



**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.)*

**PAKISTAN  
CAPITAL MARKET FUND**

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## FUND'S INFORMATION

<b>Management Company</b>	<b>MCB-Arif Habib Savings and Investments Limited</b> (Formerly: 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 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)
<b>Audit Committee</b>	Mr. Haroun Rashid Mr. Nasim Beg Mr. Samad A. Habib	Chairman Member Member
<b>Human Resource Committee</b>	Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Yasir Qadri	Chairman Member Member Member Member
<b>Company Secretary &amp; Chief Operating Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Financial Officer</b>	Mr. Umair Ahmed	
<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>	Habib Metropolitan Bank Limited MCB Bank Limited Bank Al-Habib Limited Standard Chartered (Pakistan) Limited	
<b>Auditors</b>	KPMG Taseer Hadi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Building No. 2 Beaumont Road, Karachi - 75530	
<b>Legal Advisor</b>	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
<b>Transfer Agent</b>	<b>MCB-Arif Habib Savings and Investments Limited</b> (Formerly: Arif Habib Investments Limited) 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Rating</b>	AM2 - Management Quality Rating assigned by PACRA	

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

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Dear Investor,

On behalf of the Board of Directors, I am pleased to present Pakistan Capital Market 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.

### **EQUITIES MARKET OVERVIEW**

The KSE-100 index made an impressive start in FY13 and posted a return of 11.9% during 1Q FY13, outperforming most of the regional players. Although the market remained strong as far as returns are concerned, activity remained dull in terms of both volumes and turnover. Foreigners, however, made a strong return to the local market with a cumulative net inflow of US\$ 92 million during the period under review.

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

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Major interest during the period remained in Construction & Materials, Consumer and Electricity Sectors where strong inherent bottom line growth, healthy payouts and favorable projected impact of fall in interest rates thrived investor interest. Highly levered companies were also remained in the limelight during the period amid aggressive policy rate cut of 150 bps by the SBP during the period. Strong corporate results as well as healthy payouts by key companies served to keep the positive momentum intact in the market.

### FUND PERFORMANCE

During the period under review PCMF delivered a return of 2.57% as against its benchmark return of 2.48%, an outperformance of 0.09%. On the equities front, the overall allocation declined during the period to 49.3% from 57.6% in June 2013. The fund decreased its exposure mainly in Oil & Gas, Personal Goods sectors, while exposure was increased in Electricity sector.

On the fixed income side, the fund's allocation towards GoP Ijarah Sukuk remained largely unchanged to 9.4% while the fund built its exposure to Treasury Bills to 17.6%. The fund divested its complete investments from PIBs during the quarter.

The Net Asset of the Fund as at September 30, 2013 stood at Rs. 415 million as compared to Rs 401 million as at June 30 2013 registering an increase of 3.49%. The Net Asset Value (NAV) per unit as at September 30, 2013 was Rs. 8.61.

### 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**

	September 30, 2013 Un-Audited	June 30, 2013 Audited
	----Rupees in '000----	
ASSETS	Note	
Balances with banks		37,294
Investments	4	362,589
Dividend and profit receivable		4,093
Advances, deposits and prepayments		4,146
Receivable against sale of Investments		3,997
Receivable against sale of Units		-
<b>Total assets</b>		<b>412,119</b>
<b>LIABILITIES</b>		
Payable to the Management Company		856
Payable to the Trustee		89
Annual fee Payable to the Securities and Exchange Commission of Pakistan		322
Payable against redemption of units		-
Dividend payable		2,783
Accrued expenses and other liabilities		7,533
<b>Total liabilities</b>		<b>11,583</b>
<b>NET ASSETS</b>		<b>400,536</b>
<b>Unit holders' funds</b>		<b>400,536</b>
 ----Number of units----		
<b>Number of units in issue</b>		<b>41,414,596</b>
 ----Rupees----		
<b>NET ASSET VALUE PER UNIT</b>		<b>9.67</b>

