000	-	20,000	19,843	19,838	(5)	0.04	0.04
March 8, 2012	3 Months	-	25,000	25,000	-	-	-	-	-	-
June 16, 2011	3 Months	-	35,000	35,000	-	-	-	-	-	-
May 19, 2011	3 Months	-	25,000	25,000	-	-	-	-	-	-
June 28, 2012	3 Months	-	10,000	-	10,000	9,741	9,742	1	0.02	0.02
June 30, 2011	3 Months	-	25,000	25,000	-	-	-	-	-	-
June 2, 2011	6 Months	-	25,000	25,000	-	-	-	-	-	-
April 7, 2011	6 Months	-	50,000	50,000	-	-	-	-	-	-
May 19, 2011	6 Months	-	25,000	25,000	-	-	-	-	-	-
March 24, 2011	6 Months	-	20,000	20,000	-	-	-	-	-	-
<b>TOTAL - 2012</b>						<b>29,584</b>	<b>29,580</b>	<b>(4)</b>		
<b>TOTAL - 2011</b>						<b>98,789</b>	<b>98,773</b>	<b>(16)</b>		

**5.2 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 total investments	Market value as percentage of net assets	Paid up value of shares held as a % of total paid up capital of the investee company
	As at July 1, 2011	Purchases during the period	Bonus / Rights issue	Sales during the year	As at June 30, 2012	Carrying Value	Market value	Appreciation / (diminution)			
-----Rupees in'000-----											
<b>SHARES OF LISTED COMPANIES - Fully paid ordinary shares of Rs 10 each unless otherwise stated</b>											
<b>OIL AND GAS</b>											
Attock Petroleum Limited	-	109,100	-	16,807	92,293	38,060	43,781	5,721	9.44%	9.36%	0.13%
Attock Refinery Limited	-	5,000	-	5,000	-	-	-	-	0.00%	0.00%	0.00%
National Refinery Limited	-	57,700	-	57,700	-	-	-	-	0.00%	0.00%	0.00%
Oil and Gas Development Company Limited	-	353,995	-	244,395	109,600	16,679	17,584	905	3.79%	3.76%	0.00%
Pakistan Oilfields Limited	182,480	137,000	-	201,500	117,980	43,226	43,292	66	9.34%	9.25%	0.05%
Pakistan Petroleum Limited	239,334	132,000	23,383	152,500	242,217	45,039	45,607	568	9.84%	9.75%	0.02%
Pakistan State Oil Company Limited	-	235,314	-	220,604	14,710	3,764	3,469	(295)	0.75%	0.74%	0.01%
						<b>146,768</b>	<b>153,733</b>	<b>6,965</b>			
<b>CHEMICALS</b>											
Engro Corporation Limited	305,060	872,345	53,703	1,139,108	92,000	9,593	9,369	(224)	2.02%	2.00%	0.02%
Fatima Fertilizer Company Limited	-	2,681,262	-	1,771,685	909,577	22,968	22,439	(529)	4.84%	4.80%	0.05%
Fauji Fertilizer Company Limited	496,053	783,175	22,189	1,049,350	252,067	27,878	27,992	114	6.04%	5.98%	0.02%
Lotte Pakistan PTA	-	35,000	-	35,000	-	-	-	-	0.00%	0.00%	0.00%
						<b>60,439</b>	<b>59,800</b>	<b>(639)</b>			
<b>INDUSTRIAL METALS AND MINING</b>											
International Industries Limited	65,000	-	-	65,000	-	-	-	-	0.00%	0.00%	0.00%
<b>CONSTRUCTION AND MATERIALS</b>											
Cherat Cement Company Limited	-	291,478	-	91,000	200,478	4,708	5,938	1,230	1.28%	1.27%	0.21%
D G Khan Cement Company Limited	-	570,000	-	437,000	133,000	5,605	5,238	(367)	1.13%	1.12%	0.03%
Kohat Cement Company Limited	-	131,374	-	-	131,374	5,292	5,289	(3)	1.14%	1.13%	0.10%
Lafarge Pakistan Cement Limited	-	1,576,000	-	317,000	1,259,000	6,989	5,439	(1,550)	1.17%	1.16%	0.10%
Lucky Cement Limited	305,000	476,500	-	610,500	171,000	16,379	19,732	3,353	4.26%	4.22%	0.05%
						<b>38,973</b>	<b>41,636</b>	<b>2,663</b>			
<b>GENERAL INDUSTRIALS</b>											
Packages Limited	588,011	-	-	588,011	-	-	-	-	0.00%	0.00%	0.00%
<b>INDUSTRIAL ENGINEERING</b>											
Millat Tractors Limited	-	21,918	-	-	21,918	10,558	10,583	25	2.28%	2.26%	0.06%
						<b>10,558</b>	<b>10,583</b>	<b>25</b>			
<b>INDUSTRIAL TRANSPORTATION</b>											
Pakistan International Container Terminal Lir	<b>428,329</b>	<b>8,108</b>	-	<b>436,437</b>	-	-	-	-	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>



