

## Half Year Report

December 31, 2013  
(Unaudited)



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

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## **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

<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 Executive Vice Chairman Chief Executive Officer Director Director Director Director Director
<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 Standard Chartered Bank (Pakistan) Limited Meezan Bank Limited Deutsche Bank 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 31 DECEMBER 2013**

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**Dear Investor,**

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

### **ECONOMY AND MONEY MARKET OVERVIEW**

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

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

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

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

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

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

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

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

### **EQUITIES MARKET OVERVIEW**

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

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

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### FUND PERFORMANCE

During the period under review, the fund delivered a return of 9.31% as against its benchmark return of 16.55%. On the equities front, the overall allocation decreased to 53.8% at the end of the period under review. The fund increased its exposure Construction & Material and Oil and Gas sectors while reducing its exposure towards Electricity sector during the period.

On the fixed income side, the fund decreased its allocation towards GoP Ijarah Sukuk to around 18.4% from previous allocation of 22.1%.

The Net Asset of the Fund as at December 31, 2013 stood at Rs.250 million as compared to Rs.204 million as at June 30 2013 registering an increase of 22.55%.

The Net Asset Value (NAV) per unit as at December 31, 2013 was Rs.49.9841 as compared to opening NAV of Rs.51.0428 per unit as at June 30, 2013 registering a decrease of Rs.1.0587 per unit.

### FUTURE OUTLOOK

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

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

### ACKNOWLEDGMENT

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

For and on behalf of the board



**Yasir Qadri**

Chief Executive Officer

Karachi: February 06, 2014

## TRUSTEE REPORT TO THE UNIT HOLDERS



### CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

#### Head Office

CDC House, 99-B, Block 'B'  
S.M.C.H.S. Main Shahra-e-Faisal  
Karachi - 74400. Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: [www.cdcpakistan.com](http://www.cdcpakistan.com)  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)



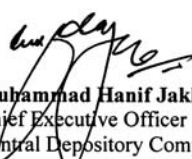
### TRUSTEE REPORT TO THE UNIT HOLDERS

#### PAKISTAN INTERNATIONAL ELEMENT ISLAMIC ASSET ALLOCATION FUND

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

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

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

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

Karachi: February 13, 2014





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



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

Telephone + 92 (21) 3568 5847  
Fax + 92 (21) 3568 5095  
Internet [www.kpmg.com.pk](http://www.kpmg.com.pk)

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

### *Introduction*

We have reviewed the accompanying condensed interim statement of assets and liabilities of **Pakistan International Element Islamic Asset Allocation Fund** ("the Fund") as at 31 December 2013 and the related condensed interim income statement, 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 six months period then ended (here-in-after referred to as the "condensed interim financial information"). Management Company is responsible for the preparation and presentation of this condensed 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 condensed 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*

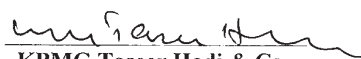
Based on our review nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

### *Other matters*

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

**Date: 06 February 2014**

**Karachi**

  
**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Moneeza Usman Butt

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  
("KPMG International"), a Swiss entity.

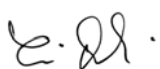


# CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED)

## AS AT 31 DECEMBER 2013

	(Unaudited) 31 December 2013	(Audited) 30 June 2013
<i>Note</i>	2013	2013
	(Rupees in '000)	
<b>Assets</b>		
Balances with banks	65,973	30,227
Receivable against sale of investments	-	2,030
Receivable against sale of units	118	418
Investments	185,774	173,935
Dividend and profit receivable	2,382	1,018
Advances and deposits	3,237	3,198
<b>Total Assets</b>	<b>257,484</b>	<b>210,826</b>
<b>Liabilities</b>		
Payable to Management Company	582	532
Payable to Central Depository Company of Pakistan Limited - Trustee	54	59
Payable to Securities and Exchange Commission of Pakistan - Annual fee	113	246
Accrued expenses and other liabilities	6,414	6,449
<b>Total Liabilities</b>	<b>7,163</b>	<b>7,286</b>
<b>Net Assets</b>	<b>250,321</b>	<b>203,540</b>
<b>Unit holders' fund</b>	<b>250,321</b>	<b>203,540</b>
	(Number of Units)	
<b>Number of units in issue</b>	<b>5,008,001</b>	<b>3,987,627</b>
	(Rupees)	
<b>Net assets value per unit</b>	<b>49.98</b>	<b>51.04</b>

