



Bachat ka Doosra Naam

Quarterly Report
September 30, 2013
(Unaudited)



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

**METROBANK
PAKISTAN SOVEREIGN FUND
PERPETUAL**

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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(subject to the approval of SECP) Executive Vice Chairman Chief Executive Officer (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director Director (subject to the approval of SECP)
Audit Committee	Mr. Haroun Rashid Mr. Nasim Beg Mr. Samad A. Habib	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 Falah Limited Faysal Bank Limited Allied Bank 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	MCB-Arif Habib Savings and Investments Limited (Formerly: Arif Habib Investments Limited) 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Rating	AM2 - Management Quality Rating assigned by PACRA	

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2013

Dear Investor,

On behalf of the Board of Directors, I am pleased to present Metro-bank Pakistan Sovereign Fund's accounts review for the first quarter ended September 30th 2013.

ECONOMY AND MONEY MARKET OVERVIEW

On the macroeconomic front, inflation has remained slightly higher during the period with CPI averaging around 8.06% amid implementation of tax reforms and higher food prices. The current account balance remained in pressure posting a deficit of \$632 million during 2MFY14 as opposed to surplus of \$582 million during the same period last fiscal year. During the last year, saving grace came in the form of proceeds under the account of Coalition support funds in August, 2012 amounting to \$1.18 bn. On the other hand, financial account registered a surplus of \$401 million in 2MFY14 as compared to deficit of \$271 million during the corresponding period last year.

Out of total \$3 billion repayments to IMF due in FY14, the government repaid around \$850 million to IMF in the 1QFY14. This along with delay in Coalition Support Funds and higher oil payments has reduced reserve balance to around \$ 9.9 billion as on 27-Sep-13, from \$11 billion at the start of the FY14. Consequently, the local currency fell by more than 6% against USD during 1QFY14.

During the quarter, the country successfully managed to enter into 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 first tranche of around \$543 million in 1QFY14.

Moreover, Fiscal side has remained a cause of concern for policy makers with FY13 deficit touching a level of around 8% of GDP (Rs 1.83 trillion deficit size in absolute terms) as opposed to the budgeted deficit of around 6.5%.

Keeping in view that inflation is likely to increase going forward and to arrest decline in foreign reserves balance, the government announced 50 bps hike in the discount rate in the last monetary policy, sending a strong signal that the discount rate will be used to keep inflation rate under check. A combination of higher power tariffs, rise in oil prices and rupee depreciation is likely to keep inflationary pressure on the higher side during the year.

In the money market, short term market rates remained on the higher side amid tight liquidity in the system. Despite Rs 94 billion net growth in Net Domestic Assets during the quarter (till 27th Sep), money supply (M2) has contracted due to reduction in Net Foreign Assets by around Rs 150 billion. Hence, M2 has contracted by 0.63% in the 1QFY14 (till 27th Sep) as opposed to expansion of 0.58% during the same period last year. While Borrowing from SBP increased by Rs444 billion as opposed to net decline in borrowing of around Rs 372 billion during the same period last year.

Given an upward trajectory in YoY CPI inflation coupled with monetary tightening scenario, the yield curve has adjusted significantly upwards during the period. Hence 1 year PKRV adjusted upwards by 77 bps to 9.71 %, while longer tenure year 10 year PKRV adjusted upwards by 203 bps to 12.96 % during the quarter under review.

FUND PERFORMANCE

During the quarter under review, the fund generated an annualized return of 4.45% as against its benchmark return of 7.80%. The fund remained significantly invested in T-Bills throughout the period with a focus on keeping its portfolio duration at a lower level in order to capitalize on the increasing interest rates scenario. At quarter-end, the fund was 58.4% invested in Treasury Bills, 22% in PIBs, no exposures in GOP Ijara Sukuk while the rest in cash and other assets.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2013

The Net Asset of the Fund as at September 30, 2013 stood at Rs. 829 million as compared to Rs 1,270 million as at June 30 2013 registering a decline of 34.72%. The Net Asset Value (NAV) per unit as at September 30, 2013 stood at Rs. 50.03.

