



Bachat ka Doosra Naam

Half Year Report December 31, 2013 (Unaudited)



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

Vision

To become synonymous with Savings.

Mission

To become a preferred Savings and Investment Manager in the domestic and regional markets, while maximizing stakeholder's value.

Core Values

The Company takes pride in its orientation towards client service. It believes that its key success factors include continuous investment in staff, systems and capacity building, and its insistence on universal best practices at all times.

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings and Investments Limited (Formerly: Arif Habib Investments Limited) 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Board of Directors of the Management Company	Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman Executive Vice Chairman Chief Executive Officer Director Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Nasim Beg Mr. Samad A. Habib	Chairman Member Member
Human Resource Committee	Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Yasir Qadri	Chairman Member Member Member Member
Company Secretary & Chief Operating Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer	Mr. Umair Ahmed	
Trustee	Central Depository Company of Pakistan Limited CDC House, 990B Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
Bankers	Habib Metropolitan Bank Limited MCB Bank Limited Bank Al 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 31 DECEMBER 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 half ended December 31st 2013.

ECONOMY AND MONEY MARKET OVERVIEW

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

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

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

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

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

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

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

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

FUND PERFORMANCE

During the quarter under review, the fund generated an annualized return of 7.6% as against its benchmark return of 8%, an underperformance of 0.4%.

The fund remained significantly invested in PIBs and longer tenure T-Bills almost throughout the period with a focus on keeping its portfolio duration at a higher level in order to capitalize on the declining interest rates scenario. After realizing the capital gains, the fund gradually started to switch its exposure from PIBs to T-Bills. At period-end, the fund was 60.2% invested in Treasury Bills, 5.2% in cash and bank deposits, and 33.2% in PIBs.

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

The Net Asset of the Fund as at December 31, 2013 stood at Rs.534 million as compared to Rs.1,270 million as at June 30 2013 registering a decrease of 57.95%.

The Net Asset Value (NAV) per unit as at December 31, 2013 was Rs.50.03 as compared to opening NAV of Rs. 51.38 per unit as at June 30, 2013 registering a decrease of Rs.1.35 per unit.

Income Distribution

During the period, the Management Company has announced the following interim distribution:

Date of distribution	Rs. Per unit distribution
September 27, 2013	0.53
December 27, 2013	0.96

FUTURE OUTLOOK

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

ACKNOWLEDGMENT

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

For and on behalf of the board



Yasir Qadri

Chief Executive Officer

Karachi: February 06, 2014

TRUSTEE REPORT TO THE UNIT HOLDERS



CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office
CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shakra-e-Faisal
Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcPakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

METROBANK-PAKISTAN SOVEREIGN FUND-PERPETUAL

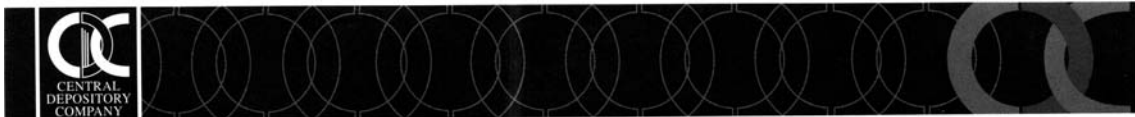
Report of the Trustee pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We Central Depository Company of Pakistan Limited, being the Trustee of MetroBank-Pakistan Sovereign Fund-Perpetual (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited (formerly Arif Habib Investments Limited) being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2013 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.


Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 13, 2014



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



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

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

Introduction

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

Scope of Review

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

Conclusion

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

Other matters

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

Date: 06 February 2014

Karachi

KPMG Taseer Hadi & Co.

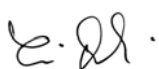
KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative

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

	<i>Note</i>	31 December 2013 (Unaudited) (Rupees in '000)	30 June 2013 (Audited)
Assets			
Balance with banks	6	29,797	195,220
Investments	7	534,239	1,271,200
Income from investments and other receivables		5,676	17,861
Advance and prepayments		1,967	2,046
Total assets		571,679	1,486,327
Liabilities			
Payable to the Management Company		799	2,569
Payable to Central Depository Company of Pakistan Limited - Trustee		76	211
Annual fee payable to Securities and Exchange Commission of Pakistan		328	3,848
Payable against purchase of Investments		-	174,013
Accrued expenses and other liabilities	8	36,527	35,298
Total liabilities		37,730	215,939
Net assets		533,949	1,270,388
Unit holders' fund		533,949	1,270,388
Contingencies and commitments	9		
		(Number of Units)	
Number of units in issue (face value of units is Rs. 50 each)		10,672,035	24,724,228
		(Rupees)	
Net asset value per unit		50.03	51.38

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.