The annexed notes 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 (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

	Note	Quarter ended	
		September 30, 2013	September 30, 2012
-----Rupees in '000-----			
<b>INCOME</b>			
Capital gain on sale of investments - net		10,593	11,731
Dividend income		4,665	3,884
Income from government securities		1,818	2,530
Income from term finance certificates		1,720	2,090
Profit on bank deposits		1,136	602
		<u>19,933</u>	<u>20,837</u>
Net unrealised (diminution) / appreciation on remeasurement of investments classified as financial assets 'at fair value through profit or loss'		(5,397)	11,059
Provision against non-performing debt securities	4.3.2	-	(2,519)
<b>Total income</b>		<u>14,536</u>	<u>29,377</u>
<b>OPERATING EXPENSES</b>			
Remuneration of Management Company		2,879	2,137
Remuneration of the Central Depository Company of Pakistan Limited - Trustee		214	184
Annual fee - Securities and Exchange Commission of Pakistan		91	78
Brokerage Expense		472	612
Auditors' remuneration		124	129
Other Expenses		140	302
<b>Total operating expenses</b>		<u>3,920</u>	<u>3,442</u>
<b>Net income from operating activities</b>		<u>10,616</u>	<u>25,935</u>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		175	(322)
Provision for Workers' welfare fund		(216)	-
<b>Net income for the period before taxation</b>		<u>10,575</u>	<u>25,613</u>
Taxation	6	-	-
<b>Net income for the period after taxation</b>		<u>10,575</u>	<u>25,613</u>
Other comprehensive income for the period		-	-
<b>Total comprehensive income for the period</b>		<u>10,575</u>	<u>25,613</u>
Earnings per unit	7		

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

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

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

  
\_\_\_\_\_  
Director

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

	<b>Quarter ended</b>	
	<b>September 30, 2013</b>	<b>September 30, 2012</b>
	<b>-----Rupees in '000-----</b>	
<b>Accumulated loss brought forward</b>	(13,667)	(117,912)
<b>Distribution to the unit holders of the fund</b>		
Final Distribution at the rate of Rs. 1.2760 per unit declared on 04 July 2013		
- Bonus distribution	(52,845)	-
	(66,512)	(117,912)
Net income for the period after taxation	10,575	25,613
Element of (loss) / income and capital gains / (losses) included in prices of units issued less those in units redeemed	(10,811)	2,478
	(236)	28,091
<b>Accumulated loss carried forward</b>	(66,748)	(89,821)

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

  
\_\_\_\_\_  
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	
	September, 2013	September, 2012
	----Rupees in '000----	
<b>Net assets at the beginning of the period</b>	400,536	354,053
Issue of 1,217,834 units (2012: Nil units).	10,708	-
Redemption of 801,288 units (2012: 1,012,367 units).	(7,038)	(7,967)
Issue of 6,298,572 bonus units (2012: Nil bonus units)	52,845	-
	56,515	(7,967)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net		
- amount representing (income) / loss and capital (gains) / losses - transferred to income statement	(175)	322
- amount representing (income) / loss that forms part of unit holders' fund - transferred to distribution statement	10,811	(2,478)
	10,636	(2,156)
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - amount representing unrealised income	(10,811)	2,478
Net unrealised (diminution) / appreciation in fair value of investments classified as financial assets 'at fair value through profit or loss'	(5,397)	11,059
Capital Gain on sale of investment- net	10,593	11,731
Other operating Income	5,379	2,823
Net income for the period	10,575	25,613
Final distribution at the rate of Rs. 1.2760 Per unit decalared on 04 July 2013 - Bonus distribution	(52,845)	-
<b>Net assets at the end of the period</b>	<b>414,606</b>	<b>372,021</b>