Income Distribution

During the Quarter The Management Company has announced the following interim distribution

MetroBank Pakistan Sovereign Fund - Perpetual

Date of distribution	Per unit distribution
27-Sept-2013	0.53

FUTURE OUTLOOK

We will continue to closely monitor foreign inflows in the presence of higher oil prices and debt repayment to international donors. We believe that the sustainability of external account, in the presence of higher inflationary pressures, would be a key factor shaping up interest rate direction. The foreign reserve balance will continue to remain in the limelight, with the country scheduled to repay more than \$2.3 billion to IMF during the next three quarters. As a result, the local currency is likely to remain under pressure.


The reserve position is likely to improve towards the later half of the ongoing fiscal year, with the government expecting significant improvement in foreign direct investments and materialization of pledges made by multilateral agencies. In addition to projected CSF inflow of around \$1.2 billion, the country is eyeing inflow of \$2.7 billion during the next three quarters under the umbrella of program financing.

While the economic environment is challenging, corporate earnings are by and large 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

Karachi: October 23, 2013

FINANCIAL STATEMENTS

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT SEPTEMBER 30, 2013**

	Note	30 September 2013 (Unaudited) ----- (Rupees in '000) -----	30 June 2013 (Audited)
Assets			
Balances with banks		162,469	195,220
Investments	4.	696,266	1,271,200
Profit receivables		5,192	17,861
Advances and prepayments		2,019	2,046
Total assets		865,946	1,486,327
Liabilities			
Payable to Management Company		920	2,799
Payable to Central Depository Company of Pakistan Limited - Trustee		117	211
Payable to Securities and Exchange Commission of Pakistan - Annual Fee		197	3,848
Payable against purchase of Investments		-	174,013
Accrued and other liabilities		35,916	35,068
Total liabilities		37,150	215,939
Net assets		828,796	1,270,388
Unit holders' fund		828,796	1,270,388
Contingency and commitments		-	-
(Number of Units)			
Number of units in issue (face value of units is Rs. 50 each)		16,565,733	24,724,228
(Rupees)			
Net asset value per unit		50.03	51.38

The annexed notes from 1 to 9 form an integral part of this condensed interim financial statements.



Chief Executive Officer

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



Director

**CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

	Note	Quarter ended	
		30 September 2013	30 September 2012
------(Rupees in '000)-----			
Income			
Income from government securities		23,462	162,705
Capital (loss) / gain on sale of government securities - net		(9,305)	90,073
Income from reverse repurchase transactions of government securities		48	-
Profit on bank deposits		1,467	9,985
		<u>15,672</u>	<u>262,763</u>
Net unrealised (diminution) / appreciation on re-measurement of investment classified as 'at fair value through profit or loss'		(992)	73,442
Total income		<u>14,680</u>	<u>336,205</u>
Expenses			
Remuneration of Management Company		2,955	20,785
Remuneration of Central Depository Company of Pakistan Limited - Trustee		386	1,336
Annual fee to Securities and Exchange Commission of Pakistan		197	1,139
Brokerage expenses		96	660
Auditors' remuneration		226	175
Other expenses		147	219
Total operating expenses		<u>4,007</u>	<u>24,314</u>
Net operating income for the period		<u>10,673</u>	<u>311,891</u>
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed		(1,339)	30,782
Provision for workers' welfare fund	5.	(187)	(6,853)
Net income for the period before taxation		<u>9,147</u>	<u>335,820</u>
Taxation		-	-
Net income for the year after taxation		<u>9,147</u>	<u>335,820</u>
Other comprehensive income for the period		-	-
Total comprehensive income for the period		<u>9,147</u>	<u>335,820</u>
Earnings per unit	7.		

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Chief Executive Officer

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(Management Company)



Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

	Quarter ended	
	30 September 2013	30 September 2012
	----- (Rupees in '000) -----	
Undistributed income brought forward	34,174	8,591
Total comprehensive income for the period	9,147	335,820
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised appreciation / (diminution)	-	1,133
Distributions to the unit holders of the Fund:		
Final Distribution for the year ended 30 June 2013: Rs. 1.38 per unit - Bonus units	(34,119)	-
Interim distribution for the period ended 30 September 2013 at Rs 0.53 (2012 : 2.52) per unit distributed on 27 September 2013 - Bonus units - Cash distribution	(8,696) -	(308,409) (24,058)
	(42,815)	(332,467)
Undistributed income carried forward	506	13,077