Chief Executive Officer

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



Director

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

	Note	Half year ended		Quarter ended	
		31 December 2013	31 December 2012	31 December 2013	31 December 2012
------(Rupees in '000)-----					
Income					
Capital (loss) / gain on sale of government securities - net		(8,601)	180,111	704	90,038
Income from government securities		39,246	308,316	15,784	145,611
Income from reverse repurchase transactions in government securities		48	-	-	-
Profit on bank deposits		2,210	26,570	743	16,585
		32,903	514,997	17,231	252,234
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'at fair value through profit or loss'		(1,646)	11,196	(654)	(62,246)
Total income		31,257	526,193	16,577	189,988
Expenses					
Remuneration of the Management Company		3,863	33,692	1,667	15,774
Sindh Sales tax and Federal Excise Duty on Management Fee		1,335	5,391	576	2,524
Remuneration of Central Depository Company of Pakistan Limited - Trustee		640	2,762	254	1,426
Annual Fee - Securities and Exchange Commission of Pakistan		328	2,388	131	1,249
Auditors' remuneration		452	588	226	413
Brokerage expenses		108	1,597	12	937
Other expenses		256	386	109	167
Total operating expenses		6,982	46,804	2,975	22,490
Net income from operating activities		24,275	479,389	13,602	167,498
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed		(4,847)	30,702	(3,508)	(80)
Provision for workers' welfare fund	8.2	(389)	(10,216)	(202)	(3,363)
Net income for the period before taxation		19,039	499,875	9,892	164,055
Taxation	10	-	-	-	-
Net income for the period after taxation		19,039	499,875	9,892	164,055
OTHER COMPREHENSIVE INCOME					
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		19,039	499,875	9,892	164,055
Earnings per unit	11				

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.



Chief Executive Officer

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



Director

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

	Half year ended		Quarter ended	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	----- (Rupees in '000) -----			
Undistributed income brought forward	34,174	8,591	506	13,077
Net income for the period	19,039	499,873	9,892	164,055
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed				
- amount representing unrealised appreciation	-	945	-	(190)
Distributions to the unit holders of the Fund:				
Final distribution at the rate Rs. 1.38 (2012: Rs. nil) per unit for the year ended 30 June 2013 Declared on 4 July 2013 - Bonus distribution 682,389 units	(34,119)	-	-	-
Interim distribution at the rate of Rs. 0.53 (2012: Rs. 2.51) per unit for the quarter ended 30 September 2013 Declared on 27 September 2013 - Bonus distribution 173,914 units - Cash distribution	(8,696)	(308,409)	-	-
	-	(24,058)	-	-
Interim distribution at the rate Rs. 1.20 (2012: Rs.0.96) for the period ended 31 December 2013 Declared on 26 December 2013 - Bonus distribution 201,043 units	(10,052)	(158,195)	(10,052)	(158,195)
	(52,867)	(490,662)	(10,052)	(158,195)
Undistributed income carried forward	346	18,747	346	18,747

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.



Chief Executive Officer

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



Director

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

	Half year ended		Quarter ended	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
----- (Rupees in '000) -----				
Net assets at beginning of the period	1,270,388	6,103,531	828,796	6,917,632
Issue of 1,292,488* units (2012: 35,067,831 units) and 203,507 units (2012: 12,114,260 units) for the half year and quarter ended respectively	64,637	1,794,298	10,175	611,734
Redemption of 15,344,681 units (2012: 22,971,972 units) and 6,097,206 units (2012: 13,536,305 units) for the half year and quarter ended respectively	(772,095)	(1,087,497)	(308,370)	(746,463)
	(707,458)	706,801	(298,195)	(134,729)
Net element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed:				
- amount representing loss / (income) and capital losses / (gains) transferred to income statement	4,847	(30,702)	3,508	80
- amount representing (income) / loss that forms part of unit holder's fund transferred to distribution statement	-	(945)	-	190
	4,847	(31,647)	3,508	270
Net element of income / (loss) and capital losses / (gains) included in prices of units issued less those in units redeemed - transferred to distribution statement	-	945	-	(190)
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 gains / (loss) on sale of investments)	29,286	308,568	9,842	136,263
Capital gain on sale of investments - net	(8,601)	180,111	704	90,038
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'at fair value through profit or loss'	(1,646)	11,196	(654)	(62,246)
	19,039	499,875	9,892	164,055
Distribution during the period	(52,867)	(490,662)	(10,052)	(158,195)
Net assets at end of the period	533,949	6,788,843	533,949	6,788,843
Net assets value per unit as at beginning of the period	51.38	50.07	50.03	51.38
Net assets value per unit as at end of the period	50.03	50.13	50.03	50.13

* This includes 1,057,345 units (2012: 9,372,908 units) and 201,042 units (2012: 3,159,474 units) issued as bonus units for the half year and quarter ended respectively.

