



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	MCB Bank Limited Bank Al Falah Limited Faysal Bank Limited NIB 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 DIRECTOR OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED DECEMBER 31, 2013

Dear Investor,

On behalf of the Board of Directors, I am pleased to present MCB Dynamic Stock Fund's accounts review for the first half ended December 31st 2013.

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.

FUND PERFORMANCE

MCB-DSF slightly outperformed its benchmark KSE30 index by delivering 16.35% return while KSE 30 index delivered 16.05% return during the period. Overall equity exposure of the fund was increased from beginning exposure of around 80.1% to around 84.3% at the end of the period. The fund changed its investment strategy several times during the quarter to cope with various sector and company level fundamental developments. Major sector level changes include decrease in exposure in Oil and Gas sector while allocation was increased in Commercial Banks.

The Net Asset of the Fund as at December 31, 2013 stood at Rs.906 million as compared to Rs.887 million as at June 30 2013 registering an increase of 2.14%.

The Net Asset Value (NAV) per unit as at December 31, 2013 was Rs.113.6135 as compared to opening NAV of Rs.131.3430 per unit as at June 30, 2013 registering a decrease of Rs.17.7295 per unit.

FUTURE OUTLOOK

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
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

MCB DYNAMIC STOCK 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 MCB Dynamic Stock 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.

For the purpose of information, we would like to draw the attention of the Unit Holders of the Fund towards note 13 to condensed interim financial information which pertains to the proposed merger of MCB Dynamic Stock Fund and Pakistan Premier Fund with and into Pakistan Stock Market Fund. The required approval representing three fourth in value of the total outstanding units of the Fund was not achieved due to non-participation of the Unit Holders as aforesaid required, whether in person or by postal ballot or through proxy, in the meeting convened on January 13, 2014.

The Management Company as authorized by the Unit Holders for the purpose of cost efficiency and better portfolio management in the best interest of Unit Holders has requested the Securities and Exchange Commission of Pakistan for the relaxation of the requirement of the Circular # 20 of 2009, the reply of which is still awaited.


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

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 **MCB Dynamic Stock 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 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 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.

Emphasis of matter

We draw attention to note 13 to the condensed interim financial information which pertains to the proposed merger of MCB Dynamic Stock Fund and Pakistan Premier Fund into Pakistan Stock Market Fund. As more fully explained in the note, the Management Company has applied to Securities and Exchange Commission of Pakistan (SECP) for relaxation of the requirement of Circular 20 of 2009 issued by it in respect of requirement for approval of merger of Open-End Schemes. Our conclusion is not qualified in respect of this matter.

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.

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



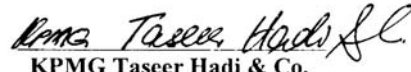
KPMG Taseer Hadi & Co.

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 and we do not express a conclusion on them.

Date: 06 February 2014

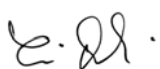
Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

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

	Note	31 December 2013 (Unaudited) (Rupees in '000)	30 June 2013 (Audited)
Assets			
Balances with banks	6	103,336	56,970
Investments	7	787,952	824,668
Dividend and profit receivables		543	662
Receivable against sale of investments		-	20,591
Advances and deposits		41,978	3,951
Total assets		<u>933,809</u>	<u>906,842</u>
Liabilities			
Payable to Management Company		2,239	2,234
Payable to Central Depository Company of Pakistan Limited - Trustee		158	151
Payable to Securities and Exchange Commission of Pakistan		459	718
Payable against purchase of investments		3,700	-
Accrued expenses and other liabilities	8	20,928	17,012
Total liabilities		<u>27,484</u>	<u>20,115</u>
Net assets		<u>906,325</u>	<u>886,727</u>
Unit holders' funds (as per statement attached)		<u>906,325</u>	<u>886,727</u>
Contingencies and commitments	9		
		(Number of units)	
Number of units in issue (face value of units is Rs. 100 each)		<u>7,977,262</u>	<u>6,751,239</u>
		(Rupees)	
Net asset value per unit		<u>113.61</u>	<u>131.34</u>

The annexed notes 1 to 15 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)

