



Bachat ka Doosra Naam

Half Year Report **December 31, 2013** **(Unaudited)**



Funds Under Management
of
MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Limited)

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.

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings and Investments Limited (Formerly: Arif Habib Investments Limited) 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Board of Directors of the Management Company	Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman Executive Vice Chairman Chief Executive Officer Director Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Nasim Beg Mr. Samad A. Habib	Chairman Member Member
Human Resource Committee	Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Yasir Qadri	Chairman Member Member Member Member
Company Secretary & Chief Operating Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer	Mr. Umair Ahmed	
Trustee	Central Depository Company of Pakistan Limited CDC House, 990B Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
Bankers	Habib Metropolitan Bank Limited MCB Bank Limited Bank Al-Habib Limited Standard Chartered (Pakistan) Limited	
Auditors	KPMG Taseer Hadi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Building No. 2 Beaumont Road, Karachi - 75530	
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
Transfer Agent	JWAFFS Registrar Services (Private) Limited Kashif Centre, Room No. 505, 5th Floor, Near Hotel Mehran, Main Shahrah-e-Faisal, Karachi.	
Rating	AM2 - Management Quality Rating assigned by PACRA	

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED 31 DECEMBER 2013

Dear Investor,

On behalf of the Board of Directors, I am pleased to present Pakistan Capital Market Fund's accounts review for the first half year ended December 31st 2013.

ECONOMY AND MONEY MARKET OVERVIEW

Amid implementation of fiscal reforms and volatile food prices, inflation remained volatile with CPI averaging around 8.9% during the 1HFY13. The current account balance remained in pressure posting a deficit of \$1.58 billion during 1HY14 as opposed to deficit of \$0.083 billion reported in corresponding period last year. Last year's saving grace came in the form of proceeds under Coalition Support Funds (CSF) where the country received USD 1.806bn in 1HFY14.

During the period under review, the country successfully managed to enter into a three-year \$6.6 billion loan program with IMF. Out of total financing of around \$2.2 billion scheduled for FY14 under IMF Extended Fund Facility (EFF), the country received two tranches of around \$540 million each in 1HFY14. While out of total \$3 billion repayments to IMF due in FY14, the government repaid around \$1.89 billion to IMF in the 1HFY14.

In the face of inflows from IMF under EFF program and the multilateral agencies, loan repayments and trade deficit have reduced reserve balance to around \$ 8.3 billion as on 10-Jan-13, from \$11 billion at the start of the FY14. The country also received \$322 million under umbrella of CSF during 1HFY14.

Consequently, the local currency remained under pressure and volatile with the currency touching a record low Rs108.6 against dollar in the interbank market during 2QFY14. However, later SBP intervened in the market and as a result local currency recovered by closing at around Rs105.45 as on 31-Dec-13.

Keeping in view higher inflationary and vulnerable foreign reserves position, the government had twice announced 50 bps hike in the discount rate in the monetary policy held in September and November, bringing the discount rate to 10% from 9% at the start of the fiscal year. A combination of higher power tariffs and gas prices will likely keep inflationary pressure on the higher side during the year.

The money market started on a liquid note, with short term rates remaining on the lower side during the first three months of FY14, mainly due to lower participation rate in T-bill auctions. However, later market started experiencing liquidity crunch, causing market to witness significant number of ceilings in the month of December.

Given an upward trajectory in YOY CPI inflation coupled with SBP tightening stance, the yield curve has adjusted significantly upwards during the period. 1 year PKRV adjusted upwards by 128 bps to 10.22%.

M2 has expanded by 5.47% during the 1HFY14 (till 27th December) as opposed to expansion of 7.01% during the same period last year. While borrowing from SBP increased by Rs 590.9 billion as opposed to net retirement of around Rs 134.4 billion during the same period last year.