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Chief Executive Officer

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



Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

	Quarter ended	
	30 September 2013	30 September 2012
	----- (Rupees in '000) -----	
Net assets at beginning of the period	1,270,388	6,103,531
Issue of 232,678 units (2012: 16,740,137 units)	11,647	874,155
Issue of 856,303 bonus units (2012 : 6,159,559 bonus units)	42,815	308,409
Redemption of 9,247,476 units (2012: 6,707,664 units)	(463,725)	(341,034)
	(409,263)	841,530
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		
-amount representing (income) / loss and capital (gains) / losses transferred to income statement	1,339	(30,782)
-amount representing loss / (income) that forms part of unit holder's fund transferred to distribution statement	-	(1,133)
	1,339	(31,915)
Element of (loss) / income that forms part of unit holder's fund transferred to distribution statement	-	1,133
Final Distribution for the year ended 30 June 2013: Rs. 1.38 (2012: Rs. Nil) per unit distributed on 05 July 2013 - Bonus units	(34,119)	-
Interim distribution for the quarter ended 30 September 2013 at Rs 0.53 (2012 at Rs. 2.52) per unit distributed on 27 September 2013 - Bonus distribution - Cash distribution	(8,696) -	(308,409) (24,058)
	(42,815)	(332,467)
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'at fair value through profit or loss'	(992)	73,442
Capital (loss) / gain on sale of investments	(9,305)	90,073
Net income for the period (excluding net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss' and capital gain / (loss) on sale of investments)	19,444	172,305
Total comprehensive income for the period	9,147	335,820
Net assets at end of the period	828,796	6,917,632

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Chief Executive Officer

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



Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**


	Quarter ended	
	30 September 2013	30 September 2012
----- <i>(Rupees in '000)</i> -----		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before taxation	9,147	335,820
Adjustments for:		
Net unrealised diminution / (appreciation) on re-measurement of investments classified as 'at fair value through profit or loss'	992	(73,442)
Net element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed	1,339	(30,782)
	2,331	(104,224)
Net cash generated from operations before working capital changes	11,478	231,596
Working capital changes		
<i>Decrease / (increase) in assets</i>		
Investments	573,942	(1,220,950)
Profit receivables	12,669	(28,388)
Advances and prepayments	27	-
	586,638	(1,249,338)
<i>(Decrease) / increase in liabilities</i>		
Payable to Management Company	(1,879)	460
Payable to the Central Depository Company of Pakistan Limited - Trustee	(94)	29
Payable to Securities and Exchange Commission of Pakistan	(3,651)	(2,769)
Payable against purchase of Investments	(174,013)	495,656
Accrued expenses and other liabilities	848	31,494
	(178,789)	524,870
Net cash generated / (used in) from operating activities	419,327	(492,872)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issuance of units	11,647	874,155
Payments against redemption of units	(463,725)	(341,034)
Cash distribution	-	(24,058)
Net cash (used in) / generated from financing activities	(452,078)	509,063
Net (decrease) / increase in cash and cash equivalents	(32,751)	16,191
Cash and cash equivalents at beginning of the period	195,220	1,625,819
Cash and cash equivalents at end of the period	162,469	1,642,010

The annexed notes from 1 to 9 form an integral part of this condensed interim financial statements.



Chief Executive Officer

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



Director

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

1. LEGAL STATUS AND NATURE OF BUSINESS

MetroBank - Pakistan Sovereign Fund was established under a Trust Deed executed between MCB-Arif Habib Savings and Investments Limited (formerly Arif Habib Investments Limited), as Management Company and Habib Metropolitan Bank Limited as Trustee. The Trust Deed was executed on 24 December 2002 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 7 January 2003 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules), [repealed by the Non - Banking Finance Companies (Establishment and Regulations) Rules, 2003 (NBFC Rules)].

During the year ended 30 June 2010, Habib Metropolitan Bank Limited retired as the Trustee of the Scheme and Central Depository Company of Pakistan Limited (CDC) was appointed as the new Trustee with effect from 23 November 2009. The SECP approved the appointment of CDC as the Trustee in place of Habib Metropolitan Bank Limited and further approved the amendments to the Trust Deed vide its letter number SCD/NBFC-11/MF-RS/MSPF/981/2009 dated November 3, 2009. Accordingly, the Trust Deed of the Scheme was revised through a supplemental Deed executed between the Management Company, Habib Metropolitan Bank Limited and CDC.