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Name of the Investee Company	-----Number of shares -----					Balance as at June 30, 2012			Market value as percentage of total investments	Market value as percentage of net assets	Paid up value of shares held as a % of total paid up capital of the investee company
	As at July 1, 2011	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2012	Carrying Value	Market value	Appreciation / (diminution)			
-----Rupees in '000-----											
<b>AUTOMOBILE AND PARTS</b>											
Exide Pakistan Limited	-	16,814	-	3,115	13,699	2,446	2,370	(76)	0.51%	0.51%	0.19%
Pak Suzuki Motor Company Limited	210,148	5,000	-	215,148	-	-	-	-	0.00%	0.00%	0.00%
						<u>2,446</u>	<u>2,370</u>	<u>(76)</u>			
<b>FOOD PRODUCERS</b>											
Engro Foods Limited	-	35,000	-	35,000	-	-	-	-	0.00%	0.00%	0.00%
						<u>-</u>	<u>-</u>	<u>-</u>			
<b>PERSONAL GOODS</b>											
Kohinoor Mills Limited	547,932	-	-	547,932	-	-	-	-	0.00%	0.00%	0.00%
Nishat Mills Limited	828,514	100,464	-	928,978	-	-	-	-	0.00%	0.00%	0.00%
						<u>-</u>	<u>-</u>	<u>-</u>			
<b>PHARMA AND BIO TECH</b>											
Abbot Laboratories Pakistan Limited	-	61,851	-	-	61,851	7,496	7,363	(133)	1.59%	1.57%	0.06%
						<u>7,496</u>	<u>7,363</u>	<u>(133)</u>			
<b>FIXED LINE TELECOMMUNICATION</b>											
Pakistan Telecommunications Company Limi	-	<b>2,250,000</b>	-	<b>2,250,000</b>	-	-	-	-	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
Wateen Telecom Limited	-	<b>1,650,000</b>	-	-	<b>1,650,000</b>	<b>5,032</b>	<b>3,300</b>	<b>(1,732)</b>	<b>0.71%</b>	<b>0.71%</b>	<b>0.27%</b>
						<u><b>5,032</b></u>	<u><b>3,300</b></u>	<u><b>(1,732)</b></u>			
<b>ELECTRICITY</b>											
The Hub Power Company Limited	626,250	2,261,085	-	2,011,170	876,165	34,224	36,703	2,479	7.92%	7.84%	0.08%
Kohinoor Energy Limited	307,476	-	-	307,476	-	-	-	-	0.00%	0.00%	0.00%
Kot Addu Power Company Limited	725,433	200,000	-	925,433	-	-	-	-	0.00%	0.00%	0.00%
Nishat Chunian Power Limited	-	1,188,551	-	366,500	822,051	12,404	12,191	(213)	2.63%	2.61%	0.22%
Nishat Power Limited	-	1,472,895	-	1,472,895	-	-	-	-	0.00%	0.00%	0.00%
						<u>46,628</u>	<u>48,894</u>	<u>2,266</u>			
<b>COMMERCIAL BANKS</b>											
Allied Bank Limited	891,336	70,000	39,761	942,924	58,173	3,554	3,734	180	0.81%	0.80%	0.01%
Askari Bank Limited	-	960,000	78,750	675,000	363,750	5,459	4,936	(523)	1.06%	1.05%	0.04%
Bank Alfalah Limited	-	2,869,155	-	400,000	2,469,155	39,919	42,223	2,304	9.11%	9.02%	0.18%
Bank Al-Habib Limited	-	845,028	96,304	180,202	761,130	21,239	21,669	430	4.67%	4.63%	0.08%
Habib Bank Limited	-	100,256	9,625	109,881	-	-	-	-	0.00%	0.00%	0.00%
Habib Metropolitan Bank Limited	815,990	-	-	815,990	-	-	-	-	0.00%	0.00%	0.00%
MCB Bank Limited	-	189,000	12,970	176,400	25,570	4,065	4,251	186	0.92%	0.91%	0.00%
Meezan Bank Limited	-	716,203	77,025	793,228	-	-	-	-	0.00%	0.00%	0.00%
National Bank of Pakistan Limited	-	1,192,858	-	1,103,858	89,000	4,142	3,875	(267)	0.84%	0.83%	0.00%
United Bank Limited	-	788,529	-	488,500	300,029	23,073	23,516	443	5.07%	5.03%	0.02%
						<u>101,451</u>	<u>104,204</u>	<u>2,753</u>			
<b>NON LIFE INSURANCE</b>											
Adamjee Insurance Company Limited	-	10,000	-	10,000	-	-	-	-	0.00%	0.00%	0.00%
						<u>-</u>	<u>-</u>	<u>-</u>			
<b>SHARES OF DELISTED COMPANIES**</b>											
Sarhad Ghee Mills Limited	113,000	-	-	-	113,000	-	-	-	0.00%	0.00%	-
Sunflo Citruss Limited	315,000	-	-	-	315,000	-	-	-	0.00%	0.00%	-
						<u>-</u>	<u>-</u>	<u>-</u>			
<b>SHARES OF UNLISTED COMPANY</b>											
Pakistan International Bulk Terminal Limited (Dividend specie)	-	214,164	-	-	214,164	2,142	2,142	-	0.46%	0.46%	0.00%
						<u>2,142</u>	<u>2,142</u>	<u>-</u>			
<b>TOTAL - 2012</b>						<u>421,933</u>	<u>434,025</u>	<u>12,092</u>			
<b>TOTAL - 2011</b>						<u>528,685</u>	<u>553,591</u>	<u>24,906</u>			

\*\* These securities are delisted and are valued at nil in the books of accounts.