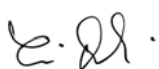


Director

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 gain / (loss) on sale of investments - net		35,081	74,539	(438)	35,469
Dividend income		25,545	32,865	9,664	21,012
Income from government securities		3,310	566	2,395	62
Profit on bank deposits		3,083	2,263	1,478	1,273
Other income		-	5	-	5
		67,019	110,238	13,099	57,821
Net unrealised appreciation on re-measurement of investments classified as 'at fair value through profit or loss'	7.1	87,654	64,353	108,717	17,395
Total income		154,673	174,591	121,816	75,216
Expenses					
Remuneration of Management Company		9,668	7,872	4,662	4,054
Sindh Sales Tax and Federal Excise Duty on Management Fee		3,341	1,259	1,610	649
Remuneration of Central Depository Company of Pakistan Limited - Trustee		964	787	466	405
Annual fee of Securities and Exchange Commission of Pakistan		459	374	221	193
Auditor's remuneration		291	335	162	156
Brokerage expenses		3,222	4,706	1,078	2,530
Other expenses		533	434	336	273
Total operating expenses		18,478	15,767	8,535	8,260
Net operating income for the period		136,195	158,824	113,281	66,956
Net element of loss and capital losses included in prices of units issued less those in units redeemed		(6,285)	(2,470)	(10,178)	(5,739)
Provision for workers' welfare fund	8.2	(2,598)	-	(2,062)	-
Net income for the period before taxation		127,312	156,354	101,041	61,217
Taxation	10	-	-	-	-
Net income for the period after taxation		127,312	156,354	101,041	61,217
OTHER COMPREHENSIVE INCOME					
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		127,312	156,354	101,041	61,217
Earnings per unit	11				

The annexed notes 1 to 15 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 / accumulated (losses) brought forward	211,596	(117,222)	3,688	(21,371)
Net income for the period	127,312	156,354	101,041	61,217
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - amount representing unrealised (diminution) / appreciation	(2,876)	7,765	3,861	7,051
Distribution to the unit holders of the Fund:				
Final Distribution at the rate of Rs. 33.6889 (2012: nil) per unit for the year ended 30 June 2013				
Declared on 4 July 2013				
- Bonus distribution 2,329,055 units	(227,442)	-	-	-
	(103,006)	164,119	104,902	68,268
Undistributed income carried forward	108,590	46,897	108,590	46,897

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.


Chief Executive Officer

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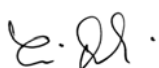

Director

**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	886,727	725,522	965,997	816,242
Issue of 5,666,964* units (2012: 1,587,256 units) and 1,194,671 units (2012: 536,353 units) for the half year and quarter ended respectively	580,183	155,331	126,181	54,682
Redemption of 4,440,941 units (2012: 2,145,507 units) and 2,840,405 units (2012: 1,043,286 units) for the half year and quarter ended respectively	(466,740)	(205,862)	(297,072)	(104,065)
	113,443	(50,531)	(170,891)	(49,383)
Net element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed				
- amount representing loss and capital losses transferred to income statement	6,285	2,470	10,178	5,739
- amount representing loss / (income) that forms part of unit holder's fund transferred to distribution statement	2,876	(7,765)	(3,861)	(7,051)
	9,161	(5,295)	6,317	(1,312)
Element of (loss) / income that forms part of unit holder's fund transferred to distribution statement	(2,876)	7,765	3,861	7,051
Net unrealised appreciation on re-measurement of investments classified as 'at fair value through profit or loss'	87,654	64,353	108,717	17,395
Capital gain on sale of investments - net	35,081	74,539	(438)	35,469
Net income / (loss) for the period	4,577	17,462	(7,238)	8,353
Total comprehensive income for the period	127,312	156,354	101,041	61,217
Distribution during the period	(227,442)	-	-	-
Net assets at the end of the period	906,325	833,815	906,325	833,815
Net assets value per unit as at beginning of the period	131.34	86.09	100.38	97.45
Net assets value per unit as at end of the period	113.61	105.96	113.61	105.96

* This includes 2,329,055 (2012: nil) units issued as bonus units.