The annexed notes 1 to 13 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 SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2013**

	Six months period ended 31 December		Quarter ended 31 December	
Note	2013	2012	2013	2012
	----- (Rupees in '000) -----			
<b>Income</b>				
Capital gain / (loss) on sale of investments - net	2,673	18,731	(673)	8,904
Dividend income	5,362	10,514	1,573	5,547
Income from government securities	2,283	4,806	1,183	2,185
Income from investment in sukuk bonds	182	-	-	-
Profit on bank deposits	1,803	42	1,171	29
Net unrealised appreciation in value of investments at 'fair value through profit or loss'	11,931	15,526	14,132	1,869
	<b>24,234</b>	<b>49,619</b>	<b>17,386</b>	<b>18,534</b>
<b>Expenses</b>				
Remuneration of Management Company	2,372	2,942	1,199	1,436
Sales tax and Federal Excise Duty on remuneration of Management Company	802	412	405	199
Remuneration of Central Depository Company of Pakistan Limited - Trustee	347	353	176	177
Annual fee - Securities and Exchange Commission of Pakistan	113	143	58	70
Provision for Workers' Welfare Fund	435	-	298	-
Securities transaction cost	401	684	109	372
Settlement and Bank charges	145	145	79	80
Printing and related cost	-	180	-	78
Fees and subscription	100	91	-	45
Legal and professional charges	39	25	27	11
Auditors' remuneration	240	243	128	78
Donation expense	72	177	27	177
Provision against non performing exposures	-	3,343	-	3,343
<b>Total expenses</b>	<b>5,066</b>	<b>8,738</b>	<b>2,506</b>	<b>6,066</b>
	<b>19,168</b>	<b>40,881</b>	<b>14,880</b>	<b>12,468</b>
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	2,165	(5,205)	(148)	(4,346)
<b>Net income for the period before taxation</b>	<b>21,333</b>	<b>35,676</b>	<b>14,732</b>	<b>8,122</b>
Taxation	9	-	-	-
<b>Net income for the period after taxation</b>	<b>21,333</b>	<b>35,676</b>	<b>14,732</b>	<b>8,122</b>
<b>Earnings per unit</b>	10			

The annexed notes 1 to 13 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 SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2013**

	Six months period ended 31 December		Quarter ended 31 December	
	2013	2012	2013	2012
	----- (Rupees in '000) -----			
Accumulated undistributed income / (losses) brought forward	4,346	(75,607)	(15,039)	(44,405)
Net income for the period	21,333	35,676	14,732	8,122
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	4,368	12,975	9,150	9,327
<b><i>Distributions to the unit holders of the Fund</i></b>				
<b><i>Final distribution:</i></b>				
Final distribution at the rate of Rs. 5.3174 per unit for the year ended 30 June 2013				
- Issue of 463,778 bonus units	(21,204)	-	-	-
	(21,204)	-	-	-
Accumulated income / (losses) carried forward	8,843	(26,956)	8,843	(26,956)

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

  
 Chief Executive Officer

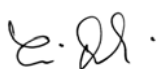
MCB-Arif Habib Savings and Investments Limited  
 (formerly: Arif Habib Investments Limited)  
 (Management Company)