Investments include quoted equity securities with market value of Rs 30.914 million (2011: Rs 75.883 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular number 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

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	Note	June 30, 2012	June 30, 2011
		-----Rupees in '000-----	
<b>5.3</b>	<b>Net unrealised appreciation on re-measurement of investments classified as financial assets at 'fair value through profit or loss'</b>		
	Market value of investments	<b>463,605</b>	652,364
	Less: Carrying value of investments	<b>(451,517)</b>	(627,474)
		<b><u>12,088</u></b>	<b><u>24,890</u></b>
<b>6</b>	<b>DIVIDEND AND PROFIT RECEIVABLE</b>		
	Dividend receivable	<b>468</b>	1,197
	Profit accrued on bank deposits	<b>510</b>	143
		<b><u>978</u></b>	<b><u>1,340</u></b>
<b>7</b>	<b>DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
	Deposit with Central Depository Company of Pakistan Limited	<b>200</b>	200
	Deposit with National Clearing Company of Pakistan Limited	<b>2,500</b>	2,500
	Receivable against issue of units	<b>215</b>	-
		<b><u>2,915</u></b>	<b><u>2,700</u></b>
<b>8</b>	<b>ADVANCE TAX</b>		
	Advance tax	8.1 <b><u>2,655</u></b>	<b><u>2,655</u></b>
<b>8.1</b>	Adjustment / refund of advance tax by Pakistan Premier Fund Limited as on December 22, 2010 from Federal Board of Revenue has been transferred in the books of accounts of Pakistan Premier Fund by virtue of conversion undertaken as per clause (l) of Article IV of the Scheme of Arrangement. As per the advice of the tax consultants KPMG Taseer Hadi & Co, the Management believes the Pakistan Premier Fund holds a right to get adjustment / refund on behalf of Pakistan Premier Fund Limited from the concerned tax authorities.		
		Note	June 30, 2012
			June 30, 2011
		-----Rupees in '000-----	
<b>9</b>	<b>PAYABLE TO THE MANAGEMENT COMPANY</b>		
	Management Company's remuneration payable	9.1 <b>767</b>	1,160
	Sindh sales tax payable on Management Company's remuneration	9.2 <b>123</b>	-
	Conversion cost payable	9.3 <b>5,089</b>	5,680
		<b><u>5,979</u></b>	<b><u>6,840</u></b>
<b>9.1</b>	Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company is entitled to a remuneration, during the first five years of the Fund, of an amount not exceeding 3 percent of the average annual net assets of the Fund and thereafter of an amount equal to 2 percent of such assets of the Fund. The Management Company has charged its remuneration for the current year at the rate of 2 percent per annum.		
<b>9.2</b>	During the current year, the Provincial Government of Sindh 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.		
<b>9.3</b>	Conversion cost include all costs of conversion of Pakistan Premier Fund Limited into an open-end Scheme, including preparation, execution and registration of Constitutive Document registration of the open-end Scheme as a Notified Entity, approval of the SECP for publication of the Offering Document and other such ancillary matters. These have been charged to the Pakistan Premier Fund Limited in terms of conditions imposed by SECP while granting approval to the conversion undertaken. The conversion cost shall be reimbursed by the Fund to the Management Company over a period of five years as per Article XIV of the Scheme of Arrangement.		
		Note	June 30, 2012
			June 30, 2011
		-----Rupees in '000-----	
<b>10</b>	<b>PAYABLE TO THE TRUSTEE</b>		
	Trustee fee	10.1 <b><u>77</u></b>	<b><u>116</u></b>

**PAKISTAN PREMIER FUND**  
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- 10.1** 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:

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

The remuneration is paid to the Trustee monthly in arrears.

	<b>Note</b>	<b>June 30, 2012</b>	<b>June 30, 2011</b>
		-----Rupees in '000-----	
<b>11</b>	<b>PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>		
	Annual Fee	11.1 <u><b>518</b></u>	<u><b>1,101</b></u>

- 11.1** Under the provisions of Schedule II of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorised as an equity scheme is required to pay as annual fee to the SECP, an amount equal to 0.095% of the average annual net assets of the scheme.

	<b>Note</b>	<b>June 30, 2012</b>	<b>June 30, 2011</b>
		-----Rupees in '000-----	
<b>12</b>	<b>UNCLAIMED DIVIDEND</b>		
	Unclaimed Dividend	12.1 <u><b>10,266</b></u>	<u><b>10,266</b></u>

- 12.1** Unclaimed dividend amounting to Rs. 10.266 million stood outstanding in the books of account of Pakistan Premier Fund Limited as on the effective date of conversion (December 22, 2010). This was transferred in the books of account of Pakistan Premier Fund by virtue of conversion undertaken as per clause (n) of Article IV of the Scheme of Arrangement.

