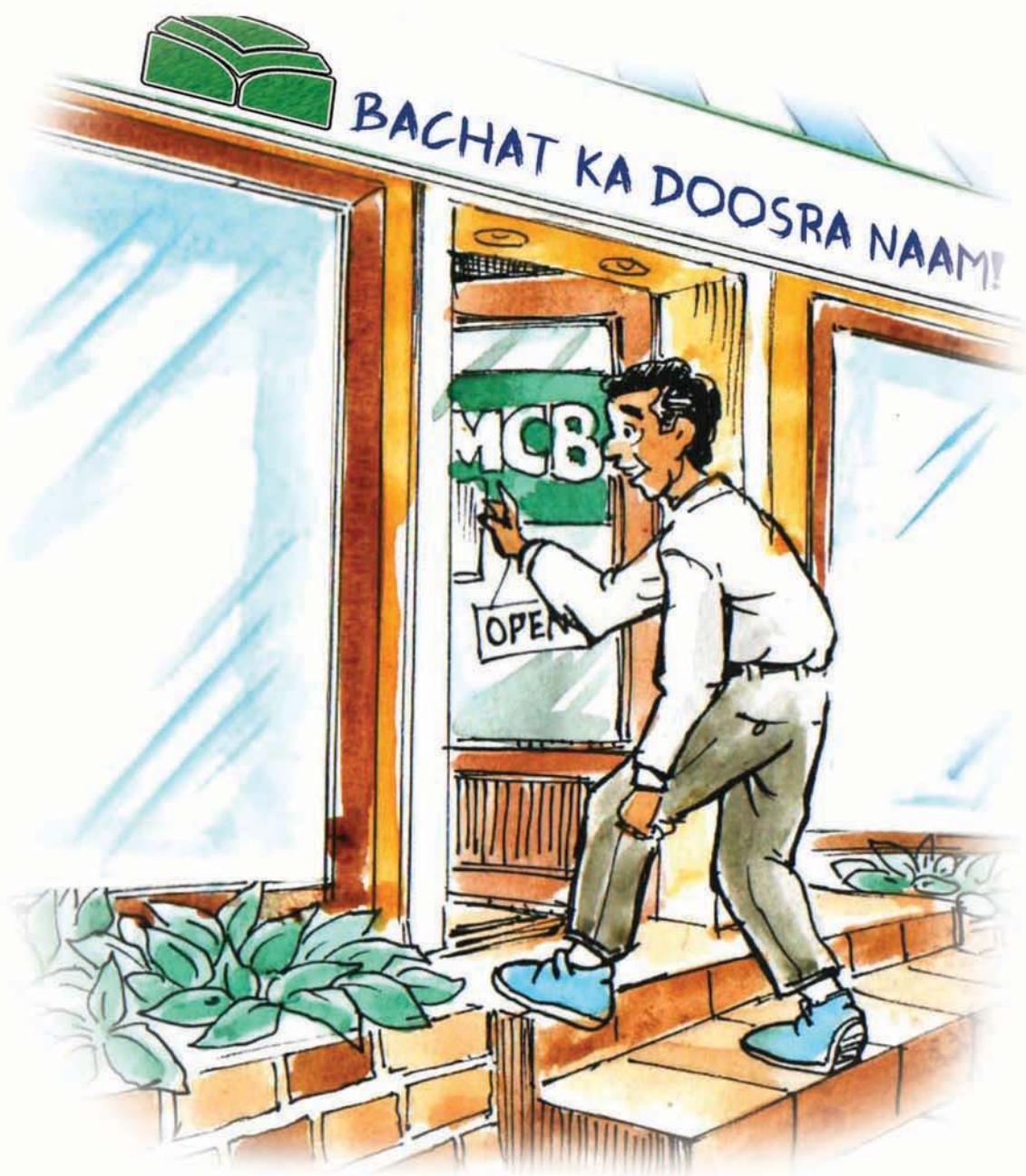




Bachat ka Doosra Naam

Quarterly Report
September 30, 2012
(Unaudited)



Funds Under Management
of
Arif Habib Investments Limited (A subsidiary of MCB Bank Limited)