EQUITIES MARKET OVERVIEW

Stock market started FY14 on a positive note on the back of smooth political transition. Steep rupee depreciation kept stock market under pressure in the months of August and September. However material recovery in Rupee and Pakistan's success of getting GSP+ status brought market on rails again and KSE100 index touched its all time high of 25,579.33 on 20th December 2013. KSE100 index closed half year with an index on 25,261.14 which translates into 20% return for HY14. Foreigners remained net sellers during the period with a cumulative net outflow of US\$ 9.3 million. In terms of sectors interest remained concentrated in Textile, Construction & Materials, Oil & Gas, Pharmaceuticals and Power Sectors on the heels of strong inherent bottom line growth and healthy payouts.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED 31 DECEMBER 2013

FUND PERFORMANCE

During the period under review, the fund delivered a return of 10.08% as against its benchmark return of 13.35%, an underperformance of 3.27%. On the equities front, the overall allocation declined during the period to 54.9% from 57.6% at the beginning of the period. The fund increased its exposure mainly in Oil and Gas, Commercial Banks and Chemicals sectors, while exposure was reduced in Electricity sector.

On the fixed income side, the fund had increased its exposure in T-Bills to 24.7% as of 31st December, 2013. At the same time, the fund's exposure to TFCs declined to 9.7% from 14.3%.

The Net Asset of the Fund as at December 31, 2013 stood at Rs.319 million as compared to Rs.401 million as at June 30 2013 registering a decrease of 20.45%.

The Net Asset Value (NAV) per unit as at December 31, 2013 was Rs.9.24 as compared to opening NAV of Rs.9.67 per unit as at June 30, 2013 registering a decrease of Re.0.43 per unit.

FUTURE OUTLOOK

Foreign reserves are expected to remain under pressure as Pakistan is scheduled to pay more than \$2.1 billion to external official creditors during the next two quarters. However, the government expects reserve position to improve towards the end of the ongoing fiscal year on the back of significant improvement in foreign direct investments and pledges made by multilateral agencies.

While the economic environment continues to be challenging, corporate earnings are largely expected to continue to improve. Earnings growth is expected to continue in E&P, Textile, Power and Cement sector. The rupee depreciation bodes well for Textile, E&P and Power sector, while higher allocation in PSDP will increase demand for cement.

ACKNOWLEDGMENT

The Board is thankful to the Fund's valued investors, the Securities and Exchange Commission of Pakistan and the Trustees of the Fund for their continued cooperation and support. The Directors also appreciate the efforts put in by the management team.

For and on behalf of the board



Yasir Qadri

Chief Executive Officer

Karachi: February 06, 2014

TRUSTEE REPORT TO THE UNIT HOLDERS



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.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcPakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

PAKISTAN CAPITAL MARKET FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of Pakistan Capital Market Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited (formerly Arif Habib Investments Limited) being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2013 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: February 13, 2014



AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

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Report on review of Condensed Interim Financial Information to the Unit Holders

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **Pakistan Capital Market Fund** ("the Fund") as at 31 December 2013 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes to the accounts for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management Company is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

Other matters

The figures for the quarter ended 31 December 2013 and 31 December 2012 respectively in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.

Date: 06 February 2014

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT 31 DECEMBER 2013**

	<i>Note</i>	31 December 2013 (Unaudited)	30 June 2013 (Audited)
		----- (Rupees in '000) -----	
Assets			
Balances with banks	6	20,022	37,294
Investments	7	302,964	362,589
Dividend and profit receivable		1,394	4,093
Receivable against sale of investment		-	3,997
Advances, deposits and prepayments		14,856	4,146
Total assets		339,236	412,119
Liabilities			
Payable to the Management Company		644	782
Payable to Central Depository Company of Pakistan Limited - Trustee		60	89
Payable to Securities and Exchange Commission of Pakistan		160	322
Dividend payable		2,783	2,783
Accrued expenses and other liabilities	9	16,105	7,607
Total liabilities		19,752	11,583
Net assets		319,484	400,536
Unit holders' fund (as per statement attached)		319,484	400,536
Contingencies and commitments	10		
		(Number of units)	
Number of units in issue (face value of units is Rs. 10 each)		34,585,844	41,414,596
		(Rupees)	
Net asset value per unit		9.24	9.67

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.



Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Limited)
(Management Company)



Director

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2013

	Note	Half year ended		Quarter ended	
		31 December 2013	31 December 2012	31 December 2013	31 December 2012
------(Rupees in '000)-----					
Income					
Capital gain / (loss) on sale of investments - net		7,365	17,478	(3,228)	5,747
Dividend income		7,280	10,750	2,615	6,866
Income from government securities		3,390	4,501	1,572	1,971
Income from term finance certificates		3,192	3,840	1,472	1,750
Profit on bank deposits		2,271	1,483	1,135	881
Income from preference shares		-	22	-	22
Other income		-	17	-	17
		23,498	38,091	3,566	17,254
Net unrealised appreciation on re-measurement of investments classified as 'at fair value through profit or loss'	7.1, 7.2 & 7.3	15,234	17,670	20,631	6,611
Reversal / (Provision) against term finance certificate		2	(2,686)	2	(167)
Total income		38,734	53,075	24,199	23,698
Expenses					
Remuneration of the Management Company		3,761	3,723	1,621	1,881
Sindh Sales tax and Federal Excise Duty on Management Fee		1,300	596	561	301
Remuneration of Central Depository Company of Pakistan Limited - Trustee		394	372	180	188
Annual fee - Securities and Exchange Commission of Pakistan		160	158	69	80
Brokerage expense		601	1,305	129	693
Legal and professional charges		137	75	42	60
Auditor's remuneration		306	277	182	148
Other expenses		345	537	300	249
Total operating expenses		7,004	7,043	3,084	3,600
Net operating income for the period		31,730	46,032	21,115	20,098
Net element of loss and capital losses included in prices of units issued less those in units redeemed		(2,050)	(1,978)	(2,225)	(1,656)
Provision for Workers' Welfare Fund	9.2	(594)	-	(379)	-
Net income for the period before taxation		29,086	44,054	18,511	18,442
Taxation	11	-	-	-	-
Net income for the period after taxation		29,086	44,054	18,511	18,442
OTHER COMPREHENSIVE INCOME					
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		29,086	44,054	18,511	18,442
Earnings per unit	12				

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.



Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Limited)
(Management Company)



Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2013**

	Half year ended		Quarter ended	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	----- (Rupees in '000) -----			
Accumulated losses brought forward	(13,667)	(117,912)	(66,748)	(89,822)
Net income for the period	29,086	44,054	18,511	18,442
Net element of income and capital gains included in prices of units issued less those in units redeemed - amount representing unrealised appreciation	10,994	7,788	21,805	5,310
Distribution to the unit holders of the Fund:				
Final distribution at the rate Rs. 1.2760 (2012: Rs. Nil) per unit for the year ended 30 June 2013 Declared on 4 July 2013 - Bonus distribution 6,298,573 units	(52,845)	-	-	-
	(12,765)	51,842	40,316	23,752
Accumulated loss carried forward	<u>(26,432)</u>	<u>(66,070)</u>	<u>(26,432)</u>	<u>(66,070)</u>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.



Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Limited)
(Management Company)



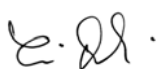
Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2013**

	Half year ended		Quarter ended	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	----- (Rupees in '000) -----			
Net assets at beginning of the period	400,536	354,053	414,606	372,020
Issue of 8,175,528* units (2012: nil units) and nil units (2012: nil units) for the half year and quarter ended respectively	69,457	-	5,904	-
Redemption of 15,004,280 units (2012: 3,181,728 units) and 14,004,280 units (2012: 2,169,361 units) for the half year and quarter ended respectively	(128,800)	(26,007)	(121,762)	(18,040)
	(59,343)	(26,007)	(115,858)	(18,040)
Net element of income and capital gains included in prices of units issued less those in units redeemed				
-amount representing loss and capital losses transferred to income statement	2,050	1,978	2,225	1,656
-amount representing income that forms part of unit holders' fund transferred to distribution statement	(10,994)	(7,788)	(21,805)	(5,310)
	(8,944)	(5,810)	(19,580)	(3,654)
Net element of income that forms part of unit holders' fund transferred to distribution statement	10,994	7,788	21,805	5,310
Net unrealised appreciation on re-measurement of investments classified as 'at fair value through profit or loss'	15,234	17,670	20,631	6,611
Capital gain / (loss) on sale of investments - net	7,365	17,478	(3,228)	5,747
Net income for the period	6,487	8,906	1,108	6,084
Total comprehensive income for the period	29,086	44,054	18,511	18,442
Distribution during the period	(52,845)	-	-	-
Net assets at end of the period	319,484	374,078	319,484	374,078
Net assets value per unit at beginning of the period	9.24	8.56	8.61	8.11
Net assets value per unit at end of the period	9.67	7.55	9.67	7.55

* This includes 6,298,573 (2012 : nil) units issued as bonus units.