		<b>June 30, 2012</b>	<b>June 30, 2011</b>
		-----Rupees in '000-----	
<b>13</b>	<b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
	Auditor's remuneration payable	<b>375</b>	310
	Professional charges	<b>80</b>	140
	NCSS charges	<b>29</b>	15
	Printing and related payables	<b>500</b>	175
	Tax payable on redemption	<b>6</b>	6
	Brokerage	<b>251</b>	-
	Others	<b>52</b>	-
		<u><b>1,293</b></u>	<u><b>646</b></u>

**14** **CONTINGENCIES AND COMMITMENTS**

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

Subsequent to the year ended June 30, 2011, the Honourable Lahore High Court (LHC) in a constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the Sindh High Court (SHC). However, pending the decision of the said constitutional petition, the Management Company believes that the Fund is not liable to contribute to WWF and hence no provision has been recognised by the Management Company in these financial statements. The aggregate unrecognised amount of WWF as at June 30, 2012 amounted to Rs 12.212 million (including Rs 11.062 million in respect of prior years).

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

	2012	2011
	-----Rupees in '000-----	
<b>15 AUDITOR'S REMUNERATION</b>		
Annual audit fee	275	250
Half yearly review fee	125	50
Fee for review of the Statement of Compliance with the best practices of the Code of Corporate Governance	50	30
Other certifications	50	30
Out of pocket expenses	49	22
	<u>549</u>	<u>382</u>

**16 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 in respect of income relating to the current year as the Management Company has distributed the required minimum percentage of the Fund's accounting income for the year as reduced by capital gains (whether realised or unrealised) to its unit holders.

**17 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.

**18 TRANSACTIONS WITH CONNECTED PERSONS**

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

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

Remuneration payable to the Trustee is determined in accordance the provisions of the Trust Deed.

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

18.1 Details of transactions and balances at period end with connected persons / related parties are as follows:

**Transactions during the year / period with connected persons**

	For the year ended June 30, 2012	For the period from December 22, 2010 to June 30, 2011
	-----Rupees in '000-----	
<b>Arif Habib Investments Limited - Management Company</b>		
Remuneration for the year / period	10,897	7,738
Sindh sales tax on remuneration of the management company	1,744	
Issue of Nil units (2011: 16,975,034 units)	-	153,624
Redemption of Nil units (2011: 16,975,034 units)	-	153,669
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration for the year / period	1,090	771
CDS eligibility charges	53	22
<b>Arif Habib Securities Limited - Brokerage house</b>		
Brokerage for the year / period	380	80
<b>MCB Bank Limited</b>		
Markup income on bank deposits	3,175	-

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	For the year ended June 30, 2012	For the period from December 22, 2010 to June 30, 2011
	-----Rupees in '000-----	
<b>Summit Bank Limited (formerly Arif Habib Bank Limited)</b>		
Issue of Nil units (2011: 2,183,298 units)	-	19,759
Redemption of Nil units (2011: 2,183,298 units)	-	19,759
Markup income on bank deposits	433	79
<b>Arif Habib Corporation</b>		
Issue of Nil units (2011: 40,721,548 units)	-	368,692
Redemption of Nil units (2011: 40,721,548 units)	-	368,937
<b>Trustee - AHI Employee Provident Fund</b>		
Issue of Nil units (2011: 213,772 units)	-	1,935
Redemption of Nil units (2011: 213,772 units)	-	1,935
<b>Trustee - AHI Employee Stock Beneficial Ownership Trust</b>		
Issue of Nil units (2011: 50,000 units)	-	453
Redemption of Nil units (2011: 50,000 units)	-	453
<b>Directors and Executives of the Management Company</b>		
Issue of Nil units (2011: 905,513 units)	-	8,266
Redemption of Nil units (2011: 883,779 units)	-	8,127
Issue of 1,544 bonus units (2011: Nil bonus units)	15	-

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-----	
<b>18.2 Amounts outstanding as at period / year end</b>		
<b>Arif Habib Investments Limited - Management Company</b>		
Remuneration payable	767	1,160
Sindh sales tax payable on Management Company's remuneration	123	-
Conversion cost payable	5,089	5,680
<b>MCB Bank Limited</b>		
Bank balances	646	271
Accrued profit on bank deposits	439	-
Shares held as at June 30, 2012: 25,570 shares (2011: Nil shares)	4,251	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	77	116
Security deposit	200	200
<b>Summit Bank Limited (Formerly Arif Habib Bank Limited)</b>		
Balance with bank	4,326	6,316
Accrued profit on bank deposit	-	16
<b>Directors and Executives of the Management Company</b>		
Units held: 14,072 units (2011: 12,529 units)	137	122
<b>Nishat Mills Limited</b>		
Shares held as at June 30, 2012: Nil shares (2011: 828,514 shares)	-	41,708
<b>Nishat Chumian Power Limited</b>		
Shares held as at June 30, 2012: 822,051 shares (2011: Nil shares)	12,191	-