MCB
DYNAMIC STOCK FUND

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FUND'S INFORMATION

Management Company	Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Board of Directors of the Management Company	Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman(subject to the approval of SECP) Executive Vice Chairman Chief Executive Officer (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director Director (subject to the approval of SECP)
Audit Committee	Mr. Haroun Rashid Mr. Nasim Beg Mr. Samad A. Habib Mr. Ali Munir	Chairman Member 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 & CFO of the Management Company	Mr. Muhammad Saqib Saleem	
Trustee	Central Depository Company of Pakistan Limited CDC House, 990B, Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
Bankers	MCB Bank Limited NIB Bank Limited Faysal Bank Limited Bank Alfalah 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	Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Rating	AM2 - Management Quality Rating assigned by PACRA	

REPORT TO THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2012

On behalf of the Board of Directors, I am pleased to present MCB Dynamic Stock Fund's accounts review for the first quarter ended September 30th 2012.

EQUITIES MARKET OVERVIEW

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

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

FUND PERFORMANCE

MCB-DSF outperformed its benchmark KSE30 index by delivering 13.2% return while KSE 30 index delivered 9.3% return during the period. Overall equity exposure of the fund was reduced by around 4.9% which stood at 88.3% at the end of quarter. The fund changed its investment strategy several times during the quarter to cope with various sector and company level fundamental developments. During the quarter fund realigned its sector exposure by reducing allocation in Banks, Oil & Gas and Chemicals while increasing its allocations in Electricity, Fixed Line Telecommunication and Personal Goods.

The Net Asset of the Fund as at September 30, 2012 stood at Rs. 816.242 million as compared to Rs 725.522 million as at June 30 2012 registering an increase of 12.50%

The Net Asset Value (NAV) per unit as at September 30, 2012 was Rs. 97.45 as compared to opening NAV of Rs. 86.09 per unit as at June 30, 2012 registering an increase of Re.11.36 per unit

FUTURE OUTLOOK

Along with attractive valuations and earnings growth, anticipation of accommodative govt. policies before upcoming general elections has also contributed towards strong investors' confidence. A sustained momentum, however, would require continued support on this front along with an improved fiscal and external account management. We therefore prefer to remain vigilant of fading triggers on macro front and potential opportunities arising out of micro dynamics in stock and sector allocation.

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.

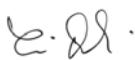
On behalf of Directors,

Yasir Qadri
Chief Executive Officer

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2012

	Note	Un-Audited September 30 2012	Audited June 30 2012
		(Rupees in '000)	
ASSETS			
Balances with banks		58,214	69,895
Investments	4	756,298	685,569
Dividend and other receivables		11,919	1,606
Security deposits and prepayments		3,956	3,951
Preliminary expenses and floatation costs		-	-
Total assets		830,387	761,021
LIABILITIES			
Payable to Management Company		1,519	1,582
Payable to Central Depository Company of Pakistan Limited		136	130
Annual fee payable to Securities and Exchange Commission of Pakistan		181	649
Payable against purchase of investments		4,537	25,388
Accrued and other liabilities		7,772	7,750
Total liabilities		14,145	35,499
NET ASSETS		816,242	725,522
Unit holders' fund (as per statement attached)		816,242	725,522
Contingency	5	(Number of units)	
Number of units in issue		8,376,049	8,427,367
		(Rupees)	
Net asset value per unit		97.45	86.09

The annexed notes 1 to 10 form an integral part of these financial statements.



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



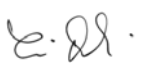
Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2012

	Note	September 30, 2012	September 30, 2011
		(Rupees in '000)	
INCOME			
Capital gain / (loss) on sale of investments-net		39,070	(3,500)
Dividend income		11,853	7,217
Income form Government Securities		504	-
Profit on bank deposits		990	2,224
		52,418	5,941
Net unrealised appreciation on re - measurement of investments classified as ' financial assets at fair value through profit or loss '		46,958	14,052
		99,376	19,993
EXPENSES			
Remuneration of Management Company		3,818	4,814
Sindh Sales Tax on Management Company remuneration		610	770
Remuneration to Trustee		382	321
Annual fee - Securities and Exchange Commission of Pakistan		181	153
Brokerage expenses		2,176	1,102
Amortisation of preliminary expenses and floatation costs		-	161
Auditors' remuneration		179	157
Other expenses		161	132
		7,507	7,610
Net income from operating activities		91,868	12,383
Net Element of income and capital gains included in the prices of units issued less those in units redeemed		3,269	28,992
Net income for the period before taxation		95,137	41,375
Taxation	6	-	-
Net income for the period after taxation		95,137	41,375
Other comprehensive income for the period		-	-
Total comprehensive income for the period		95,137	41,375
Earnings / (loss) per unit	7		

The annexed notes 1 to 10 form an integral part of these financial statements.


Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)


Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2012

	September 30, 2012	September 30, 2011
	(Rupees in '000)	
(Loss) brought forward	(117,222)	(144,892)
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount forms part of the unit holders' fund	714	(14,480)
Net income for the period after taxation	95,136	41,375
(loss) carried forward	<u>(21,372)</u>	<u>(117,997)</u>

The annexed notes 1 to 10 form an integral part of these financial statements.



Chief Executive Officer

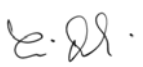
**For Arif Habib Investments Limited
(Management Company)**



Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

	September 30, 2012	September 30, 2011
	(Rupees in '000)	
Net assets at the beginning of the period	725,522	692,872
Issue of units 1,050,903.1597 (2011: 376,642 units)	100,649	9,977
Issue of Nil Bonus units (2011: 1,609,919)	-	-
Redemption of units 1,102,221 (2011: 961,713 units)	(101,797)	(79,191)
	(1,148)	(69,214)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		
- amount representing loss and capital losses - transferred to income statement	(3,269)	(28,992)
- amount representing (income) / loss that forms part of unit holders' fund - transferred to distribution statement	(714)	14,480
	(3,983)	(14,512)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised income	714	(14,480)
Net unrealised appreciation on re - measurement of investments classified as ' financial assets at fair value through profit or loss '	46,958	14,052
Other operating income	48,179	27,323
Net income for the period	95,137	41,375
Net assets as at the end of the period	816,242	636,041



Chief Executive Officer

**For Arif Habib Investments Limited
(Management Company)**



Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2012

	Note	September 30, 2012	September 30, 2011
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period before taxation		95,137	41,375
Adjustments for non-cash charges and other items:			
Capital / gains loss on sale of investments		(39,070)	3,500
Dividend income		(11,853)	(7,217)
Profit on bank deposits		(990)	(2,224)
Net unrealised (appreciation) on re - measurement of investments classified as ' financial assets at fair value through profit or loss '		(46,958)	(14,052)
Amortisation of preliminary expenses and floatation costs		-	161
Element of (income) and capital (gains) included in prices of units issued less those in units redeemed		(3,269)	(28,992)
		(7,003)	(7,449)
(Increase) / decrease in assets			
Investments - net		(5,553)	78,218
Other receivables		(10,313)	(2,381)
Security deposits and prepayments		(5)	35
		(15,871)	75,872
Increase / (decrease) in liabilities			
Payable to Management Company		(63)	60
Payable to Central Depository Company of Pakistan Limited		6	(39)
Annual fee payable to Securities and Exchange Commission of Pakistan		(468)	(482)
Accrued and other liabilities		22	(450)
		(503)	(911)
		(23,377)	67,512
Dividend received		11,855	7,217
Profit received on bank deposits		990	2,224
Net cash used in operating activities		(10,532)	76,953
CASH FLOWS FROM FINANCING ACTIVITIES			
Net receipt from issue of units		100,648	9,977
Net payments on redemption of units		(101,797)	(79,191)
Net cash used in financing activities		(1,149)	(69,214)
Net increase in cash and cash equivalents during the period		(11,681)	7,739
Cash and cash equivalents at the beginning of the period		69,895	59,684
Cash and cash equivalents at the end of the period	9	58,214	67,423

The annexed notes 1 to 10 form an integral part of these financial statements.



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



Director

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

1 LEGAL STATUS AND NATURE OF BUSINESS

MCB Dynamic Stock Fund ("The Fund") was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and was approved as a collective investment scheme by the Securities and Exchange Commission of Pakistan ("SECP") on 12 December 2006. It was constituted under a Trust Deed dated 10 November 2006 amended by a Supplemental Trust Deed dated 21 January 2007 between MCB Asset Management Company Limited as the Management Company, a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited ("CDC") as the Trustee, also incorporated under the Companies Ordinance, 1984.