  
 Director

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

	<b>Six months period ended 31 December</b>		<b>Quarter ended 31 December</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>----- (Rupees in '000) -----</b>			
Net assets at the beginning of the period	<b>203,540</b>	294,063	<b>240,027</b>	307,526
Issue of 1,512,642 units (2012: 126,182 units) and 532,307 units (2012: 100,817 units) for the six months and quarter ended respectively	<b>74,276</b>	5,600	<b>26,136</b>	4,529
Issue of 463,778 bonus units for the year ended 30 June 2013	<b>21,204</b>	-	-	-
Redemption of 956,046 units (2012: 1,393,696 units) and 629,398 units (2012: 1,013,701 units) for the six months and quarter ended respectively	<b>(46,663)</b>	(61,208)	<b>(30,722)</b>	(45,187)
	<b>48,817</b>	(55,608)	<b>(4,586)</b>	(40,658)
Net element of income / (loss) and capital gains / (losses) in prices of units sold less those in units redeemed				
- amount representing (income) / loss and realised capital losses / (gains) - transferred to the Income Statement	<b>(2,165)</b>	5,205	<b>148</b>	4,346
- amount representing loss / (income) that forms part of unit holders' fund - transferred to Distribution Statement	<b>(4,368)</b>	(12,975)	<b>(9,151)</b>	(9,327)
	<b>(6,533)</b>	(7,770)	<b>(9,003)</b>	(4,981)
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - transferred to Distribution Statement	<b>4,368</b>	12,975	<b>9,151</b>	9,327
Net income / (loss) for the period (excluding net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss' and capital gain / (loss) on sale of investments)	<b>6,729</b>	1,419	<b>1,273</b>	(2,651)
Capital gain / (loss) on sale of investments	<b>2,673</b>	18,731	<b>(673)</b>	8,904
Net unrealised appreciation in value of investments at fair value through profit or loss'	<b>11,931</b>	15,526	<b>14,132</b>	1,869
	<b>21,333</b>	35,676	<b>14,732</b>	8,122
<b><i>Distributions to the unit holders of the Fund</i></b>				
Final distribution at the rate of Rs. 5.3174 per unit for the year ended 30 June 2013				
- Issue of 463,778 bonus units	<b>(21,204)</b>	-	-	-
Net assets as at the end of the period	<b>250,321</b>	279,336	<b>250,321</b>	279,336
Net assets value per unit as at beginning of the period	<b>51.04</b>	39.75	<b>47.02</b>	43.67
Net assets value per unit as at end of the period	<b>49.98</b>	45.57	<b>49.98</b>	45.57

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

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

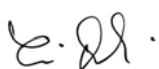
MCB-Arif Habib Savings and Investments Limited  
(formerly: Arif Habib Investments Limited)  
(Management Company)

  
\_\_\_\_\_  
Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2013**

	Six months period ended 31 December		Quarter ended 31 December	
	2013	2012	2013	2012
	----- (Rupees in '000) -----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income for the period before taxation	21,333	35,676	14,732	8,122
<i>Adjustments for non-cash and other items:</i>				
Net unrealised (appreciation) in value of investments classified as 'at fair value through profit or loss'	(11,931)	(15,526)	(14,132)	(1,869)
Provision for Workers' Welfare Fund	435	-	298	-
Amount of additional units issued to class 'C' & 'D' unit holders against the amount of rebate in management fee	53	367	27	367
Net element of (income) / loss and capital (gains) / losses in prices of units issued less those in units redeemed	(2,165)	5,205	148	4,346
	7,725	25,722	1,073	10,966
<b>Decrease / (increase) in assets</b>				
Receivable against sale of investments	2,030	(1,878)	-	2,206
Investments	92	(1,537)	3,642	27,423
Dividend and profit receivable	(1,364)	491	3,382	7,421
Advances and deposits	(39)	(30)	(39)	20
	719	(2,954)	6,985	37,070
<b>Increase / (decrease) in liabilities</b>				
Payable against purchase of investments	-	(11,826)	-	-
Payable to Management Company	(3)	(69)	(29)	(46)
Payable to Central Depository Company of Pakistan	(5)	2	2	1
Payable to Securities and Exchange Commission of Pakistan - Annual Fee	(133)	(147)	58	70
Accrued expenses and other liabilities	(470)	116	(1,111)	236
	(611)	(11,924)	(1,080)	261
Net cash generated from operating activities	7,833	10,844	6,978	48,297
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Receipts from issuance of units	74,576	5,706	26,136	3,270
Payment on redemption of units	(46,663)	(61,573)	(30,722)	(45,187)
Net cash generated from / (used in) financing activities	27,913	(55,867)	(4,586)	(41,917)
<b>Net increase / (decrease) in cash and cash equivalents</b>	35,746	(45,023)	2,392	6,380
Cash and cash equivalents at beginning of the period	30,227	56,479	63,581	5,076
<b>Cash and cash equivalents at end of the period</b>	65,973	11,456	65,973	11,456