The annexed notes 1 to 15 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 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	127,312	156,354	101,041	61,217
Adjustments for non-cash and other items:				
Profit on bank deposits	(3,083)	(2,263)	(1,478)	(1,273)
Capital gain on sale of investments - net	(35,081)	(74,539)	438	(35,469)
Dividend income	(25,545)	(32,865)	(9,664)	(21,012)
Net unrealised appreciation on re-measurement of investments classified as 'at fair value through profit or loss'	(87,654)	(64,353)	(108,717)	(17,395)
Net element of loss and capital losses included in prices of units issued less those in units redeemed	6,285	2,470	10,178	5,739
	(145,078)	(171,550)	(109,243)	(69,410)
	(17,766)	(15,196)	(8,202)	(8,193)
Decrease / (increase) in assets				
Investments	159,451	33,000	200,083	38,553
Receivable against sale of investments	20,591	-	12,715	-
Security deposits and prepayments	(38,027)	(70)	(38,023)	10,248
	142,015	32,930	174,775	48,801
Increase / (decrease) in liabilities				
Payable to Management Company	5	39	458	102
Payable to Central Depository Company of Pakistan Limited - Trustee	7	15	(10)	9
Payable to Securities and Exchange Commission of Pakistan	(259)	(275)	221	193
Payable against purchase of investments	3,700	(17,703)	3,700	(17,703)
Accrued expenses and other liabilities	3,916	552	1,881	530
	7,369	(17,372)	6,250	(16,869)
Dividend received	25,964	32,791	23,925	20,936
Profit received on bank deposits	2,783	2,935	1,717	1,945
Net cash generated from operating activities	160,365	36,088	198,465	46,620
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from issuance of units	352,741	155,331	126,181	54,683
Payments against redemption of units	(466,740)	(205,862)	(297,071)	(104,065)
Net cash used in financing activities	(113,999)	(50,531)	(170,890)	(49,382)
Net increase / (decrease) in cash and cash equivalents	46,366	(14,443)	27,575	(2,762)
Cash and cash equivalents at the beginning of the period	56,970	69,895	75,761	58,214
Cash and cash equivalents at the end of the period	103,336	55,452	103,336	55,452

The annexed notes 1 to 15 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

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.

Pursuant to the merger of MCB Asset Management Limited and Arif Habib Investment Limited, 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 issue by 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 can be transferred to / from the funds managed by the Management Company and can also be redeemed by surrendering to the Fund. The units are listed on the Lahore and Karachi Stock Exchange.

The Principal activity of the Fund is to make investments in securities listed on 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 has assigned both short-term & long term ranking of "4-Star" to the Fund.

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 PRESENTATION

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 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). In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP) have been followed.

This condensed interim financial information does not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the financial statements for the year ended 30 June 2013.

The 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, whereas 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 is 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.

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

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

The accounting policies and methods of computation followed in 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.

3.1 Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the fund operations and did not resulted in change to the funds operation and did not resulted in change in accounting policy of the fund except for, where applicable, change in presentation and additional disclosures.

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. BALANCES WITH BANKS			
Saving accounts	<i>6.1</i>	103,296	56,929
Current account		40	41
		<u>103,336</u>	<u>56,970</u>

6.1 These carry mark-up at rates ranging between 6.5% to 9% per annum (30 June 2013: 6% to 11.5% per annum).

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

7. INVESTMENTS

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

- Quoted equity securities
- Government securities

31 December 2013 (Unaudited)	30 June 2013 (Audited)
(Rupees in '000)	(Rupees in '000)
7.1	740,171
7.2	84,497
787,952	824,668

7.1 Quoted equity securities

Name 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 as at 31 December 2013	Appreciation / (diminution)	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
Number of shares-										
Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.										
Oil and Gas producers										
Attock Petroleum Limited	54,742	32,200	16,588	21,800	81,730	38,797	40,840	2,043	4.51%	5.18%
National Refinery Limited	38,000	66,500	-	104,500	-	-	-	-	0.00%	0.00%
Oil and Gas Development Company Limited	189,282	154,700	-	242,900	101,082	25,486	27,935	2,449	3.08%	3.55%
Pakistan Oilfields Limited	144,417	74,650	-	160,350	58,717	27,576	29,224	1,648	3.22%	3.71%
Pakistan Petroleum Limited	239,131	448,600	77,626	369,700	395,657	77,366	84,655	7,289	9.34%	10.74%
Pakistan State Oil Company Limited	251,800	240,300	-	373,800	118,300	36,619	39,301	2,682	4.34%	4.99%
						205,844	221,955	16,111	24.49%	28.17%
Chemicals										
Dawood Hercules Corporation Limited	168,500	-	-	168,500	-	-	-	-	0.00%	0.00%
Engro Corporation Limited	30,000	686,000	-	593,000	123,000	19,564	19,481	(83)	2.15%	2.47%
Fatima Fertilizer Company Limited	1,850,500	778,000	-	1,451,500	1,177,000	29,785	33,615	3,830	3.71%	4.27%
Fauji Fertilizer Bin Qasim Limited	379,500	-	-	379,500	-	-	-	-	0.00%	0.00%
						49,349	53,096	3,747	5.86%	6.74%
Construction and Materials										
Cherat Cement Company Limited	574,651	-	-	344,000	230,651	13,422	14,598	1,176	1.61%	1.85%
D. G. Khan Cement Company Limited	71,406	899,500	-	659,906	311,000	23,947	26,662	2,715	2.94%	3.38%
Fauji Cement Company Limited	-	942,500	-	-	942,500	13,024	15,033	2,009	1.66%	1.91%
Fecto Cement Limited	57,416	-	-	50,000	7,416	356	331	(25)	0.04%	0.04%
Kohat Cement Company Limited	462,333	333,000	129,766	611,500	313,599	22,065	30,661	8,596	3.38%	3.89%
Lucky Cement Limited	117,013	35,000	-	152,013	-	-	-	-	0.00%	0.00%
Lafarge Pakistan Cement Limited	-	568,000	-	568,000	-	-	-	-	0.00%	0.00%
Maple Leaf Cement Factory Limited	352,000	1,286,000	-	605,000	1,033,000	25,085	28,335	3,250	3.13%	3.60%
Pioneer Cement Limited	150,000	-	-	150,000	-	-	-	-	0.00%	0.00%
						97,899	115,620	17,721	12.76%	14.67%
General Industrials										
Packages Limited	-	99,000	-	-	99,000	26,465	26,990	525	2.98%	3.43%
						26,465	26,990	525	2.98%	3.43%
Industrial Engineering										
Al-Ghazi Tractors Limited*	500	-	-	500	-	-	-	-	0.00%	0.00%
						-	-	-	0.00%	0.00%
Automobile and Parts										
Pak Suzuki Motor Company Limited	19,000	-	-	19,000	-	-	-	-	0.00%	0.00%
						-	-	-	0.00%	0.00%
Food Producers										
Engro Foods Limited	-	107,000	-	62,000	45,000	4,230	4,700	470	0.52%	0.60%
						4,230	4,700	470	0.52%	0.60%