Based on shareholders' resolutions of MCB Asset Management Company Limited and Arif Habib Investments Limited the two companies have merged as of 27 June 2011 through operation of an order from the SECP issued under Section 282L of the Companies Ordinance 1984 (Order through letter no. SCD/NBFC-II/MCBAMCL & AHIL/271/2011 dated 10 June 2011). Arif Habib Investments Limited being a listed company is the surviving entity and in compliance of SBP's approval, it is a subsidiary of MCB Bank. However subsequent to the completion of the merger, the SECP issued an order postponing the effective date of the merger to 30 July 2011 (through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AHI/348/2011 dated 27 June 2011). Since the merger had already taken place and the subsequent order of the SECP could not be complied with, the Company has sought a ruling by the honorable Sindh High Court (SHC). The honorable Sindh High Court (SHC) has held the SECP's subsequent order in abeyance and instructed SECP to treat the companies as merged pending a final ruling. Irrespective of the final ruling, the Fund's assets and NAV remain unaffected.

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

The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering to the Fund. The units are listed on the Lahore Stock Exchange. The Board of Directors have approved that the Fund should be categorized as Equity Scheme as per the categories defined by Securities and Commission of Pakistan.

The principal activity of the Fund is to make investments in securities listed on the stock exchanges. The Fund is an equity fund and its objective is to provide long term capital appreciation.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned an Asset Manager rating of AM2 "positive outlook" to the Management Company and a short term star ranking rating of "4-Star-normal" and long term star ranking of "5-star normal" to the Fund.

2 BASIS OF PREPARATION

2.1 Statement Of Compliance

These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP prevail. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'.

2.2 These condensed interim financial statements are unaudited.

2.3 The directors of the asset management company declare that these financial statements give a true and fair view of the Fund.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the Fund for the period ended June 30, 2012

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

		September 30, 2012	June 30, 2012
4 INVESTMENTS	Note		
Financial assets at fair value through profit or loss - held for trading	4.1	756,298	607,079
		<u>756,298</u>	<u>607,079</u>

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

Name of investee company	Number of shares					Balance as at September 30, 2012			Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of paid up capital of investee company held
	As at July 1, 2012	Purchased during the year	Bonus / right shares	Disposed of during the year	As at September 30, 2012	Cost	Market value	Appreciation / (diminution)			

----- (Rupees in '000) -----

Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.

Automobile and Parts

Agriauto Industries Limited *	31,518	-	-	31,518	-	-	-	-	-	-	-
Exide Pakistan	20,832	1,600	-	22,432	-	-	-	-	-	-	-
Indus Motor Company Limited	-	10,000	-	10,000	-	-	-	-	-	-	-
						-	-	-	-	-	-

Banks

Allied Bank Limited	83,360	-	-	83,360	-	-	-	-	-	-	-
Askari Bank Limited	491,092	890,067	-	-	1,381,159	19,991	21,104	1,113	2.59	2.79	0.17%
Bank ALHabib Limited	1,169,531	520,000	-	620,000	1,069,531	30,205	30,278	73	3.71	4.00	0.11%
MCB Bank Limited	37,149	134,000	-	117,230	53,919	9,965	10,031	66	1.23	1.33	0.01%
National Bank of Pakistan	99,000	464,000	-	199,000	364,000	16,327	15,994	(333)	1.96	2.11	0.02%
United Bank Limited	459,750	412,000	-	582,279	289,471	22,530	21,354	(1,175)	2.62	2.82	0.02%
JS Bank Limited	-	601,500	-	180,000	421,500	2,339	2,251	(88)	0.28	0.30	0.04%
Bank -Al-Falha Limited	3,683,950	70,000	-	1,663,000	2,090,950	35,866	32,535	(3,330)	3.99	4.30	0.15%
						137,222	133,548	(3,675)	16	18	

Chemicals

Engro Corporation Limited	-	407,300	-	73,800	333,500	35,868	35,608	(261)	4.36	4.71	0.07%
Fatima Fertilizers Company Limited	1,428,826	-	-	1,428,826	-	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limitec	-	100,000	-	100,000	-	-	-	-	-	-	-
Fauji Fertilizer Company Limited	388,152	137,000	-	524,914	238	27	27	(1)	-	-	-
I.C.I. Pakistan Limited	-	156,200	-	65,900	90,300	15,087	14,804	(284)	2.14	2.44	0.10%
Engro Foods Limited	-	-	-	-	-	-	-	-	-	-	-
						50,983	50,438	(545)	6.50	7.15	