The annexed notes 1 to 13 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 SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2013**

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## **1. LEGAL STATUS AND NATURE OF BUSINESS**

The Pakistan International Element Islamic Asset Allocation Fund ("the Fund") was established under a Trust Deed executed between Arif Habib Investments Limited ("the Management Company", "AHIL") as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 14 December 2005 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules, 2003).

The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 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, Pakistan.

Pursuant to the merger of MCB-Asset Management Company and Arif Habib Investments Limited, the name of the Management Company (Arif Habib Investments Limited being the surviving entity) has been changed from Arif Habib Investments Limited to MCB-Arif Habib Savings and Investments Limited.

The Fund is an open-ended mutual fund, listed on the Karachi, Lahore and Islamabad Stock Exchanges. The principal activity of the Fund is to make investment in shariah compliant investments in securities or instruments both inside and outside Pakistan. 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 Fund has been categorised as "Shariah compliant Asset Allocation" scheme by the Board

of Directors of the Asset Management Company in pursuant to Circular 7 of 2009 dated 6 March 2009 issued by the SECP.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned management quality rating of AM2' to the Management Company and 3-star short term and 3-star long term rating to the Fund.

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

## **2 BASIS OF PREPARATION**

### **2.1 Statement of compliance**

- 2.1.1** This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 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 NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations have been followed.
- 2.1.2** 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.
- 2.1.3** This condensed interim financial information is unaudited. However, a limited scope review has been performed by the external auditors of the fund. The Board of Directors of the Management Company declare that this condensed interim financial information gives a true and fair view of the state of affairs of the Fund.
- 2.1.4** The comparatives in the condensed interim statement of assets and liabilities presented in this 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, whereas the comparative in condensed interim income statement, condensed interim distribution, condensed interim statement of movement in unit holders' fund, statement and condensed interim cash flow statement are extracted from unaudited condensed interim financial information for the period ended 31 December 2012.

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

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**2.1.5 Functional and presentation currency**

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

**3. SIGNIFICANT ACCOUNTING POLICIES**

**3.1** The accounting policies and methods of computation adopted for the preparation of this condensed interim financial information are same as those applied in the preparation of the financial statements of the Fund for the year ended 30 June 2013. At present the Fund has no item to be reported in other comprehensive income; hence net income for the period equals to total comprehensive income for the period.

**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 have any impact on the accounting policies of the Fund.

**4. ESTIMATES AND JUDGMENTS**

**4.1** 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.

**4.2** In preparing this condensed interim financial information, significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 30 June 2013.

**5. FINANCIAL RISK MANAGEMENT**

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



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

**6 INVESTMENTS**

*'At fair value through profit or loss' - held for trading*  
Quoted equity securities

*Fixed income and other debt securities*  
Sukuk certificates - unlisted  
Government securities

**6.1 Quoted Equity Securities - 'at fair value through profit or loss'**

Name of the investee company	Number of shares			Balance as at 31 December 2013			Market value		Paid up value of shares held as a percentage of total paid up capital of the investee company
	As at 1 July 2013	Purchases during the period	Bonus / Right issue during the period	Sales during the period	As at 31 December 2013	Carrying value	Market value	As a percentage of net assets	
							As a percentage of total investments	As a percentage of net assets	
----- (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	-	35,300	4,160	24,960	14,500	7,395	7,246	3.90	2.89
Oil and Gas Development Company Limited	50,000	18,000	-	67,500	500	115	138	0.07	0.06
Pakistan Oilfields Limited	30,111	10,000	-	30,100	10,011	4,855	4,983	2.68	1.99
Pakistan Petroleum Limited (Note 6.1.1)	85,225	30,600	19,165	33,500	101,490	18,888	21,715	11.69	8.67
Pakistan State Oil Company Limited	21,600	27,000	-	12,800	35,800	11,285	11,893	6.40	4.75
Shell Pakistan Limited	4,000	-	-	4,000	-	-	-	-	-
						42,538	45,975		3,437
<b>Chemicals</b>									
Fauji Fertilizer Company Limited	-	40,000	-	40,000	-	-	-	-	-
Sitara Chemical Industries Limited	400	-	-	400	-	-	-	-	-
Fauji Fertilizer Bin Qasim Company Limited	149,000	-	-	149,000	-	-	-	-	-
						-	-	-	-
<b>General Industrials</b>									
Packages Limited	-	25,000	-	-	25,000	6,702	6,816	3.67	2.72
						6,702	6,816		0.03