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**19 PARTICULARS OF THE INVESTMENT COMMITTEE AND FUND MANAGER**

Details of members of investment committee of the Fund as on June 30, 2012 are as follows:

S No.	Name	Designation	Qualification	Experience in years
1	Yasir Qadri	Chief Executive	MBA	17
2	Kashif Rafi	Senior Vice President - Investments	MBA and CFA Level 1	11
3	Muhammad Asim	Vice President - Head of Equities	MBA & CFA	9
4	Syed Akbar Ali	Vice President - Head of Research	MBA & CFA	7
5	Mohsin Pervaiz	Vice President - Investments	MBA and CFA Level 1	11

Mr. Muhammad Asim is the Fund Manager. He is a Chartered Financial Analyst and has also obtained a Masters degree in Business Administration. Other Funds being managed by him are as follows:

- a) MCB Dynamic Stock Fund
- b) MCB Dynamic Allocation Fund
- c) Pakistan Pension Fund

**20 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID** 2012

1	Arif Habib Securities Limited	<b>10.38%</b>
2	Fortune Securities Limited	<b>8.91%</b>
3	KASB Securities Limited	<b>8.36%</b>
4	Topline Securities (Private) Limited	<b>7.33%</b>
5	Foundation Securities (Private) Limited	<b>7.24%</b>
6	Elixir Securities Pakistan (Private) Limited	<b>6.45%</b>
7	Invest and Finance Securities (Private) Limited	<b>6.39%</b>
8	Habib Metro Financial Limited	<b>4.50%</b>
9	JS Global Capital Limited	<b>4.31%</b>
10	NEXT Capital	<b>3.96%</b>

2011

1	Arif Habib Securities Limited	26.54%
2	First Capital Equities	22.57%
3	D.J.M Securities	14.13%
4	KASB Securities Limited	10.33%
5	Invest and Finance Securities (Private) Limited	8.65%
6	I.G.I Finex Securities	8.43%
7	Taurus Securities	6.17%
8	Invest Capital	1.80%
9	NAEL Securities	0.62%
10	Icon Securities	0.53%

**21 PATTERN OF UNITHOLDING**

-----As on June 30, 2012-----

Category	Number of unit holders	Investment amount	Percentage of total investment
		Rupees in '000	
Individuals	3,589	429,401	91.77%
Associated Companies and Directors	1	46	0.01%
Insurance companies	11	4,118	0.88%
Banks and Development Financial Institutions	7	2,156	0.46%
Non-Banking Finance Companies	13	2,011	0.43%
Retirement Funds	11	6,102	1.30%
Public Limited Companies	-	-	0.00%
Others	73	24,098	5.15%
	<u>3,705</u>	<u>467,932</u>	<u>100.00%</u>



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-----As on June 30, 2011-----

Category	Number of unit holders	Investment amount	Percentage of total investment
		<b>Rupees in '000</b>	
Individuals	4,073	575,668	83.73%
Directors	1	41	0.01%
Insurance companies	6	3,298	0.48%
Banks and Development Financial Institutions	16	15,709	2.28%
Non-Banking Finance Companies	5	470	0.07%
Retirement Funds	14	50,420	7.33%
Public Limited Companies	11	3,574	0.52%
Others	85	38,345	5.58%
	4,211	687,525	100.00%

**22 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

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 and March 29, 2012, April 27, 2012 and June 25, 2012 respectively. Information in respect of attendance by Directors in the meetings held during the year ended June 30, 2012 is given below:

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

**23 FINANCIAL RISK MANAGEMENT**

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

**23.1 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.

**23.1.1 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 Pakistani Rupees.

**23.1.2 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 does not hold any variable rate instrument.

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**b) Sensitivity analysis for fixed rate instruments**

As at June 30, 2012, the Fund holds market 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 / period and net assets would be lower by Rs 0.034 million (2011: 0.13 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 / period and net assets would be higher by Rs 0.035 million (2011: 0.06 million).

The composition of the Fund's investment portfolio and rates announced by Financial Market Association of Pakistan is expected to change over time. Therefore, 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 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.

-----As at June 30, 2012-----					
Exposed to yield / interest rate 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 -----					
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Bank balances	24,491	-	-	10,265	34,756
<b>Investment:</b>	<b>29,580</b>	-	-	<b>434,025</b>	<b>463,605</b>
<b>Dividend and profit receivab</b>	-	-	-	978	978
<b>Deposits and other receivabl</b>	-	-	-	2,915	2,915
<b>Sub-total</b>	54,071	-	-	448,183	502,254
<b>Financial liabilities</b>					
Payable to the Management Company	-	-	-	5,979	5,979
<b>Payable to the Truste</b>	-	-	-	77	77
<b>Payable on redemption of uni</b>	-	-	-	1,831	1,831
<b>Unclaimed dividen</b>	-	-	-	10,266	10,266
<b>Payable against purchase of investme</b>	-	-	-	17,013	17,013
<b>Accrued expenses and other liabiliti</b>	-	-	-	1,287	1,287
<b>Sub-total</b>	-	-	-	36,453	36,453
<b>On-balance sheet gap</b>	54,071	-	-	411,730	465,801
<b>Off-balance sheet financial instruments</b>					
<b>Off-balance sheet gap</b>	-	-	-	-	-