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

  
 \_\_\_\_\_  
 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	
	September, 2013	September, 2012
	----Rupees in '000----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation	10,575	25,613
<b>Adjustments:</b>		
Net unrealised diminution/ (appreciation) on remeasurement of investments classified as financial assets 'at fair value through profit or loss'	5,397	(11,059)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	(175)	322
Provision against non-performing debt securities	-	2,519
	<u>15,797</u>	<u>17,395</u>
<b>(Increase)/ Decrease in assets</b>		
Receivable against issue of units	(4,553)	(7,040)
Investments - net	2,418	(1,902)
Profit and dividend receivable	(2,802)	(3,297)
Advances, deposits and prepayments	(26)	22
	<u>(4,964)</u>	<u>(12,217)</u>
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	(45)	32
Payable to the Trustee	57	65
Annual fee payable to the Securities and Exchange Commission of Pakistan	(231)	(227)
Payable against purchase of investments	-	1
Payable against redemption of units	220	(2,798)
Accrued expenses and other liabilities	668	(277)
	<u>669</u>	<u>(3,204)</u>
<b>Net cash inflow from operating activities</b>	<u>11,502</u>	<u>1,974</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net receipts against sale of units	10,708	-
Net payments against redemption of units	(7,038)	(7,967)
<b>Net cash inflow/ (outflow) on financing activities</b>	<u>3,670</u>	<u>(7,967)</u>
<b>Net increase/ (decrease) in cash and cash equivalents during the period</b>	<u>15,172</u>	<u>(5,993)</u>
Cash and cash equivalents at the beginning of the period	37,294	26,595
<b>Cash and cash equivalents as at the end of the period</b>	<u>52,466</u>	<u>20,602</u>

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

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

MCB-Arif Habib Savings and Investments Limited  
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(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

Pakistan Capital Market Fund (the Fund) was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and was approved as a collective investment scheme by the Securities and Exchange Commission of Pakistan ("SECP") on 12 December 2006. It was constituted under a Trust Deed dated 10 November 2006 amended by a Supplemental Trust Deed dated 21 January 2007 between MCB Arif Habib Savings & Investments Limited [( formerly Arif Habib Investments Limited)] (Pursuant to merger of MCB Asset Management Company Limited with in to Arif Habib Investment Limited) as the Management Company, a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited ("CDC") as the Trustee, also incorporated under the Companies Ordinance, 1984.

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 Non-Banking Finance Companies (Establishment and Regulation) Rules 2003 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,

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

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

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, "A+" (Single A Plus) while stability rating of "3 Star" to the Fund.

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

### 2 BASIS OF PREPARATION

#### 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 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 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.

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

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**3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in preparation of these condensed interim financial statements are the same as those applied in the preparation of the published financial statements of the Fund for the year ended June 30, 2013.

<b>4 INVESTMENTS</b>		<b>Un-Audited</b>	<b>Audited</b>
		<b>September 30,</b>	<b>June 30</b>
		<b>2013</b>	<b>2013</b>
		-----	-----
	<b>Financial assets 'at fair value through profit or loss'</b>	<b>Rupees in '000</b>	
	- Listed equity securities	<b>210,507</b>	237,521
	- Term Finance Certificates - listed	<b>33,225</b>	59,046
	- Government securities	<b>115,039</b>	66,022
		<u><b>358,771</b></u>	<u>362,589</u>