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

Name of the investee company	Number of shares			Balance as at 31 December 2013		Market value		Paid up value of shares held as a percentage of total investments	Paid up value of shares held as a percentage of total paid up capital of the investee company
	As at 1 July 2013	Purchases during the period	Bonus / Right issue during the period	Sales during the period	As at 31 December 2013	Carrying value	Market value		
								As a percentage of net assets	As a percentage of net assets
----- (Rupees in '000) -----									
<b>Engineering</b>									
Millat Tractors Limited	5	-	-	-	5	2	2	0.00	0.00
						2	2		
<b>Food Producers</b>									
Pak Suzuki Motor Company Limited	18,000	-	-	18,000	-	-	-	-	-
						-	-		
<b>Household Goods</b>									
Tariq Glass Industries	-	179,000	-	179,000	-	-	-	-	-
						-	-		
<b>Personal Goods</b>									
Nishat Mills Limited	59,500	-	-	59,500	-	-	-	-	-
						-	-		
<b>Pharma and Bio Tech</b>									
Ferozsons Laboratories Limited	-	13,500	-	-	13,500	1,735	2,140	1.15	0.85
						1,735	2,140		
<b>Electricity</b>									
The Hub Power Company Limited (Note 6.1.1)	224,244	155,000	-	-	379,244	24,484	23,028	12.40	9.20
Kot Addu Power Company	-	227,000	-	227,000	-	-	-	-	-
Pakgen Power Limited	-	240,000	-	-	240,000	5,037	5,210	2.80	2.08
						29,521	28,238		
<b>Construction and Materials (Cement)</b>									
Attock Cement Limited	105	-	15	-	120	14	17	0.01	0.01
D.G. Khan Cement Company Limited	78,500	97,500	-	78,500	97,500	7,514	8,359	4.50	3.34
Lucky Cement Limited	41,575	8,000	-	41,575	8,000	2,240	2,399	1.29	0.96
Kohat Cement Limited	93,500	35,500	25,800	77,500	77,300	5,418	7,558	4.07	3.02
Fecto Cement Limited	77,000	-	-	40,500	36,500	1,753	1,629	0.88	0.65
Maple Leaf Cement	-	480,000	-	94,000	386,000	8,929	10,588	5.70	4.23
Fauji Cement Company Limited	-	75,000	-	-	75,000	1,026	1,196	0.64	0.48
Cherat Cement Company Limited	153,000	16,000	-	82,000	87,000	5,176	5,506	2.96	2.20
						32,070	37,252		

## 271 Pakistan International Element Islamic Asset Allocation Fund

**6.1.1** Investments includes shares with market value of Rs. 12,462 million (30 June 2013: 36,356 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's term of Circular No. 11 dated 23 October 2007 issued by the Securities and Exchange Commission of Pakistan.

(Unaudited)	(Audited)
31 December	30 June
2013	2013
	(Rupees in '000)

6.2.1	6.042	6.042
-------	-------	-------

1,465	6,042
4,577	-
6,042	6,042
-	-

Certificate have a face value of Rs. 5,000 each unless stated otherwise

3,000	6,042	-	2.41	3.25	1.25
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# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2013

**6.2.1** Owing to continuous default on repayment of coupon by the issuer, the Fund had classified the said investment as non performing debt securities. The Fund had recognised full provision against outstanding principal in accordance with provisioning circular issued by the Securities and Exchange Commission of Pakistan (SECP) and provisioning policy of the Fund duly approved by the Board of Directors of the Management Company. The Fund has suspended further accrual of mark there against.

