



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
STRATEGIC ALLOCATION FUND**

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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 Summit Bank Limited Standard Chartered Bank Limited	
Auditors	M. Yousuf Adil Saleem & Co.-Chartered Accountants Cavis Court, A-35, Block 7 & 8, KCHSU, Sharae Faisal, Karachi-75350	
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 Pakistan Strategic Allocation Fund's accounts review for the first quarter ended September 30th 2013.

EQUITIES MARKET OVERVIEW

In light of smooth political transition, the ongoing financial year started on a positive note, with stock market touching an all time high of 23,776.22 on 24-July-2013. The index posted a return of 10.9% during July, outperforming regional markets. But on account of tepid performance in August and September the benchmark index recorded a total gain of 3.9% during the 1QFY14, with KSE-100 index closing at 21,832.68 at the end of quarter. Restrictive forces that played a dampening role for the market were rationalization of tariffs and gas prices, launch of initiatives to enhance revenue administration, monetary tightening and growing concerns on feeble exchange rate outlook. Although activity remained stable in terms of both volumes and turnover, foreigners remained net seller with a cumulative net outflow of US\$ 94 million during the period under review.

Major interest during the period remained in Textile, Construction & Materials and Power Sectors on the heels of strong inherent bottom line growth and healthy payouts. With the market expecting interest rates to increase going forward, Banking sector performed better towards the start of the quarter until the present government announced to peg minimum deposit rates on saving accounts to overnight repo rate.

FUND PERFORMANCE

During the period, PSAF outperformed KSE100 index by delivering 6.06% return as compared to KSE100 index return of 3.76%. Overall equity exposure of the fund was decreased from 75.7% to 61.5% at the end of the quarter. The fund changed its investment strategy several times during the quarter to cope with various sector and company level fundamental developments. During the quarter fund realigned its sector exposure by reducing allocation in Oil & Gas, Chemicals, Commercial Banks and Electricity while increasing its allocations Construction & Materials sectors.

The Net Assets of the Fund as at September 30, 2013 stood at Rs. 321 million as compared to Rs 306 million as at June 30, 2013 registering a decrease of 4.9%.

The Net Asset Value (NAV) per unit as at September 30, 2013 was Rs. 9.88 as compared to opening Ex-NAV of Rs. 9.30 per unit as at June 30, 2013 registering an increase of Rs. 0.58 per unit.

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.

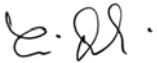
While the economic environment is challenging, corporate earnings are by and large expected to continue to improve. Earnings growth is expected to continue in E&P, Textile, Power and cement sector. The rupee depreciation bodes well for textile, E&P and power sector, while higher allocation in PSDP will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

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

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**

ASSETS	Note	Un-Audited September 30 2013 (Rupees in '000)	Audited June 30 2013
Balances with banks	4	40,801	21,834
Investments		332,831	312,688
Receivable against sale of investments		-	400
Dividend and profit receivable		3,876	219
Advances, deposits and other receivables		2,971	2,971
Total Assets		380,479	338,112
LIABILITIES			
Payable to Management Company		733	666
Payable to Central Depository Company of Pakistan Limited - Trustee		58	58
Payable to Securities and Exchange Commission of Pakistan		79	311
Unclaimed dividend		12,406	12,405
Accrued expenses and other liabilities		46,157	18,887
Total Liabilities		59,433	32,327
NET ASSETS		321,046	305,785
Unit holders' fund		321,046	305,785
(Number of Units)			
Number of units		32,480,815	26,957,076
Net assets value per unit (Face Value per unit Rs 10/- each)		9.88	11.34

The annexed notes from an integral part of these 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	September 30, 2013 (Rupees in '000)	September 30, 2012
Income			
Capital gain on sale of investments - net		18,715	9,986
Income from government securities		1,157	1,881
Dividend income		4,405	3,244
Profit on bank deposits		1,022	1,049
		<u>25,299</u>	<u>16,160</u>
Unrealised (diminution) / appreciation on revaluation of investments 'at fair value through profit or loss' - net	4.5	<u>(3,038)</u>	<u>10,004</u>
Total income		22,261	26,164
Operating expenses			
Remuneration of the Management Company		2,249	2,060
Remuneration of Central Depository Company of Pakistan Limited - Trustee		176	179
Annual fee - Securities and Exchange Commission of Pakistan		79	84
Securities transaction cost		581	697
Custody, settlement and bank charges		63	100
Fees and subscription		59	61
Printing and related cost		57	108
Auditors' remuneration		134	139
Total operating expenses		<u>3,399</u>	<u>3,428</u>
Net income from operating activities		18,862	22,736
Element of (loss) /Income and capital (losses)/ gains included in prices of units sold less those in redeemed		(127)	(1,418)
Provision for Workers' Welfare Fund		(375)	
Net income for the period after taxation		<u>18,360</u>	<u>21,318</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-
Total comprehensive income for the period		<u>18,360</u>	<u>21,318</u>
Earning per unit	7		