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.



Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
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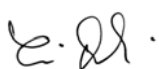


Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2013

Note	Half year ended		Quarter ended	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	------(Rupees in '000)-----			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	29,086	44,054	18,511	18,442
Adjustments for:				
Net unrealised appreciation on re-measurement of investments classified as 'at fair value through profit or loss'	(15,234)	(17,670)	(20,631)	(6,611)
Net element of loss and capital losses included in prices of units issued less those in units redeemed	2,050	1,978	2,225	1,656
Provision against non performing debt securities	-	(2,894)	-	(5,413)
Provision for Workers' Welfare Fund	594	-	594	-
Dividend Income	(7,280)	(10,750)	(7,280)	(6,866)
	(19,870)	(29,336)	(25,092)	(17,234)
Net cash generated from operations before working capital changes	9,216	14,718	(6,581)	1,208
Working capital changes				
<i>(Increase) / decrease in assets</i>				
Investments	74,859	25,681	72,441	27,582
Receivable against issue of units	-	-	4,553	-
Receivable against sale of investments	3,997	-	3,997	-
Dividend and profit receivable	2,602	1,845	5,404	12,182
Advance against subscription of term finance certificate	-	(20,000)	-	(20,000)
Advances, deposits and prepayments	(10,710)	(399)	(10,684)	(421)
	70,748	7,127	75,711	19,343
<i>(Decrease) / increase in liabilities</i>				
Payable to the Management Company	(138)	67	(110)	35
Payable to Central Depository Company of Pakistan Limited - Trustee	(29)	6	(86)	(59)
Payable to Securities and Exchange Commission of Pakistan	(162)	(146)	69	81
Payable against redemption of units	-	198	(220)	2,996
Payable against purchase of investment	-	(2,798)	-	(2,799)
Dividend payable	-	(15)	-	(15)
Accrued expenses and other liabilities	7,904	(447)	7,254	(170)
	7,575	(3,135)	6,907	69
Dividend received	7,377	10,750	7,377	6,866
Net cash generated from operating activities	94,916	29,460	83,414	27,486
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments against redemption of units	(128,800)	(26,007)	(121,762)	(18,040)
Receipts against issuance of units	16,612	-	5,904	-
Net cash used in financing activities	(112,188)	(26,007)	(115,858)	(18,040)
Net decrease in cash and cash equivalents	(17,272)	3,453	(32,444)	9,446
Cash and cash equivalents at beginning of the period	37,294	26,595	52,466	20,602
Cash and cash equivalents at end of the period	20,022	30,048	20,022	30,048

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.



Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Limited)
(Management Company)



Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2013

1. LEGAL STATUS AND NATURE OF BUSINESS

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

During the year 2005, the Fund was converted from a closed-end scheme to an open-end scheme. The Fund is listed on all three stock exchanges in Pakistan. The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by SECP. The registered office of the management company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.

The Board of Directors have approved that the Fund should be categorised as "Balanced Scheme" as per the Securities and Exchange Commission of Pakistan Circular 7 of 2009 dated 6 March 2009.

Pursuant to the merger of MCB Asset Management Limited and Arif Habib Investment Limited, the name of the Management Company has been changed from Arif Habib Investment Limited to MCB-Arif Habib Savings and Investments Limited.

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

The Pakistan Credit Rating Agency (PACRA) Limited has assigned long-term entity-rating of MCB-Arif Habib Savings and Investments Limited, the Asset Management Company, "3 Star" while outlook as "Stable".

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

2. BASIS OF PRESENTATION

2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP) have been followed.

This condensed interim financial information does not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the financial statements for the year ended 30 June 2013.

The comparative in the statement of assets and liabilities presented in the condensed interim financial information as at 31 December 2013 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2013, where as the comparatives in the condensed interim income statement, condensed interim cash flow statement, condensed interim distribution statement and condensed interim statement of movement in unit holders' funds are stated from unaudited condensed interim financial information for the half year ended 31 December 2012.