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

**4.1 Listed equity securities - 'at fair value through profit or loss'**

Name of the Investee company	As at July 1, 2013	Purchases during the period	Bonus / right issue during the period	Sales during the period	As at September 30, 2013	Balance as at September 30, 2013			Market value as percentage of investments	Market value as percentage of net assets	Paid up value of shares held as a percentage of total paid up capital of the investee company
						Carrying Value	Market value	Appreciation / (Diminution)			
	-----Number of shares-----					-----Rupees in '000-----					
<b>SHARES OF LISTED COMPANIES - Fully paid ordinary shares of Rs 10 each unless stated otherwise</b>											
<b>OIL AND GAS</b>											
Attock Petroleum Limited	23,417	-	4,683	-	28,100	13,140	12,127	(1,013)	3.59	2.92	0.03
Oil and Gas Development Company	84,700	35,000	-	84,000	35,700	9,050	8,390	(660)	2.48	2.02	-
Pakistan Oilfields Limited	42,681	-	-	42,650	31	15	13	(2)	-	-	0.00
Pakistan Petroleum Limited	154,525	10,000	29,505	61,500	132,530	23,565	25,260	1,695	7.47	6.09	0.01
Pakistan State Oil Company Limited	33,331	28,500	-	-	61,831	19,605	16,206	(3,399)	4.79	3.91	0.03
						<u>65,376</u>	<u>61,996</u>	<u>(3,379)</u>			
<b>CHEMICALS</b>											
Engro Corporation Limited	-	86,000	-	-	86,000	12,655	11,677	(978)	3.45	2.82	0.02
Fatima Fertilizer Company Limited	949,000	-	-	162,000	787,000	19,541	20,462	921	6.05	4.94	0.04
Fauji Fertilizer Bin Qasim Company	271,000	-	-	271,000	-	-	-	-	-	-	-
						<u>32,196</u>	<u>32,139</u>	<u>(57)</u>			
<b>CONSTRUCTION AND MATERIALS</b>											
Cherat Cement Company Limited	281,000	-	-	-	281,000	16,351	13,898	(2,453)	4.11	3.35	0.29
D.G. Khan Cement	17,500	152,000	-	17,500	152,000	11,767	10,468	(1,299)	3.10	2.52	0.03
Kohat cement Limited	141,000	20,500	-	19,000	142,500	11,935	13,191	1,257	3.90	3.18	0.11
Lucky Cement Limited	48,215	-	-	48,215	-	-	-	-	-	-	-
Maple Leaf Cement Limited	-	320,000	-	120,000	200,000	4,667	4,276	(391)	1.26	1.03	0.04
						<u>44,720</u>	<u>41,834</u>	<u>(2,886)</u>			
<b>AUTOMOBILE AND PARTS</b>											
Pak Suzuki Motor Company Limited	38,500	-	-	-	38,500	5,726	5,390	(336)	1.59	1.30	0.05
						<u>5,726</u>	<u>5,390</u>	<u>(336)</u>			
<b>PERSONAL GOODS</b>											
Nishat Mills Limited	64,500	20,000	-	84,500	-	-	-	-	-	-	-
						<u>-</u>	<u>-</u>	<u>-</u>			
<b>FIXED LINE TELECOMMUNICATION</b>											
Pakistan Telecommunication Company Limited	-	82,500	-	-	82,500	2,108	2,158	50	0.64	0.52	-
						<u>2,108</u>	<u>2,158</u>	<u>50</u>			
<b>ELECTRICTY</b>											
The Hub Power Company Limited	334,513	190,000	-	-	524,513	33,970	33,427	(543)	9.89	8.06	0.05
Kot Addu Power Company Limited	-	512,500	-	512,500	-	-	-	-	-	-	-
Nishat Chunian Power Limited	-	95,000	-	95,000	-	-	-	-	-	-	-
						<u>33,970</u>	<u>33,427</u>	<u>(543)</u>			
<b>BANKS</b>											
Allied Bank Limited	-	34,500	-	-	34,500	2,561	2,662	101	0.79	0.64	-
Askari Bank Limited	47	-	-	47	-	-	-	-	-	-	-
Bank Al Falah Limited	233,000	250,000	-	283,000	200,000	4,400	4,188	(212)	1.24	1.01	0.01
Bank AlHabib Limited	271,000	4,000	-	275,000	-	-	-	-	-	-	-
Habib Bank Limited	17,600	-	-	-	17,600	2,099	2,683	585	0.79	0.65	-
Meezan Bank Limited	40,720	-	-	-	40,720	1,181	1,511	330	0.45	0.36	-
National Bank Of Pakistan	-	170,000	-	170,000	-	-	-	-	-	-	-
United Bank Limited	63,000	67,000	-	55,000	75,000	9,188	9,947	759	2.94	2.40	0.01
						<u>19,429</u>	<u>20,992</u>	<u>1,563</u>			
<b>NON LIFE INSURANCE</b>											
Adamjee Insurance Company Limited	67,000	-	-	-	67,000	5,097	4,966	(131)	1.47	1.20	0.05
Pakistan reinsurance Company Limited	315,000	-	-	-	315,000	7,442	7,605	163	2.25	1.83	0.11
						<u>12,540</u>	<u>12,571</u>	<u>32</u>			
<b>Total as at September 30, 2013</b>						<u>216,066</u>	<u>210,507</u>	<u>(5,559)</u>			
<b>Total as at June 30, 2013</b>						<u>206,843</u>	<u>237,521</u>	<u>30,678</u>			