The annexed notes from 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**

	September 30, 2013	September 30, 2012
	(Rupees in '000)	
Undistributed Income / accumulated (loss) brought forward	36,215	(58,825)
Distribution to the unit holders of the fund ;		
Final Distribution for the year ended June 30, 2013 distributed at Rs. 2.0427 per unit (Declared on July 04, 2013)		
- Bonus Units	(54,580)	-
Element of (loss)/ income and capital (losses) / gains included in		
prices of units sold less those in units redeemed - amount		
- amount representing unrealised capital gains / (losses) and capital gains / (losses) that forms part of the unit	(3,756)	5,149
Total comprehensive income for the period	18,360	21,318
Accumulated (loss) carried forward	<u>(3,761)</u>	<u>(32,358)</u>

The annexed notes from 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**

	September 30, 2013	September 30, 2012
	(Rupees in '000)	
Net assets at beginning of the period	305,785	351,503
Issue of 486,791 units (2012:6,297 units)	4,995	57
Issue of bonus 5,856,222 units (2012:Nil units)	54,580	-
Redemption of 819,274 units (2012:3,594,331 units)	(8,221)	(32,217)
	<u>51,354</u>	<u>(32,160)</u>
	357,139	319,343
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed :		
- amount representing unrealised loss/ (income) and capital losses/ (gains) - transferred to income statement	127	1,418
- amount representing unrealised capital losses/ (gains) and capital (gains) / losses that forms part of the unit holders' fund transferred to distribution statement	3,756	(5,149)
	3,883	(3,731)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		
- amount representing unrealised capital gains / (losses) and capital gains / (losses) that forms part of	(3,756)	5,149
Capital gain on sale of investments	18,715	9,986
Unrealised (diminution) / appreciation in value of investments at fair value through profit or loss - net	(3,038)	10,004
Other net income for the period	2,683	1,328
	18,360	21,318
Final Distribution for the year ended June 30, 2013 distributed at Rs. 2.0427 per unit - Bonus Units	(54,580)	-
Net assets at end of the period	<u>321,046</u>	<u>342,079</u>

The annexed notes from 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**

	September 30, 2013	September 30, 2012
	(Rupees in '000)	
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period before taxation	18,360	21,318
Adjustments for:		
Element of loss and capital gains / (losses) included in prices of units issued less those in units redeemed	127	1,418
Unrealised (appreciation) / diminution in value of investments 'at fair value through profit or loss' - net	3,038	(10,004)
	21,525	12,732
(Increase) / decrease in assets		
Receivable against sale of investments	400	(855)
Investments - net	(23,181)	(2,003)
Dividend and profit receivable	(3,657)	(2,769)
	(26,439)	(5,627)
Increase / (decrease) in liabilities		
Payable to Management Company	67	(9)
Payable to Central Depository Company of Pakistan Limited - Trustee	-	(1)
Payable to Securities and Exchange Commission of Pakistan	(232)	(392)
Unclaimed dividend	1	(23)
Accrued expenses and other liabilities	27,270	1,350
	27,106	925
Net cash generated from operating activities	22,193	8,030
B. CASH FLOW FROM FINANCING ACTIVITIES		
Cash received from units sold	4,995	57
Cash paid on units redeemed	(8,221)	(32,217)
Net cash used in financing activities	(3,226)	(32,160)
Net increase / (decrease) in cash and cash equivalent	18,967	(24,130)
Cash and cash equivalent at beginning of the period	21,834	42,371
Cash and cash equivalent at end of the period	40,801	18,241

The annexed notes form an integral part of these 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

Pakistan Strategic Allocation 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)] 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.

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 the SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.