The disclosures made in this condensed interim financial information have, however, been limited based on the requirements

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2013

of the International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information are unaudited. However, a limited scope review has been performed by the external auditors in accordance with the requirements of clause (xix) of the Code of Corporate Governance.

2.2 The Directors of the asset management company declare that this condensed interim financial information give a true and fair view of the Fund.

2.3 This condensed interim financial information have been prepared on the basis of historical cost convention except that investments have been included at fair value.

2.4 Functional and presentation currency

This condensed interim financial information is presented in Pak Rupees which is the functional and presentation currency of the Fund and rounded to the nearest thousand rupees.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation followed in the preparation of this condensed interim financial information are the same as those applied in the preparation of financial statements for the year ended 30 June 2013.

3.1 Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the fund operations and did not resulted in change to the funds operation and did not resulted in change in accounting policy of the fund except for, where applicable, change in presentation and additional disclosures.

4. ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to financial statements as at and for the year ended 30 June 2013.

5. FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2013.

6. BALANCES WITH BANKS

	31 December 2013 (Unaudited)	30 June 2013 (Audited)
	(Rupees in '000)	
Saving accounts	6.1 17,240	34,512
Current accounts	<u>2,782</u>	<u>2,782</u>
	<u>20,022</u>	<u>37,294</u>

6.1 These carry mark-up at rates ranging between 6.5% to 9% per annum (30 June 2013: 6% to 11% per annum).

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2013

7.2 Term finance and sukuk certificates - 'at fair value through profit or loss'

	2013 (Rupees in '000)	2012 (Rupees in '000)
Debt Securities	37,298	63,348
<i>Less: Provision of Maple Leaf Cement Factory Limited</i>		
On 1 July	4302	1,782
Charged during the year	-	2,895
Reversal during the year	(2)	(375)
	4300	4,302
	32,998	59,046

7.2.1 Name of Investee company	Number of certificate				Balance as at 31 December 2013			Market Value		Percentage in relation to size of issue	
	As at 1 July 2013	Purchases during the year	Sales / matured during the year	As at 31 December 2013	Carrying Value	Market Value	Appreciation / (diminution)	As a percentage of total Investments	As a percentage on net assets		
(Number of Certificate)				(Rupees in '000)							
Unless stated otherwise, the holdings are in certificates having face value of Rs. 5,000 each.											
Listed debt securities											
Bank Alfalah Limited V	4,000	-	-	4,000	20,309	20,431	122	6.74%	6.39%	0.40%	
NIB Bank Limited	4,000	-	4,000	-	-	-	-	0.00%	0.00%	0.00%	
United Bank Limited III	7,020	-	-	7,020	11,794	11,678	(116)	3.85%	3.66%	1.76%	
					32,103	32,109	6	11%	10%	2%	
Unlisted Sukuk Bonds											
Maple Leaf Cement Factory limited Sukuk - I	7.2.2	2,000	-	-	2,000	4,995	5,189	194	1.71%	1.62%	0.13%
					4,995	5,189	194	2%	1.62%	0.13%	
Total as at 31 December 2013					37,098	37,298	200	13%	12%	2%	
Total as at 30 June 2013					62,292	63,348	1,056				

7.2.2 Security listed below have been classified as non performing in accordance with SECP circular 33 of 2013 and the Fund's provisioning policy for non-performing exposure. The Fund has suspended further accrual of markup there against.

Name of Investee Company	Outstanding balance	Provision during the period	Provision during the	Provision upto 31 December	Net Carrying Value
(Rupees in '000)					
Maple Leaf Cement Factory Limited Sukuk - I	4,302	-	-	(2)	4,300
					889

7.2.3 Movement in provision against debt securities

	Unlisted debt securities	
	2013 (Rupees in '000)	2012 (Rupees in '000)
Opening balance	4,302	1,782
Provision charged	-	2,895
Reversal of provision	-	(375)
Charge - net	(2)	2,520
Closing	4,300	4,302