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.



Chief Executive Officer

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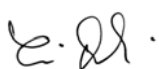


Director

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

	Half year ended		Quarter ended	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
------(Rupees in '000)-----				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period before taxation	19,039	499,875	9,892	164,055
Adjustments for non cash and other items:				
Net unrealised diminution / (appreciation) on re-measurement of investments classified as 'at fair value through profit or loss'	1,646	(11,196)	654	62,246
Net element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed	4,847	(30,702)	3,508	80
	6,493	(41,898)	4,162	62,326
	25,532	457,977	14,054	226,381
Decrease / (Increase) in assets				
Investments	735,314	(434,869)	161,372	290,425
Income from investments and other receivables	12,185	(8,707)	(484)	19,681
Advances and prepayments	79	10	52	10
	747,578	(443,566)	160,940	310,116
Increase / (decrease) in liabilities				
Payable to the Management Company	(1,770)	(34)	109	(494)
Payable to the Central Depository Company of Pakistan - Trustee	(135)	68	(41)	39
Annual fee payable to Securities and Exchange Commission of Pakistan	(3,520)	(1,520)	131	1,249
Payable against redemption of units	-	-	-	-
Payable against purchase of Investments	(174,013)	-	-	-
Accrued expenses and other liabilities	1,229	10,370	381	(21,124)
	(178,209)	8,884	580	(20,330)
Net cash generated from operating activities	594,901	23,295	175,574	516,167
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from issuance of units	11,771	1,327,694	124	453,539
Payments against redemption of units	(772,095)	(1,087,497)	(308,370)	(746,463)
Cash distribution	-	(24,058)	-	-
Net cash (used in) / generated from financing activities	(760,324)	216,139	(308,246)	(292,924)
Net (decrease) / increase in cash and cash equivalents	(165,423)	239,434	(132,672)	223,243
Cash and cash equivalents at beginning of the period	195,220	1,625,819	162,469	1,642,010
Cash and cash equivalents at end of the period	29,797	1,865,253	29,797	1,865,253

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.



Chief Executive Officer

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



Director

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

1. LEGAL STATUS AND NATURE OF BUSINESS

MetroBank - Pakistan Sovereign Fund was established under a Trust Deed executed between Arif Habib Investments Limited (AHIL), 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)].

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 Circular 7 of 2009 dated 6 March 2009.

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 3 November 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.

Pursuant to the merger of MCB Asset Management Limited and Arif Habib Investment Limited, during the year ended 30 June 2013, the name of the Management Company has been changed from Arif Habib Investment Limited to MCB-Arif Habib Savings and Investments Limited.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through certificate of registration issued by SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.

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 Fund can also invest in sub-scheme of the Fund.

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.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of 'AM2' to the MCB-Arif Habib Savings and Investments Limited, the Asset Management Company and has assigned stability rating of "AA (f)" (Double A ; fund rating) to the Fund.

The Fund consists of a 'Perpetual' (the scheme). In addition, the Fund had also issued other sub-scheme which matured as follows:

Name of sub-scheme	Maturity date of sub-scheme
MetroBank - Pakistan Sovereign Fund - (December 2012)	31 December 2012
MetroBank - Pakistan Sovereign Fund - (December 2007)	31 December 2007
MetroBank - Pakistan Sovereign Fund - (December 2005)	31 December 2005
MetroBank - Pakistan Sovereign Fund - (December 2003)	31 December 2003

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 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.

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

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

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

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

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

2.4 Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.2 Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Fund's operations and did not result in change to the Fund's operation or a change in accounting policies of the Fund.