The Fund is an open-ended fund listed on the Karachi Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned asset manager rating of 'AM2' (Positive Outlook) to the Management Company and 4-Star Normal and 4-Star Long Term ranking to the Fund.

The Fund primarily invests in listed equity securities. It also invests in cash instruments and treasury bills not exceeding 90 days maturities.

2 STATEMENT OF COMPLIANCE

2.1 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 financial information are unaudited. The Directors of the asset management company declare that this condensed.

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.

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

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

		Un-Audited September 2013	Audited June 2013
	<i>Note</i>	(Rupees in '000)	
4 INVESTMENTS			
At fair value through profit or loss			
Listed equity securities	4.1	233,926	255,998
Government Securities	4.2	98,905	56,690
		<u>332,831</u>	<u>312,688</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	Balance as at Sept 30, 2013										Paid up value of shares as % of total paid up capital of the investee company
	As at July 1, 2013	Purchases during the period	Bonus/Right issue	Sales during the period	As at Sept 30, 2013	Carrying Value	Market Value	Appreciation / (Diminution)	Market value as % of net assets	Market value as % of total investments	
SHARES OF LISTED COMPANIES - Fully paid ordinary shares of Rs. 10 each unless stated otherwise											
OIL AND GAS											
Attock Petroleum Limited	26,184	200	4,046	5,950	24,480	11,442	10,565	(877)	3.29	3.17	1.27
National Refinery Limited	9,800	30,800	-	9,800	30,800	7,282	6,366	(916)	1.98	1.91	0.80
Oil and Gas Development Company Limited	78,776	-	-	28,500	50,276	11,501	11,816	315	3.68	3.55	0.03
Pakistan Oilfields Limited	42,453	12,000	-	31,350	23,103	10,959	9,905	(1,054)	3.09	2.98	0.42
Pakistan Petroleum Limited	136,848	42,500	8,409	98,300	89,457	16,633	17,051	418	5.31	5.12	0.09
Pakistan State Oil Company Limited	51,985	43,200	-	300	94,885	29,063	24,869	(4,194)	7.75	7.47	1.01
		86,880	80,572	(6,308)							
CHEMICALS											
Engro Corporation Limited	178,700	-	-	22,500	156,200	19,036	21,209	2,173	6.61	6.37	0.41
Fatima Fertilizer Company Limited	532,200	90,000	-	114,000	508,200	12,749	13,213	464	4.12	3.97	0.06
Fauji Fertilizer Bin Qasim Limited	266,400	-	-	149,500	116,900	4,388	4,395	7	1.37	1.32	0.05
Fauji Fertilizer Company Limited	169,100	28,900	-	169,100	28,900	2,926	2,930	4	0.91	0.88	0.02
Lotte Chemical Pakistan Limited	125,000	-	-	125,000	-	-	-	-	-	-	-
		39,099	41,747	2,648							
CONSTRUCTION AND MATERIALS											
Cherat Cement Company Limited	51,500	201,300	-	30,500	222,300	13,639	10,995	(2,644)	3.42	3.30	1.15
D.G. Khan Cement Limited	20,100	100,000	-	120,100	23,759	9,382	8,271	(1,111)	2.58	2.49	0.19
Kohat Cement Company Limited	89,500	82,000	-	13,000	158,500	13,701	14,672	971	4.57	4.41	1.14
Lucky Cement Limited	2,619	7,400	-	2,600	7,419	1,687	1,716	29	0.53	0.52	0.05
Maple Leaf Cement	-	749,000	-	-	749,000	16,417	16,014	(403)	4.99	4.81	0.30
		54,826	51,668	(3,158)							
FOOD PRODUCERS											
Engro Foods Limited	-	5,500	-	5,500	-	-	-	-	-	-	-
		-	-	-							
PERSONAL GOODS											
Nishat Mills Limited	68,300	166,000	-	177,800	56,500	5,384	5,236	(148)	1.63	1.57	0.15
		5,384	5,236	(148)							
FIXED LINE TELECOMMUNICATION											
Pak Telecommunication Company Limited	-	127,200	-	-	127,200	3,080	3,328	248	1.04	1.00	0.01
		3,080	3,328	248							
ELECTRICITY											
Hub Power Company Limited	337,571	-	-	33,500	304,071	18,746	19,378	632	6.04	5.82	0.17
Kot Addu Power Company Limited	-	426,000	-	425,500	500	29	32	3	0.01	0.01	0.00
Nishat Power Limited	100	-	-	100	-	3	3	0	0.00	0.00	0.00
		18,778	19,413	635							
BANKS											
Allied Bank Limited	452	30,000	-	4,000	26,452	2,028	2,041	13	0.64	0.61	0.02
Bank Al-Falah Limited	468,585	-	-	122,500	346,085	6,306	7,247	941	2.26	2.18	0.05
Bank AL-Habib Limited	499,891	125,000	-	509,800	115,091	4,080	4,174	94	1.30	1.25	0.04
MCB Bank Limited	-	14,900	-	3,200	11,700	3,052	3,078	26	0.96	0.92	0.03
Meezan Bank Limited	458,070	-	-	360,400	97,670	2,832	3,625	793	1.13	1.09	0.04
National Bank Of Pakistan	126,205	67,500	-	193,705	8,396	9,548	1,152	2.97	2.87	0.04	
United Bank Limited	-	85,000	-	75,700	9,300	1,239	1,233	(6)	0.38	0.37	0.01
		27,933	30,946	3,013							
NON LIFE INSURANCE											
Pakistan Reinsurance Company Limited	393,500	17,000	-	368,400	42,100	986	1,016	31	0.32	0.31	0.03
		986	1,016	31							
Total as at September 30, 2013		236,966	233,926	(3,039)							
Total as at June 30, 2013		241,075	255,998	14,923							