Construction and Materials

D.G.Khan Cement Company Limi	191,000	642,406	-	403,000	430,406	18,767	21,649	2,882	3.12	3.57	0.10%
Lucky Cement Limited	306,013	256,800	-	-	562,813	68,469	74,933	6,463	9.18	9.91	0.17%
Cherat Cement Co. Limited	308,729	416,500	-	308,578	416,651	15,565	16,533	968	2.03	2.19	0.44%
Fecto Cement	-	322,416	-	222,000	100,416	2,498	2,558	60	0.31	0.34	0.20%
Kohat Cement	187,013	209,000	-	150,680	245,333	11,935	14,310	2,375	1.75	1.89	0.19%
Lafarge Pakistan Cement	1,575,000	820,000	-	2,395,000	-	-	-	-	-	-	-
						117,234	129,983	12,749	16	18	

Electricity

The Hub Power Company Limitec	1,340,131	190,000	-	-	1,530,131	64,745	71,733	6,988	8.79	9.48	0.13%
Nishat Chunian Power Limited	1,215,700	811,000	-	1,215,700	811,000	12,903	13,544	640	1.66	1.79	0.22%
Nishat Power Limited	-	235,000	-	235,000	-	-	-	-	-	-	-
						77,648	85,276	7,628	10.45	11.27	

Fixed Line Telecommunication

Pakistan Telecommunication Company Limited	-	1,323,500	-	750,000	573,500	10,489	11,120	631	1.36	1.47	0.02%
Telecard limited	-	125,000	-	125,000	-	-	-	-	-	-	-
Wateen Telecom Limited	1,860,000	969,000	-	-	2,829,000	6,367	7,186	819	0.88	0.95	0.46%
						16,856	18,306	1,449	2	2	

* The face value of shares held of Agriauto Industries Limited and Thal limited is Rs. 5

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

Name of investee company	Number of shares					Balance as at September 30, 2011			Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of paid up capital of investee company held
	As at July 1, 2012	Purchased during the year	Bonus / right shares	Disposed of during the year	As at September 30, 2012	Cost	Market value	Appreciation / (diminution)			
------(Rupees in '000')-----											
Oil and Gas											
Attock Refinery Limited	-	85,000		85,000	-						-
National Refinery Limited	-	34,700			34,700	8,247	8,162	(85)	1.00	1.08	0.04%
Attock Petroleum Limited	118,542	28,700		47,900	99,342	47,443	52,029	4,586	6.37	6.88	0.14%
Oil and Gas Development Company Limited	95,000	289,082		141,200	242,882	41,103	43,568	2,465	5.34	5.76	0.01%
Pakistan Oilfields Limited	181,317	18,800		20,500	179,617	67,025	77,839	10,814	9.54	10.29	0.08%
Pakistan Petroleum Limited	378,265	27,000	77,119	115,000	367,384	55,384	64,634	9,250	7.92	8.55	0.02%
Pakistan State Oil Company Limited	28,648	80,500	14,200	38,148	85,200	18,358	18,505	147	2.27	2.45	0.04%
						237,561	264,737	27,176	32.44	35.01	
Personal goods											
Nishat (Chunian) Limited	-	210,000	-	125,000	85,000	1,488	1,888	400	0.27	0.31	0.05%
Nishat Mills Limited	-	497,000		72,000	425,000	23,833	24,081	248	3.48	3.97	0.12%
						25,320	25,968	648	3.75	4.28	
Pharma and Bio Tech											
Abbot Lab (Pakistan)	89,702	2,200		91,902	-	-	-	-	-	-	-
Galaxosmithkline	-	4,000	-	4,000	-	-	-	-	-	-	-
						-	-	-	-	-	
NON Life Insurance											
Pakistan Reinsurance Company Limited	-	941,500	-	-	941,500	17,618	19,546	1,927	2.82	3.22	0.31%
						17,618	19,546	1,927	3	3	
Industrial Engineering											
Millat Tractors Limited	36,500	32,500			10,000	28,897	28,496	(400)	4.11	4.69	0.03%
						28,897	28,496	(400)	4	5	
Total - September 30 2012						709,340	756,298	46,958	95	104	
Total - June 30, 2012						589,238	607,079	17,841	87.64	100	

4.1.1 Investments include shares with market value aggregating to 42 million that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of Fund's trades in terms of Circular no. 11 dated October 23, 2007 issued by the SECP.