7.2.4 Significant terms and conditions of Term Finance Certificate and Sukuk Certificate outstanding are as follows:

Name of security	Mark-up rate (per annum)	Issue date	Maturity date
Bank Al-Falah	6 month KIBOR 1.25%	20 February 2013	20 February 2021
UBL Bank Limited	6 month KIBOR 1.70%	8 September 2006	8 September 2014
Maple Leaf Cement Limited	6 month KIBOR 1.00%	3 December 2007	3 December 2018

7.3 Government Securities - 'At fair value through profit or loss'

Tenor	As at 1 July 2013	Face value			As at 31 December 2013	Balance as at 30 June 2013			Market Value		
		Purchases during the period	Sold / matured during the period			Carrying Value	Market Value	Appreciation / (diminution)	As a percentage of total investments	As a percentage on net assets	
		(Number)			(Rupees in '000)						
Designated at fair value through profit or loss- Government Securities (face value of Rs. 100,000 each)											
Pakistan Investment Bonds											
	3 Years	25,000	-	25,000	-	-	-	-	0%	0%	
Total - 31 December 2013											
Total - 30 June 2013					25,580	25,962	382	8.57%	8.13%		
Market Treasury Bill											
	12 Months	-	710,000	710,000	-	-	-	-	-	-	
	3 Months	-	1,600,000	750,000	850,000	83,825	83,777	(48)	27.65%	26.22%	
Total - 31 December 2013	7.4.1					83,825	83,777	(48)			
Total - 30 June 2013						-	-	-	0%	0%	
Government of Pakistan Ijara Sukuk											
	3 Years	40,000	-	(40,000)	-	-	-	-	0%	0%	
Total - 30 June 2013						40,020	40,060	40	11.05%	10%	
Total of investment in Government Securities - 31 December 2013						83,825	83,777	(48)	27.65%	26.22%	
Total of investment in Government Securities - 30 June 2013						65,600	66,022	422	18.21%	16.48%	

7.3.1 These Treasury bills have a cost of Rs.83.120 million (30 June 2013: Rs.nil) maturing up till 15 May 2014 and carry effective yield ranging between 10.121% to 10.163% per annum .

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2013

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

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

In accordance with clause (iv) of the investment criteria laid down for 'Balanced Scheme' in circular 7 of 2009, the Fund is not allowed to invest in any debt security having a rating lower than A- (A minus). However, as at 31 December 2013, the Fund is non-compliant with the above mentioned requirement in respect of the following:

Name of non-compliant investment	Type of investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
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(Rupees in '000)

Investment in debt securities	Maple Leaf Cement Factory Limited - Term Finance Certificate (03-Dec-2007)	5,189	4,300	889	0.28%	0.26%
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* At the time of purchase, the said term finance certificate was in compliance of the said circular (i.e. investment grade) and was subsequently downgraded to non-investment grade.

9. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2013 (Unaudited)	30 June 2013 (Audited)
	(Rupees in '000)	
Brokerage payable	66	134
FED payable on brokerage	4	20
Auditor's remuneration payable	282	400
Credit rating fee payable	50	110
Legal and professional charges payable	110	80
Printing and related expenditures payable	112	300
FED payable on Management Fees	9.1 772	74
Workers' welfare fund	9.2 6,791	6,197
Payable to National Clearing Company Limited	7,594	-
Others	324	292
	<u>16,105</u>	<u>7,607</u>

9.1. The Finance Act 2013 introduced an amendment to Federal Excise Act 2005 where by Federal Excise Duty (FED) has been imposed at the rate of 16% of the services rendered by assets management companies. In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honourable Sindh High Court (SHC), challenging the levy of Federal Excise Duty on Asset Management Company services after the eighteenth amendment. The SHC in its short order dated 4 September 2013 directed the FBR not to take any coercive action against the petitioners pursuant to impugned notices till next date of hearing. In view of uncertainty regarding the applicability of FED on asset management services, the management, as a matter of abundant caution, has decided to retain and continue with the provision of FED and related taxes in this condensed interim financial information aggregating to Rs. 0.772 million as at 31 December 2013. In case, the suit is decided against the fund the same would be paid to management company, who will be responsible for submitting the same to authorities. Had the said provision of FED and related taxes were not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 0.02 per unit as at 31 December 2013.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2013

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

On 15 July 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on 14 December 2010, the Ministry filed its response against the Constitutional Petition requesting the court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

During the year ended 30 June 2012, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 has declared the said amendments as unlawful and unconstitutional and struck them down. In March 2013 a larger bench of the Sindh High Court (SHC) in various constitutional petitions filed by companies other than mutual funds declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity.