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

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

Issue Date	Tenor	Face Value				Balance as at Sept 30, 2013			Investment	
		As at July 1, 2013	Purchases during the period	Sales / Matured during the period	As at September 30, 2013	Cost	Market value	Appreciation / (Diminution)	Market value as % of net assets	Market value as % of total investments
Treasury Bills										
April 18, 2013	3 Months	20,000	-	20,000	-	-	-	-	-	-
Sept 19, 2013	3 Months	-	50,000	-	50,000	49,096	49,107	12	15.30	0.00
July 25, 2013	3 Months	-	50,000	-	50,000	49,809	49,798	(11)	15.51	(0.00)
May 2, 2013	3 Months	25,000	-	25,000	-	-	-	-	-	-
August 9, 2012	12 Months	12,000	-	12,000	-	-	-	-	-	-
Total as at September 30, 2013					100,000	98,905	98,906	1		
Total as at June 30, 2013						56,680	56,690	10		

5 Contribution To Workers Welfare Fund

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In 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. 0.374 million on account of WWF. The aggregate amount of WWF charged as on September 30, 2013 is Rs. 13.040 million. If the same were not made the NAV of the fund would have been higher by Rs. 0.4015 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

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

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 / (LOSS) 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 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, MCB Bank Limited being the holding company of the Management Company, the Trustee, directors and key management personnel and other associated undertaking

Remuneration to the Management Company and Trustee are determined in accordance with the provisions of the NBFC Regulations and the Trust Deed of the Fund. All other transactions with connected persons are in the normal course of business and are carried out on agreed terms.

Details of transactions and balances at period end with related parties / connected persons, other than those which have been disclosed elsewhere in these financial statements, are as follows:

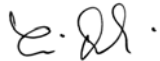
8.1 Transactions during the period with connected persons / related parties	September 30	
	2013	2012
	(Rupees in '000)	
Management Company		
Remuneration of Management Company	2,249	2,061
Redemption of Nil units : (2012 : 46,617 units)	-	423,285
Central Depository Company of Pakistan Limited - Trustee		
Remuneration for the period	176	179
CDC charges	63	66
Arif Habib Limited - Brokerage house		
Brokerage expense	-	39
MCB Bank Limited		
Bank Charges	1	4
Directors and executives of the Management Company		
Redemption of Nil units (2012 : 46,617 units)	-	423

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

	Un-Audited Sept 30, 2013	Audited June 30, 2013
8.2 Balance outstanding as at the period end		
	(Rupees in '000)	
Management Company		
Remuneration payable	733	666
Conversion cost payable	5,123	5,123
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	58	703
Security deposits	300	300
Summit Bank Limited		
Balances with bank	5,109	5,109
MCB Bank Limited		
Balances with Bank	20,499	8,041
Accrued mark-up	227	33

9 DATE OF AUTHORIZATION OF ISSUE

These financial statements were 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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