5 CONTINGENCY

CONTRIBUTION TO WORKERS' WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended June 30, 2010.

Subsequently 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 December 14, 2010 the Ministry filed its response against the Constitutional petition requesting the court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

During the year ended 30 June 2012, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. The Management Company is hopeful that the decision of the LHC, will lend further

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

support to the Constitutional Petition which is pending in the Sindh High Court (SHC) In view of the afore mentioned developments, the Management Company firmly believes that there is no compelling reason to make provision on account of WWF contribution in the financial statements. Further, the Management Company also expects that the constitutional petition pending in the Honourable High Court of Sindh on the subject as referred above will be decided in favour of the Mutual Funds. However, as a matter of abundant caution and prudence the Management Company of the Fund has decided not to reverse provision already till the decision of Honourable Sindh High Court.

Till September 30, 2012 the Fund has accrued Rs. 6.456 million in lieu of provision of WWF and the aggregate unrecognized amount of WWF as at September 30, 2012 amounted to Rs. 4.24 million

6 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the period, as reduced by capital gains, whether realised or unrealised, is distributed amongst 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 period as reduced by capital gains (whether realised or unrealised) to its unit holders.

7 EARNINGS / (LOSS) PER UNIT

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

8 TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES

- 8.1** Connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, MCB Bank Limited being the parent company of the Management Company, the Trustee, directors and key management personnel, other associated undertaking and investors holding 10% or more units of the Fund.
- 8.2** The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 8.3** Remuneration payable to the Management Company and the fee payable to the Trustee are determined in accordance with the provisions of the NBFC Rules 2003, the NBFC Regulations 2008 and Trust Deed respectively.
- 8.4** Details of transactions and balances at period end with related parties / connected persons, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	September 30 2012	September 30 2011
8.5 Details of the transactions with the connected persons during the period are as follows:	(Rupees in '000)	
MCB Bank Limited		
Mark-up received	1,715	1,715
Dividend income received	120	120
Management Company		
Remuneration of the Management Company	3,208	4,783
Sindh Sales Tax on services	610	765
Bank of Punjab		
Redemption of 281,458 units (2011: 496,075 units)	27,132	41,300
Key management personnel		
Issue of units	38	301
Redemption of units	250	1,368

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

8.6	Amount outstanding as at the period / year end	September 30 2012	June 30 2012
		(Rupees in '000)	
	Arif Habib Investments Limited		
	Management fee payable	1,519	1,367
	Sale Load Payable	330	6
	MCB Bank Limited		
	Bank balances	40,252	24,333
	Profit receivable on bank balances	704	720
	53,919 shares held (2012: 37,149 shares)	10,031	6,176
	Fatima Fertilizers Company Limited		
	Nil shares held (2012: 1,428,826 shares)	-	35,249
	D.G.Khan Cement Company Limited Employees Provident Fund		
	24,023 units held (2012: 24,023 units)	2,341	7,522
	Bank of Punjab		
	2,005,311 units held (2012: 2,286,769 units)	195,448	206,879
	MCB Employees Provident Fund		
	1,418,860 units held (2012: 1,418,860 units)	13,290	102,905
	MCB Employees Pension Fund		
	1,087,311 units held (2012: 1,087,311 units)	105,975	78,859
	Central Depository Company of Pakistan Limited		
	Trustee fee payable	136	117
	CDC settlement charges payable	5	13
	Security deposit	200	200
	Key management personnel		
	10,993 units held (2012: 13,763 units)	1,071	1,185
	D.G.Khan Cement Company Limited		
	430,406 shares held (as at 30 june 2012: 191,000 shares)	21,649	7,522
	Nishat Chunian Limited		
	85,000 shares held (as at 30 june 2012: Nil shares)	1,888	-
	Nishat Mills Limited		
	425,000 shares held (as at 30 june 2012: Nil shares)	24,080	-
	Nishat Chunian Power Limited		
	811,000 shares held (as at 30 june 2012: 1,215,700 shares)	13,544	18,029
	Arif Habib Limited- Brokerage House		
	Brokerage Payable	264	-
	Next Capital- Brokerage House		
	Brokerage Payable	20	-

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

9 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on **October 25, 2012** by the Board of Directors of the Management Company.

10 GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise specified.



Chief Executive Officer

**For Arif Habib Investments Limited
(Management Company)**



Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

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