The Management company, as a matter of abundant precaution, has decided to retain the entire provision for WWF in this condensed interim financial information.

10. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 31 December 2013.

11. TAXATION

The Fund's income is exempt from Income Tax as per clause 99 of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders. The management intends to distribute at least 90% of the income earned by the Fund by the year end to the unit holders. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. We have been given to understand that the management intends to distribute sufficient accounting income of the Fund for the year ended 30 June 2014 in order to comply with the above stated clause. Accordingly, no tax provision has been made in these condensed interim financial information.

12. EARNING 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.

13. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provision of the NBFC Regulations 2008 and Constitutive documents of the Fund.

The transactions with connected persons / related parties are in the normal course of business and are carried out on agreed terms.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2013

13.1 Details of transactions with the connected persons / related parties during the period are as follows:

	Half year ended 31 December		Quarter ended 31 December	
	2013	2012	2013	2012
-----Unaudited----- ------(Rupees in '000)-----				
MCB-Arif Habib Savings & Investments Limited - Management Company				
Remuneration to Management Company (including indirect taxes)	5,061	4,319	2,182	2,182
Arif Habib Limited- Brokerage House				
Brokerage expense	50	57	30	25
MCB Bank Limited				
Bank charges	6	8	5	3
Profit on bank deposit	1,980	395	1,044	194
Nishat Mills Limited				
Dividend income	-	490	-	490
Adamjee Insurance Company Limited				
Dividend income	166	-	166	-
D. G. Khan Cement Limited				
Dividend income	746	-	746	-
Central Depository Company of Pakistan Limited				
Remuneration for the period	394	372	180	188
CDC settlement charges	17	24	5	10
Next Capital Limited				
Brokerage paid during the period	-	57	-	25

13.2 Balance outstanding as at the period / year end

	31 December 2013	30 June 2013
	(Unaudited)	(Audited)
(Rupees in '000)		
MCB-Arif Habib Savings & Investments Limited - Management Company		
Remuneration to the management company	539	670
Sind sales tax on remuneration of management company	86	107
Sales load payable	19	5
MCB Bank Limited		
Bank balances	14,472	23,767
Profit receivable on bank balances	181	26
Nishat Mills Limited		
15,500 shares held by the Fund (30 June 2013: 64,500 shares)	1,588	6,707
Bank Al Falah Limited		
150,000 shares held by the Fund (30 June 2013: 233,000 shares)	4,056	4,245
Central Depository Company of Pakistan Limited		
Trustee fee payable	394	64
CDC Settlement charges payable	-	2
Security deposit	300	300
Arif Habib Limited		
Brokerage Payable*	3	17

* 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.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2013**

13.3 Transactions during the period with the connected persons / related party in the units of the Fund

	Half year ended 31 December 2013		Half ended 31 December 2012	
	Units (Unaudited)	(Rupees in '000) (Unaudited)	Units (Unaudited)	(Rupees in '000) (Unaudited)
Bonus units issued to:				
National Logistic Cell	1,714,915	14,388	-	-
Key management personnel	2,784	23	-	-
Units redeemed by:				
Key management personnel	-	-	1,283	10
National Logistic Cell	12,990,887	12,991	-	-
	31 December 2013	30 June 2013	31 December 2013	30 June 2013
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	Units		(Rupees in '000)	
Units held by:				
National Logistic Cell	-	11,275,972	-	109,039
Key management personnel	21,087	18,303	195	177

14. RECLASSIFICATION

Following reclassification have been made in this condensed interim financial information in order to give better and more appropriate presentation:

	From	To	30 June 2013 Amount (Rupees in '000)
Federal Excise Duty payable on Management Fee	Payable to Management Company	Accrued expenses and other liabilities	74

15. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on 06 February, 2014 by the Board of Directors of the Management Company.


 Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
 (formerly: Arif Habib Investments Limited)
 (Management Company)


 Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

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