**4.1.1** Investments include listed equity securities with market value of Rs. 14,295,000 (June 30, 2013: Rs 16,895,599) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by the SECP.

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

	Note	Un-Audited September 30, 2013	Audited June 30 2013	
----- Rupees in '000 -----				
4.3	Market Value of Term Finance Certificates	4.3.1	37,527	63,348
	Less: Provision against Debt Securities	4.3.2	<u>(4,302)</u>	<u>(4,302)</u>
			<u><u>33,225</u></u>	<u><u>59,046</u></u>

**4.3.1 Term Finance Certificates - 'at fair value through profit or loss'**

Name of the investee company	Issue date	As at July 1, 2013	Purchases during the period	Sales / matured during the period	As at September 30, 2013	Balance as at September 30, 2013			--- Market Value ---	
						Carrying Value	Market value	Appreciation / (diminution)	As a percentage of total investments	As a percentage of net assets
----- Number of certificates -----						----- Rupees in '000 -----				
United Bank Limited III	8-Sep-06	7,020	-	-	7,020	11,794	11,733	(61)	3.27	2.83
Bank Alfalah Limited	20-Feb-13	4,000	-	-	4,000	20,309	20,452	143	5.70	4.93
Maple Leaf Cement Factory Limited (refer Note 4.3.1.1)	3-Dec-07	2,000	-	-	2,000	5,245	5,342	97	1.49	1.29
NIB Bank Limited-TFC 05-03-2001	5-Mar-12	4,000	-	4,000	-	-	-	-		
<b>Total as at September 30, 2012</b>						<u><u>37,348</u></u>	<u><u>37,527</u></u>	<u><u>179</u></u>		
<b>Total as at June 30, 2013</b>						<u><u>62,292</u></u>	<u><u>63,348</u></u>	<u><u>1,056</u></u>		

4.3.1.1 Maple Leaf is regular on payment terms as per supplemental trust deed. However the debt security is classified as non - performing as per circular No. 1 of 2009 read with circular No. 33 and 35 of 2012 issued by SECP.

**4.3.2 Movement in provision against debt securities**

	Un-Audited September 30, 2013	Audited June 30 2013
----- Rupees in '000 -----		
<b>Opening Balance</b>	4,302	1,782
Add: Charge for the period	<u>-</u>	<u>2,895</u>
Less: Reversal of provision	<u>-</u>	<u>(375)</u>
Charge for the period - net	<u>-</u>	<u>2,520</u>
<b>Closing balance</b>	<u><u>4,302</u></u>	<u><u>4,302</u></u>