4. ESTIMATES AND JUDGEMENTS

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

5. FINANCIAL RISK MANAGEMENT

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

		31 December 2013 (Unaudited)	30 June 2013 (Audited)
(Rupees in '000)			
6. BALANCE WITH BANKS			
Saving accounts	6.1	29,792	195,215
Current account		5	5
		29,797	195,220

6.1 These carry mark-up at rates ranging between 6% to 9.25% per annum (30 June 2013: 6% to 12.25% per annum).

7. INVESTMENTS

'At fair value through profit or loss' - held for trading

Pakistan Investment Bonds	7.1	189,975	408,386
Market Treasury Bills	7.1	344,264	697,919
Government of Pakistan ijara sukuks	7.1	-	164,895
		534,239	1,271,200

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

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

		Face value				Balance as at 31 December 2013			Market value	
		As at 1 July 2013	Purchases during the period	Sales / Matured during the period	As at 31 December 2013	Carrying value	Market value	Appreciation/ (diminution)	As a percentage of net assets	As a percentage of total investments
------(Rupees in '000)-----					------(Rupees in '000)-----					
Pakistan Investment Bond										
PIB - 3 years	7.1.1	225,000	300,000	425,000	100,000	102,101	100,621	(1,480)	18.84%	18.83%
PIB - 5 years		25,000	-	25,000	-	-	-	-	-	-
PIB - 10 years	7.1.1	147,700	-	57,700	90,000	89,324	89,354	30	16.73%	16.73%
Total - 31 December 2013					191,425	189,975	(1,450)			
Total - 30 June 2013					402,305	408,386	6,081			
Market Treasury Bills										
Treasury bills - 3 months	7.1.2	175,000	2,873,000	2,698,000	350,000	344,460	344,264	(196)	64.48%	64.44%
Treasury bills - 6 months		-	1,437,500	1,437,500	-	-	-	-	-	-
Treasury bills - 1 year		554,400	810,500	1,364,900	-	-	-	-	-	-
Total - 31 December 2013					344,460	344,264	(196)			
Total - 30 June 2013					697,204	697,919	715			
Government of Pakistan Ijara Sukuk										
Ijarah sukuk VIII - 3 years		164,500	-	164,500	-	-	-	-	-	-
Total - 31 December 2013					-	-	-			
Total - 30 June 2013					164,582	164,895	313			
Total of investments in Government Securities - 31 December 2013					535,885	534,239	(1,646)			
Total of investments in Government Securities - 30 June 2013					1,264,091	1,271,200	7,109			

7.1.1 These Pakistan Investment Bonds have a cost of Rs.191.425 million (30 June 2013: Rs. 402.07 million) maturing till 18 Aug 2014 (30 June 2013: 19 July 2022) and carry interest at the rate of 8% to 11.25% (June 2013: 8% to 12%) per annum.

7.1.2 These Treasury bills have a cost of Rs.342.615 million (30 June 2013: Rs.694.153 million) carry effective yield ranging between 10.13% to 10.16% (30 June 2013 : 8.97% to 9.85%) per annum and are maturing up till 6 March 2014 (30 June 2013 : 12 June 2014).

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

8. ACCRUED EXPENSES AND OTHER LIABILITIES

		31 December 2013 (Unaudited)	30 June 2013 (Audited)
		(Rupees in '000)	
Auditor's remuneration payable		922	470
Brokerage payable		8	129
Legal fee payable		100	100
Provision for Federal Excise Duty and related taxes	8.1	816	198
Provision for Workers' Welfare Fund	8.2	34,604	34,215
Printing and publication charges payable		76	75
Others		1	79
		36,527	35,266

8.1. The Finance Act 2013 introduced an amendment to Federal Excise Act 2005 where by Federal Excise Duty (FED) has been imposed at the rate of 16% of the services rendered by assets management companies .In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honourable Sindh High Court (SHC), challenging the levy of Federal Excise Duty on Asset Management Company services after the eighteenth amendment . The SHC in its short order dated 4 September 2013 directed the FBR not to take any coercive action against the petitioners pursuant to impugned notices till next date of hearing. In view of uncertainty regarding the applicability of FED on asset management services, the management, as a matter of abundant caution, has decided to retain and continue with the provision of FED and related taxes in this condensed interim financial information aggregating to Rs. 0.816 million as at 31 December 2013. In case, the suit is decided against the fund the same would be paid to management company, who will be responsible for submitting the same to authorities. Had the said provision of FED and related taxes were not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 0.08 per unit as at 31 December 2013.

8.2. The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending for adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements till the year ended 30 June 2011. On 15 July 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on 14 December 2010 the Ministry filed its response against the Constitutional petition requesting the court to dismiss the petition. According to the legal council 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 institutions 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.