## 6.3 Government securities - 'at fair value through profit or loss'

Issue Date	Profit rate %	Face value		Balance as at 31 December 2013		Market value as a percentage of net assets	Market value as a percentage of total investments
		As at 1 July 2013	Purchases during the period	Sales during the period	As at 31 December 2013		
(Rupees in '000)							
3 year (Tenor)							
15 November 2010	9.4291	365,000	-	365,000	-	-	-
16 May 2011	9.4291	100,000	370,000	-	470,000	47,117	137
Total as at 31 December 2013						47,117	137
Total as at 30 June 2013						46,527	51

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

In accordance with clause (ii) of the investment criteria laid down for 'Shariah Compliant Islamic Scheme' in Circular no. 7 of 2009, the Fund is required to invest in any security having rating not lower than the investment; However, as at 31 December 2013, the Fund is non-compliant with the above mentioned requirement in respect of the following investments:

Name of non-compliant investment	Name of Company	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
					(Rupees in '000)	%
Investment in debt securities	Pak Elektron Limited-Sukuk	6,042	6,042	-	-	-

**7.1** At the time of purchase, the above security was in compliance of the circular (i.e. investment grade) and was subsequently downgraded to non investment grade by MUFAP on default by respective issuer in repayment of coupon on respective dates.

## 8. ACCRUED EXPENSES AND OTHER LIABILITIES

	(Unaudited) 31 December 2013	(Audited) 30 June 2013
		(Rupees in '000)
Federal exercise duty payable	466	36
Provision for Worker's Welfare Fund	4,843	4,408
Charity / donation payable	72	744
Auditors' remuneration	227	325
Zakat payable	281	253
Legal and Professional charges	174	150
Brokerage payable	86	45
Capital gain tax payable	40	40
Other payables	225	448
	<b>6,414</b>	<b>6,449</b>

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

**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 High Court of Sindh (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. 0.466 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. 0.09 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.

Subsequent to the year ended on 15 July 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) on 8 July 2010 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 the Court.

Subsequent to the year ended 30 June 2011, 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 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, has decided to retain the entire provision for WWF in this condensed interim financial information.

### **9. TAXATION**

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealised capital gains / loss to the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the management company intends to distribute at least 90 percent of the Fund's accounting income for the year ending 30 June 2014 as reduced by capital gains (whether realised or unrealised) to its unit holders.

### **10. EARNINGS PER UNIT**

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

### **11. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES**

Related parties / connected persons of the Fund include the Management Company, its related entities, Central Depository Company of Pakistan Limited (being the Trustee of the Fund), other Funds managed by the Management Company and Directors, Key Management Personnel and Officers of the Management Company, and Unit Holders having more than 10% holding in the Fund.

Transactions with related parties / connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of NBFC Regulations, 2008 and the Trust Deed respectively.