- 1.1** The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through certificate of registration issue by SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.
- 1.2** The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units of the fund can be transferred to / from the funds managed by the Management Company and can also be redeemed by surrendering to the Fund. The Fund is listed on the Islamabad Stock Exchange.

MetroBank Pakistan Sovereign Fund has a policy of investing in Pakistani rupee denominated debt securities issued by the government of Pakistan, reverse repurchase transaction in government securities and any otherwise un-invested funds in deposits with banks and financial institutions. In addition, the scheme can also invest in sub-scheme of the Fund.

The Board of Directors have approved that the Fund should be categorised as "Income Scheme" as per the categories defined by the Securities and Exchange Commission of Pakistan.

- 1.3** The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of 'AM2' to the Management Company and has assigned stability rating of "AA (f)" (Double A ; fund rating) to the Fund.
- 1.4** Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited, as the 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.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

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 disclosures made in this condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information are unaudited. The Directors of the asset management company declare that this condensed interim financial information give a true and fair view of the Fund.

2.2 Basis of measurement

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

2.3 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

4. INVESTMENTS

		30 September	30 June
		2013	2012
		(Unaudited)	(Audited)
		----- (Rupees in '000) -----	
At fair value through profit or loss - 'held for trading'			
Pakistan investment bonds	4.1	190,539	408,386
Market treasury bills	4.1	505,727	697,919
Government of Pakistan ijara sukuks	4.1	-	164,895
		696,266	1,271,200

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

4.1 Government securities

	As at 1 July 2013	Purchases during the period	Sales / matured during the period	As at 30 September 2013	Cost as at 30 September 2013	Market value as at 30 September 2013	Appreciation/ (diminution) as at 30 September 2013	Market value	
								as a percentage of net assets	as a percentage of total investments
	-----Face value-----				----- (Rupees in '000) -----				
Pakistan Investment Bond									
PIB - 3 years	225,000	300,000	425,000	100,000	102,101	101,289	(812)	12.22%	14.55%
PIB - 5 years	25,000	-	25,000	-	-	-	-	-	-
PIB - 10 years	147,700	-	57,700	90,000	89,324	89,250	(74)	10.77%	12.82%
Total of Pakistan Investment Bond as at 30 September 2013					191,425	190,539	(886)	22.99%	27.37%
Total of Pakistan Investment Bond as at 30 June 2013					402,305	408,386	6,081	32.15%	32.13%
Treasury Bills									
Treasury bills - 3 months	175,000	1,073,000	822,400	425,600	450,858	450,765	(93)	54.39%	64.74%
Treasury bills - 6 months	-	1,415,000	1,415,000	-	-	-	-	-	-
Treasury bills - 12 months	554,400	810,500	1,309,700	55,200	54,975	54,962	(13)	6.63%	7.89%
Total of Treasury Bills as at 30 September 2013					505,833	505,727	(106)	61.02%	72.63%
Total of Treasury Bills as at 30 June 2013					697,204	697,919	715	54.94%	54.90%
Government of Pakistan Ijara Sukkuk									
Ijarah sukuk VIII - 3 years	164,500	-	164,500	-	-	-	-	-	-
Total of Government of Pakistan Ijara Sukkuk as at 30 September 2013					-	-	-	-	-
Total of Government of Pakistan Ijara Sukkuk 30 June 2013					164,582	164,895	313	12.98%	12.97%
Total of investments in Government Securities as at 30 September 2013					697,258	696,266	(992)	84.01%	100.00%
Total of investments in Government Securities as at 30 June 2013					1,264,091	1,271,200	7,109	100.07%	100.00%

5. Provision for Worker's Welfare Fund

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In 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.

Subsequent to the year ended 30 June 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.

However, as per advice of legal counsel the stay granted to CIS remains intact and the constitution petitions filed by the CIS to challenge the WWF contribution have not been affected by the SHC judgment.

In view of the afore mentioned developments and uncertainties created by the recent decision by Honourable Sindh High Court, the Management company, as a matter of abundant precaution, has decided to retain the entire provision for WWF. During the quarter the Fund charged Rs.0.187 million on account of WWF. The aggregate amount of WWF charged as on

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

September 30, 2013 is Rs. 34.402 million. If the same were not made the NAV of the fund would have been higher by Rs. 2.08 per unit.

The liability of WWF includes liability of Sub-Scheme (December 2012) amounting to Rs. 1.487 million which has matured on December 2012.