-----As at June 30, 2011-----					
Exposed to yield / interest rate 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 -----					
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Bank balances	37,364	-	-	10,265	47,629
<b>Investment:</b>	<b>98,773</b>	-	-	<b>553,591</b>	<b>652,364</b>
<b>Dividend and profit receivab</b>	-	-	-	1,340	1,340
<b>Deposits and other receivabl</b>	-	-	-	2,700	2,700
<b>Sub-total</b>	136,137	-	-	567,896	704,033
<b>Financial liabilities</b>					
Payable to the Management Company	-	-	-	6,840	6,840
<b>Payable to the Truste</b>	-	-	-	116	116
<b>Payable on redemption of uni</b>	-	-	-	194	194
<b>Unclaimed Dividen</b>	-	-	-	10,266	10,266
<b>Accrued expenses and other liabiliti</b>	-	-	-	640	640
<b>Sub-total</b>	-	-	-	18,056	18,056
<b>On-balance sheet gap</b>	136,137	-	-	549,840	685,977
<b>Off-balance sheet financial instruments</b>					
<b>Off-balance sheet gap</b>	-	-	-	-	-

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The rates of return on financial instruments are as follows:

	<b>June 30, 2012</b>	June 30, 2011
	<b>---Percentage per annum---</b>	
Bank balances	<b>10.5 - 12</b>	10.5 - 11.5
Investments - market treasury bills	<b>11.91 - 11.93</b>	13.25 - 13.44

**23.1.3 Price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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 financial assets 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 whichever is higher and sector exposure limit to 30% of net assets.

In case of 5% increase / decrease in KSE 100 index on June 30, 2012, net income and net assets of the Fund would increase / decrease by Rs 21.726 million (2011: Rs 28.600 million) as a result of gains/losses on equity securities at fair value through profit or loss.

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 21.726 million (2011: Rs 28.600 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.

**23.2 Credit risk**

Credit risk represents the risk of loss if the 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 and profit receivable and receivable against issue of units. 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.

The analysis below summarises the credit rating quality of the Fund's financial assets:

**Bank balances by rating category**

<b>As at June 30, 2012</b>	
Rating	Percentage
A-2	12.45
A1+	87.55

**Bank balances by rating category**

<b>As at June 30, 2011</b>	
Rating	Percentage
A-2	13.26
A1+	86.74

The maximum exposure to credit risk before any credit enhancement as at June 30, 2012 is the carrying amount of the financial assets. Investments in equity securities, however, are not exposed to credit risk.

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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.

**23.3 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 redemptions during the year.

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

-----As at June 30, 2012-----				
<b>Total</b>	<b>Upto three months</b>	<b>More than three months and upto one year</b>	<b>More than one year</b>	
-----Rupees '000-----				
<b>Liabilities</b>				
Payable to the Management Company	5,979	890	-	5,089
Payable to the Trustee	77	77	-	-
Payable on redemption of units	1,831	1,831	-	-
Unclaimed dividend	10,266	10,266	-	-
Payable against purchase of investments	17,013	17,013	-	-
Accrued expenses and other liabilities	1,287	1,287	-	-
	<b>36,453</b>	<b>31,364</b>	<b>-</b>	<b>5,089</b>

-----As at June 30, 2011-----				
<b>Total</b>	<b>Upto three months</b>	<b>More than three months and upto one year</b>	<b>More than one year</b>	
-----Rupees '000-----				
<b>Liabilities</b>				
Payable to the Management Company	6,840	1,728	-	5,112
Payable to the Trustee	116	116	-	-
Payable on redemption of units	194	194	-	-
Unclaimed dividend	10,266	-	10,266	-
Accrued expenses and other liabilities	646	646	-	-
	<b>18,062</b>	<b>2,684</b>	<b>10,266</b>	<b>5,112</b>

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**24 FINANCIAL INSTRUMENTS BY CATEGORY**

-----As at June 30, 2011-----				
	Available for sale	Loans and receivables	Assets at fair value through profit or loss	Total
-----Rupees in '000-----				
<b>Assets</b>				
Bank balances	-	34,756	-	34,756
Investments	-	-	463,605	463,605
Dividend and profit receivable	-	978	-	978
Deposits and other receivables	-	2,915	-	2,915
	-	38,649	463,605	502,254

-----As at June 30, 2012-----			
	At fair value through profit or loss	At amortised cost	Total
-----Rupees in '000-----			
<b>Liabilities</b>			
Payable to the Management Company	-	5,979	5,979
Payable to the Trustee	-	77	77
Payable on redemption of units	-	1,831	1,831
Unclaimed dividend	-	10,266	10,266
Payable against purchase of investments	-	17,013	17,013
Accrued expenses and other liabilities	-	1,287	1,287
	-	36,453	36,453