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

11.1 Details of the transactions with connected persons are as follows:	Six months period ended 31 December		Quarter ended 31 December	
	2013	2012	2013	2012
	----- (Rupees in '000) -----			
<b>Management Company</b>				
Remuneration (including indirect taxes)	<u>3,174</u>	<u>3,354</u>	<u>1,604</u>	<u>1,635</u>
<b>Arif Habib Limited - Brokerage House</b>				
Brokerage for the period	<u>13</u>	<u>36</u>	<u>4</u>	<u>12</u>
<b>Next Capital Limited</b>				
Brokerage for the period *	<u>2</u>	<u>22</u>	<u>-</u>	<u>-</u>
<b>Nishat Mills Limited</b>				
Dividend income	<u>-</u>	<u>438</u>	<u>-</u>	<u>438</u>
<b>D.G Khan Cement Company Limited</b>				
Dividend income	<u>293</u>	<u>248</u>	<u>293</u>	<u>248</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>				
Remuneration	<u>347</u>	<u>353</u>	<u>176</u>	<u>177</u>
CDS Charges	<u>12</u>	<u>9</u>	<u>10</u>	<u>4</u>
<i>Other Related Parties:</i>				
<b>The Bank of Punjab</b>				
Issue of Nil units (2012: 6,556 units) and Nil units (2012: 3,347) for the six months and quarter ended	<u>-</u>	<u>285</u>	<u>-</u>	<u>149</u>
Redemption of Nil units (2012: 9,774) Nil (2012: Nil) for the six months and quarter ended	<u>-</u>	<u>422</u>	<u>-</u>	<u>-</u>
<b>Directors and Executives of the Management Company</b>				
Issue of 37,494 units (2012: 20,454 units) and 12,483 units (2012: 18,234) for the six months and quarter ended	<u>1,802</u>	<u>911</u>	<u>600</u>	<u>821</u>
Redemption of 43,444 units (2012: 25,568 units) and 12,085 units (2012: 24,330) for the six months and quarter ended	<u>2,139</u>	<u>1,142</u>	<u>592</u>	<u>1,088</u>
Bonus units issued 2,647 (2012: Nil) and Nil bonus units (2012: Nil) for the six months and quarter ended	<u>121</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

	<b>Six months period ended 31 December</b>		<b>Quarter ended 31 December</b>	
	2013	2012	2013	2012
<b>D.G Khan Cement Company Limited</b>				
<b>Employees Provident Fund Trust</b>				
Issue of 8,936 bonus units (2012: Nil units) and Nil units (2012: Nil) for the six months and quarter ended	<u>390</u>	<u>911</u>	<u>-</u>	<u>821</u>
<b>Adamjee Life Assurance Company Limited (Amaanat Fund)</b>				
Issue of 2,617 bonus units (2012: Nil units) and Nil units (2012: Nil) for the six months and quarter ended	<u>120</u>	<u>-</u>	<u>-</u>	<u>-</u>
Redemption of 25,128 bonus units (2012: Nil units) and Nil units (2012: Nil) for the six months and quarter ended	<u>1,233</u>	<u>-</u>	<u>-</u>	<u>-</u>

\* 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.

**11.2 Amounts outstanding as at period / year end :**

	<b>(Unaudited) 31 December 2013</b>	<b>(Audited) 30 June 2013</b>
	<b>(Rupees in '000)</b>	
<b>Management Company</b>		
Management fee payable	<u>403</u>	<u>330</u>
Sindh sales tax payable on management fee	<u>65</u>	<u>53</u>
Sales load payable	<u>114</u>	<u>149</u>
<b>Arif Habib Limited - Brokerage House</b>		
Brokerage payable	<u>4</u>	<u>3</u>
<b>D.G Khan Cement Company Limited</b>		
97,500 shares held (30 June 2013: 78,500 shares)	<u>8,359</u>	<u>6,570</u>
<b>D.G Khan Cement Company Limited Employees Provident Fund Trust</b>		
81,940 units held (30 June 2013: 73,403 shares)	<u>4,095</u>	<u>3,747</u>
<b>Nishat Mills Limited</b>		
Nil shares held (30 June 2013: 59,500 shares)	<u>-</u>	<u>5,605</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Security deposit	<u>200</u>	<u>200</u>
Remuneration payable	<u>54</u>	<u>59</u>
<b>Directors and executives of the Management Company</b>		
Units held - 18,852 units (30 June 2013: 22,762 units)	<u>942</u>	<u>1,157</u>
<b>Adamjee Life Assurance Company Limited (Amaanat Fund)</b>		
Units held - Nil units (30 June 2013: 22,510 units)	<u>-</u>	<u>1,228</u>



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

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**12. CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified for the purposes of comparison and better presentation as follows:

<b>Reclassification from component</b>	<b>Reclassification to component</b>	<b>Rupees in '000</b>
Payable to Management Company	Accrued expenses and other liabilities (Federal exercise duty payable)	<u>36</u>

**13. DATE OF AUTHORISATION FOR ISSUE**

This condensed interim financial information has been authorised for issue in the meeting of the Board of Directors of the Management Company held on 06 February, 2014.

  
\_\_\_\_\_  
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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