6. 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 Regulation, 2008, the fund is required to distribute 90% of the net accounting income other than unrealised capital gains 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. Since the management has distributed the income earned by the Fund during the year to the unit holders in the manner as explained above accordingly no provision for taxation has been made in these financial statements.

7. EARNING / (LOSS) 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.

8. 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.

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

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

8.1 Transactions during the period with connected persons / related parties

	-----Unaudited-----	
	Quarter ended	
	2013	2012
	----- (Rupees in '000) -----	
Management Company		
Remuneration of Management Company	<u>2,955</u>	<u>20,785</u>
Central Depository Company of Pakistan Limited - Trustee		
Remuneration for the period	<u>386</u>	<u>1,336</u>
Habib Metropolitan Limited		
Markup Income	<u>34</u>	<u>1,841</u>
Bank charges	<u>43</u>	<u>132</u>
MCB Bank Limited		
Markup Income	<u>59</u>	<u>2,371</u>
Bank charges	<u>2</u>	<u>-</u>

8.2 Balance outstanding as at the period / year end

	September 30 2013	June 30 2013
	----- (Rupees in '000) -----	
Management Company		
Payable to Management Company	<u>920</u>	<u>2,799</u>
Central Depository Company of Pakistan Limited		
Remuneration payable	<u>117</u>	<u>211</u>
Habib Metropolitan Bank Limited		
Bank deposits	<u>777</u>	<u>842</u>
Profit receivable	<u>16</u>	<u>6</u>
MCB Bank Limited		
Bank deposits	<u>2,300</u>	<u>4,200</u>
Profit receivable	<u>19</u>	<u>22</u>

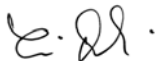
**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

	-----Unaudited-----			
	Quarter ended 30 September 2013		Quarter ended 30 September 2012	
	Units	(Rupees in '000)	Units	(Rupees in '000)
Units sold to:				
Management Company	-	-	552,470	27,955
Jubilee General Insurance Company Limited	-	-	1,902,602	100,000
Key management personnel	-	-	66,264	3,444
Bonus units issued to:				
Management Company	25,233	1,262	27,806	1,392
Habib Metropolitan Bank Limited	169,341	8,467	1,665,995	83,416
MCB Bank Limited	-	-	3,953,971	197,975
Suraj Cotton Mills Limited	107,997	5,400	-	-
MCB AMC Staff Provident Fund	1,030	52	-	-
Adamjee Insurance Company Limited	188,875	9,444	-	-
Adamjee Life Assurance Company Limited	5,294	265	100	10
Jubilee General Insurance Company Limited	155,197	7,760	95,757	4,795
Key management personnel	1,668	87	5,210	261
Units redeemed by:				
Management Company	494,952	25,000	-	-
Habib Metropolitan Bank Limited	122,350	6,133	5,593,719	285,000
Suraj Cotton Mills Limited	4,020,945	201,369	-	-
MCB AMC Staff Provident Fund	38,373	1,923	-	-
Adamjee Life Assurance Company Limited	-	-	29,338	3,000
Key management personnel	8,205	410	19,798	1,026
Bonus units received from investment:				
Sub-scheme - MSF December 2012	-	-	63,207	3,048
	30 September 2013 (Unaudited)	30 June 2013 (Audited)	30 September 2013 (Unaudited)	30 June 2013 (Audited)
Units held by:	Units		(Rupees in '000)	
Management Company	322,126	791,845	16,116	40,685
Habib MetroBank Limited	4,479,960	4,432,969	224,132	227,766
Suraj Cotton Mills Limited	-	3,912,948	-	201,047
MCB AMC Staff Provident Fund	-	37,343	-	1,919
Adamjee Insurance Company Limited	5,095,646	4,906,771	254,935	252,110
Adamjee Life Assurance Company Limited	142,826	137,532	7,146	7,066
Jubilee General Insurance Company Limited	4,187,054	4,031,857	209,478	207,157
Key management personnel	39,103	45,640	1,956	2,345

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

9. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on 23 October 2013 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**

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

8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.
UAN: (+92-21) 11-11-622-24 (11-11-MCB-AH), 111-468378 (111-INVEST)
Bachat Center: 0800-622-24 (0800-MCB-AH), Fax: (+92-21)32276898, 32276908
URL: www.mcbah.com, Email: info@mcbah.com