**4.4 Government securities - 'at fair value through profit or loss'**

Particulars	Face value					Balance as at September 30, 2013			Market value as a percentage of total investments	Market value as a percentage of net assets
	As at July 1, 2013	Purchases during the period	Sales during the period	Matured during the period	As at September 30, 2013	Carrying Value	Market value	Appreciation / (Diminution)		
----- Rupees in '000 -----										
<b>Market Treasury Bills</b>										
Treasury Bill - 3 Months	-	50,000	-	-	50,000	49,096	49,108	12	13.69	12
Treasury Bill - 12 Months	-	71,000	-	45,000	26,000	25,901	25,895	(6)	7.22	6
						<u>74,997</u>	<u>75,003</u>	<u>6</u>		
<b>Pakistan Investment Bonds</b>										
PIB - 3 Years	25,000	-	25,000	-	-	-	-	-	0.00	-
						<u>-</u>	<u>-</u>	<u>-</u>		
<b>Government of Pakistan Ijara Sukuk</b>										
GOP Ijara Sukuk - 3 years	40,000	-	-	-	40,000	40,060	40,036	(24)	11.16	10
						<u>40,060</u>	<u>40,036</u>	<u>(24)</u>		
<b>Total as at September 30, 2013</b>						<u><u>115,057</u></u>	<u><u>115,039</u></u>	<u><u>(18)</u></u>		
<b>Total as at June 30, 2013</b>						<u><u>65,600</u></u>	<u><u>66,022</u></u>	<u><u>422</u></u>		



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

### 5 Provision for Worker 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

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.0.216 million on account of WWF. The aggregate amount of WWF charged as on September 30, 2013 is Rs. 6.413 million. If the same were not made the NAV of the fund would have been higher by Rs. 0.13 per unit.

### 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 EARNINGS PER UNIT

Earnings / (Loss) per unit has not been disclosed as in the opinion of the management determination of cumulative weighted average number of outstanding units for calculating earnings / (loss) per unit is not practicable.

### 8 DETAILS OF NON-COMPLIANCE WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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

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

In accordance with clause (iv) of the investment criteria laid down for 'Balanced Scheme', the Fund is not allowed to invest in any debt security having a rating lower than A- (A minus). However, as at September 30, 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
-----Rupees '000-----						
Investment in debt securities*	Maple Leaf Cement Factory Limited - Term Finance Certificate (03-Dec-2007)	5,342	4,302	1,040	0.25	0.24

**9 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 payable to the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

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

Details of transactions with the connected persons and balances with them as at period end are as follows:

9.1 Transactions during the period	September, 2013	September, 2012
	-----Rupees in '000-----	
<b>Management Company</b>		
- Remuneration of the Management Company	2,879	2,137
<b>Arif Habib Limited - Brokerage house</b>		
- Brokerage expense*	20	42
<b>Summit Bank Limited</b>		
- Profit received	-	38
<b>MCB Bank Limited</b>		
- Bank Charges	1	5
- Profit received	936	201
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
- Remuneration for the period	214	184
- CDS charges	12	14
<b>Directors and executives of the Management Company</b>		
- Redemption of Nil units (2012: 1,283 units)	-	10
- Bonus units issued: 2,783 (2012: Nil Bonus units)	23	-

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

9.2	Amounts outstanding as at period / year end	Un-Audited September 30, 2013 -----Rupees '000-----	Audited June 30, 2013
	<b>MCB Bank Limited</b>		
	- Bank Balance	45,291	33,472
	- Profit receivable on bank balances	404	49
	<b>Arif Habib Limited</b>		
	- Brokerage Payable	16	3
	<b>Management Company</b>		
	- Payable to the Management Company	811	856
	<b>Directors and executives of the Management Company</b>		
	- Units held 21,086 (June 30, 2013: 22,272 units)	181	215
	<b>Central Depository Company of Pakistan Limited - Trustee</b>		
	- Security deposit	300	300
	- Trustee fee payable	146	89
	<b>National Logistic Cell</b>		
	- Units held 11,275,972 (June 30, 2013: 11,275,972 units)	97,135	109,039

\* 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.

**10 DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS**

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

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