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

9. CONTINGENCIES AND COMMITMENTS

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

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

10. 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 period to the unit holders in the manner as explained above, accordingly no provision for taxation has been made in these condensed interim financial information.

11. EARNINGS PER UNIT

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

12. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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 Trustees, directors and key management personnel, other associated undertakings and unit holders holding more than 10% units of the Fund.

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.

12.1 Transactions during the period with connected persons / related parties are as follows:

	Unaudited			
	Half year ended 31 December		Quarter ended 31 December	
	2013	2012	2013	2012
------(Rupees in '000)-----				
MCB-Arif Habib Savings and Investments Limited				
Remuneration to Management Company (including indirect taxes)	5,198	39,083	2,243	18,298
Central Depository Company of Pakistan Limited				
Remuneration for the period	640	2,762	254	1,426
Habib Metropolitan Bank Limited				
Profit on bank deposits	68	3,575	34	2,209
Bank charges	64	247	21	107
MCB Bank Limited				
Profit on bank deposits	102	3,346	43	2,019
Bank charges	3	4	1	-

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

12.2 Balance outstanding as at the period / year end are as follows:

	31 December 2013 (Unaudited)	30 June 2013 (Audited)
	(Rupees in '000)	
MCB-Arif Habib Savings and Investments Limited		
Management fee payable	501	2,114
Sindh sales tax payable on management fee	210	338
Sales load payable	88	117
Central Depository Company of Pakistan Limited		
Remuneration payable	76	211
Habib Metropolitan Bank Limited		
Bank balances	693	842
Profit receivable	36	6
MCB Bank Limited		
Bank balances	595	4,200
Profit receivable	9	22
Other receivables	1,955	1,955

12.3 Transactions during the period with connected persons / related parties in the units of the Fund:

	-----Unaudited-----			
	Half year ended 31 December 2013		Half ended 31 December 2012	
	Units	(Rupees in '000)	Units	(Rupees in '000)
Units sold to:				
MCB-Arif Habib Savings and Investments Limited	-	-	642,005	32,522
Key management personnel	-	-	66,264	3,444
Bonus units issued to:				
MCB-Arif Habib Savings and Investments Limited	31,418	1,571	28,284	1,415
Habib Metropolitan Bank Limited	227,082	11,354	2,499,254	125,138
MCB Bank Limited	-	-	5,931,576	296,994
Suraj Cotton Mills Limited	107,997	5,400		
MCB AMC Staff Provident Fund	1,030	52	-	-
Adamjee Insurance Company Limited	286,711	14,336	-	-
Adamjee Life Assurance Company Limited	5,349	268	-	-
Jubilee General Insurance Company Limited	155,196	7,760		
Key management personnel	2,421	121	7,492	375
Units redeemed by:				
MCB-Arif Habib Savings and Investments Limited	494,951	25,000	669,811	33,792
Habib Metropolitan Bank Limited	1,594,881	81,133	5,593,719	285,000
MCB AMC Staff Provident Fund	38,373	1,923	-	-
Suraj Cotton Mills Limited	4,020,945	201,369		
Adamjee Insurance Company Limited	-	-	-	-
Adamjee Life Assurance Company Limited	139,888	4,060	-	-
Jubilee General Insurance Company Limited	4,187,053	211,279		
Key management personnel	8,206	410	35,728	1,826

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

	31 December 2013 (Unaudited)	30 June 2013 (Audited)	31 December 2013 (Unaudited)	30 June 2013 (Audited)
	Units		(Rupees in '000)	
Units held by:				
MCB-Arif Habib Savings and Investments Limited	328,312	791,845	16,425	40,685
Habib Metropolitan Bank Limited	3,065,170	4,432,969	153,350	227,766
Suraj Cotton Mills Limited	-	3,912,948	-	201,047
MCB AMC Staff Provident Fund	-	37,343	-	1,919
Adamjee Insurance Company Limited	5,193,482	4,906,771	259,830	252,110
Adamjee Life Assurance Company Limited	2,993	137,532	150	7,066
Jubilee General Insurance Company Limited	-	4,031,857	-	207,157
Key management personnel	39,855	45,640	1,994	2,345

13. RECLASSIFICATION

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

From	To	30 June 2013 Amount (Rupees in '000)
Federal Excise Duty payable on Management Fee	Payable to the Management Company	
	Accrued expenses and other liabilities	230

14. DATE OF AUTHORISATION FOR ISSUE

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


 Chief Executive Officer

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


 Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

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