-----As at June 30, 2011-----				
	Available for sale	Loans and receivables	Assets at fair value through profit or loss	Total
-----Rupees in '000-----				
<b>Assets</b>				
Bank balances	-	47,629	-	47,629
Investments	-	-	652,364	652,364
Dividend and profit receivable	-	1,340	-	1,340
Deposits and other receivables	-	2,700	-	2,700
	51,669	51,669	652,364	704,033

-----As at June 30, 2011-----			
	At fair value through profit or loss	At amortised cost	Total
-----Rupees in '000-----			
<b>Liabilities</b>			
Payable to the Management Company	-	6,840	6,840
Payable to the Trustee	-	116	116
Payable on redemption of units	-	194	194
Unclaimed dividend	-	10,266	10,266
Accrued expenses and other liabilities	-	646	646
	-	18,062	18,062

**25 FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are traded in an open market are revalued at the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from carrying values as the items are either short term in nature or periodically repriced.

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International Financial Reporting Standard 7, 'Financial Instruments: Disclosure' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- 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 (i.e., as prices) or indirectly (i.e., derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Investments of the Fund carried at fair values are categorised as follows:

	----- As at June 30, 2012 -----			
	Level 1	Level 2	Level 3	Total
ASSETS	----- Rupees in '000 -----			
Investments	431,883	29,580	2,142	463,605
	----- As at June 30, 2011 -----			
	Level 1	Level 2	Level 3	Total
ASSETS	----- Rupees in '000 -----			
Investments	553,591	98,773	-	652,364

**26 UNIT HOLDERS' FUND RISK MANAGEMENT**

The unit holders' fund is represented by redeemable units. These units are entitled to dividends and to payment of a proportionate share based on the Fund's Net Asset Value per unit on the redemption date. The relevant movements are shown on the 'statement of movement in unit holders' fund'.

The Fund has no restriction or specific capital requirement on the subscription and redemption of units.

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to the unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies stated in note 23, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

**27 DATE OF AUTHORISATION FOR ISSUE**

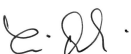
These financial statements were authorised for issue on **August 15, 2012** by the Board of Directors of the Management Company.

**28 CORRESPONDING FIGURES**

Corresponding figures have been re-arranged and re-classified wherever necessary, for the purpose of comparison and better presentation. No significant rearrangement or reclassification were made in these financial statements during the current year.

**29 GENERAL**

Figures have been rounded off to the nearest thousand rupees.

  
\_\_\_\_\_  
Chief Executive Officer

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

  
\_\_\_\_\_  
Director



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

<b>Category</b>	<b>No.of Unit Holders</b>	<b>Units</b>
<b>Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance, Insurance Companies, Modarbas and Mutual Funds.</b>	31	849,891
<b>Individuals</b>	3,588	38,841,881
<b>Corporate</b>	73	2,112,824
<b>Trust</b>	11	961,893.89
<b>Director</b> Nasim Beg	1	4,763.53
<b>Shareholders holding 5 percent or more voting interest in the listed company</b> Mohammad Aslam Motiwala	1	5,236,070.04
	<b>3705</b>	<b>48,007,325</b>

**PAKISTAN PREMIER FUND**  
**PETTERN OF UNIT HOLDING BY SIZE**  
**FOR THE YEAR ENDED JUNE 30, 2012**

No. of Unit Holders	Units Holdings	Total Units Held
2,429	(SHAREHOLDING FROM 1.0000 TO 5000.0000)	3,170,196.75
440	(SHAREHOLDING FROM 5001.0000 TO 10000.0000)	3,037,782.63
255	(SHAREHOLDING FROM 10001.0000 TO 15000.0000)	3,104,495.55
116	(SHAREHOLDING FROM 15001.0000 TO 20000.0000)	2,019,090.76
89	(SHAREHOLDING FROM 20001.0000 TO 25000.0000)	1,993,510.36
74	(SHAREHOLDING FROM 25001.0000 TO 30000.0000)	2,010,528.47
49	(SHAREHOLDING FROM 30001.0000 TO 35000.0000)	1,589,776.05
22	(SHAREHOLDING FROM 35001.0000 TO 40000.0000)	828,271.30
26	(SHAREHOLDING FROM 40001.0000 TO 45000.0000)	1,115,833.42
22	(SHAREHOLDING FROM 45001.0000 TO 50000.0000)	1,052,066.27
18	(SHAREHOLDING FROM 50001.0000 TO 55000.0000)	939,862.77
20	(SHAREHOLDING FROM 55001.0000 TO 60000.0000)	1,134,144.00
14	(SHAREHOLDING FROM 60001.0000 TO 65000.0000)	879,063.20
10	(SHAREHOLDING FROM 65001.0000 TO 70000.0000)	669,753.93
9	(SHAREHOLDING FROM 70001.0000 TO 75000.0000)	654,140.20
5	(SHAREHOLDING FROM 75001.0000 TO 80000.0000)	385,748.13
8	(SHAREHOLDING FROM 80001.0000 TO 85000.0000)	665,885.60
3	(SHAREHOLDING FROM 85001.0000 TO 90000.0000)	265,488.47
6	(SHAREHOLDING FROM 90001.0000 TO 95000.0000)	553,974.66
6	(SHAREHOLDING FROM 95001.0000 TO 100000.0000)	590,260.85
4	(SHAREHOLDING FROM 100001.0000 TO 105000.0000)	409,809.92
4	(SHAREHOLDING FROM 105001.0000 TO 110000.0000)	430,167.79
11	(SHAREHOLDING FROM 110001.0000 TO 115000.0000)	1,233,771.20
2	(SHAREHOLDING FROM 115001.0000 TO 120000.0000)	234,076.80
3	(SHAREHOLDING FROM 120001.0000 TO 125000.0000)	370,659.04
10	(SHAREHOLDING FROM 125001.0000 TO 130000.0000)	1,290,012.53
1	(SHAREHOLDING FROM 130001.0000 TO 135000.0000)	134,785.11
1	(SHAREHOLDING FROM 135001.0000 TO 140000.0000)	136,335.79
1	(SHAREHOLDING FROM 140001.0000 TO 145000.0000)	142,085.97
2	(SHAREHOLDING FROM 145001.0000 TO 150000.0000)	295,110.43
2	(SHAREHOLDING FROM 150001.0000 TO 155000.0000)	303,687.69
2	(SHAREHOLDING FROM 155001.0000 TO 160000.0000)	315,002.87
3	(SHAREHOLDING FROM 160001.0000 TO 165000.0000)	485,998.03
3	(SHAREHOLDING FROM 165001.0000 TO 170000.0000)	506,092.24
1	(SHAREHOLDING FROM 175001.0000 TO 180000.0000)	179,327.09
2	(SHAREHOLDING FROM 190001.0000 TO 195000.0000)	388,211.43
1	(SHAREHOLDING FROM 195001.0000 TO 200000.0000)	200,000.00
1	(SHAREHOLDING FROM 200001.0000 TO 205000.0000)	204,732.96
1	(SHAREHOLDING FROM 210001.0000 TO 215000.0000)	210,545.57
1	(SHAREHOLDING FROM 215001.0000 TO 220000.0000)	219,748.31
2	(SHAREHOLDING FROM 220001.0000 TO 225000.0000)	448,932.12
1	(SHAREHOLDING FROM 225001.0000 TO 230000.0000)	225,484.25
1	(SHAREHOLDING FROM 240001.0000 TO 245000.0000)	242,164.54
3	(SHAREHOLDING FROM 255001.0000 TO 260000.0000)	772,858.92
1	(SHAREHOLDING FROM 280001.0000 TO 285000.0000)	284,171.93
2	(SHAREHOLDING FROM 335001.0000 TO 340000.0000)	672,970.80
1	(SHAREHOLDING FROM 350001.0000 TO 355000.0000)	353,810.90
1	(SHAREHOLDING FROM 385001.0000 TO 390000.0000)	385,084.42
1	(SHAREHOLDING FROM 410001.0000 TO 415000.0000)	412,180.72
1	(SHAREHOLDING FROM 420001.0000 TO 425000.0000)	420,445.29
1	(SHAREHOLDING FROM 450001.0000 TO 455000.0000)	454,109.00
1	(SHAREHOLDING FROM 465001.0000 TO 470000.0000)	468,237.84
1	(SHAREHOLDING FROM 525001.0000 TO 530000.0000)	527,908.33
1	(SHAREHOLDING FROM 775001.0000 TO 780000.0000)	775,014.36
1	(SHAREHOLDING FROM 900001.0000 TO 905000.0000)	904,183.42
1	(SHAREHOLDING FROM 975001.0000 TO 980000.0000)	978,662.30
1	(SHAREHOLDING FROM 5235001.0000 TO 5240000.0000)	5,236,070.04
<b>3705</b>	<b>Total :</b>	<b>48,007,325</b>

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

	June 30, 2012	June 30, 2011
	<b>(Rupees in '000)</b>	<b>(Rupees in '000)</b>
Net Assets	467,932	687,525
Net Income / (loss)	57,501	41,403
Net Asset Value per Unit	9.75	9.64
Closing selling price per unit	9.95	9.84
Closing repurchase price per unit	9.75	9.64
	<b>(Rupees in '000)</b>	
Highest offer price	11.24	11.14
Lowest offer price	8.78	8.80
Highest Redemption price per unit	11.02	10.92
Lowest Redemption price per unit	8.61	8.62
Dividend distribution - Final	0.96	0.21
	<b>Announcement Date of Distribution</b>	
Final	July 4, 2011	
	<b>(Percentage)</b>	
Total return of the Fund	13.6	6.52
Income Distribution	9.60	2.32
Capital growth	4.00	4.20
Average return of the fund		
One Year	13.6	6.52
Two Year	28.97	N/a
Three Year	N/a	N/a

**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.