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

Name 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 as at 31 December 2013	Market value as at 31 December 2013	Appreciation / (diminution)	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
Personal Goods											
Blessed Textile Limited	37,500	-	-	37,500	98,500	-	-	-	0.00%	0.00%	0.00%
Elcott Spinning Mills Limited	98,500	-	-	-	-	6,392	10,245	3,853	1.13%	1.30%	0.90%
Faisal Spinning Mills Limited	31,500	-	-	31,500	-	-	-	-	0.00%	0.00%	0.00%
Gadoon Textile Mills Limited	16,000	46,600	-	-	62,600	8,648	13,543	4,895	1.49%	1.72%	0.27%
Nishat Chunian Limited	-	118,500	10,800	118,500	10,800	589	650	61	0.07%	0.08%	0.01%
Nishat Mills Limited	225,500	342,000	-	527,600	39,900	4,908	5,077	169	0.56%	0.64%	0.01%
						20,537	29,515	8,978	3.25%	3.74%	
Tobacco											
Pakistan Tobacco Company Limited	11,000	-	-	11,000	-	-	-	-	0.00%	0.00%	0.00%
						-	-	-	0.00%	0.00%	
Fixed Line Telecommunication											
Pakistan Telecommunication Company Limited "A"	195,000	1,127,000	-	481,000	841,000	21,753	23,918	2,165	2.64%	3.04%	0.02%
						21,753	23,918	2,165	2.64%	3.04%	
Electricity											
The Hub Power Company Limited	1,235,131	334,500	-	225,000	1,344,631	83,896	81,646	(2,250)	9.01%	10.36%	0.12%
Kot Addu Power Company Limited	70,000	1,285,000	-	1,355,000	-	-	-	-	0.00%	0.00%	0.00%
Pakgen Power Limited	-	860,000	-	7,000	853,000	17,903	18,519	616	2.04%	2.35%	0.23%
						101,799	100,165	(1,634)	11.05%	12.71%	
Banks											
Askari Bank Limited	17	-	-	17	-	-	-	-	-	-	-
Allied Bank Limited	-	185,000	-	-	185,000	14,866	16,650	1,784	1.84%	2.11%	0.01%
Bank Al-Falah Limited	1,813,000	1,419,000	-	1,195,500	2,036,500	40,553	55,067	14,514	6.08%	6.99%	0.20%
Bank AL-Habib Limited	1,131,531	231,000	-	304,500	1,058,031	31,076	43,961	12,885	4.85%	5.58%	0.08%
BankIslami Pakistan Limited	100,000	-	-	100,000	-	-	-	-	0.00%	0.00%	0.00%
Habib Bank Limited	151,600	-	-	49,700	101,900	12,151	16,980	4,829	1.87%	2.15%	0.02%
Habib Metropolitan Bank Limited	-	200,000	-	70,000	130,000	2,653	3,259	606	0.36%	0.41%	0.01%
Meezan Bank Limited	318,025	-	-	318,000	25	1	1	-	0.00%	0.00%	0.00%
MCB Bank Limited	16,600	68,000	-	69,600	15,000	4,335	4,218	(117)	0.47%	0.54%	0.00%
National Bank Of Pakistan Limited	-	1,034,000	-	877,500	156,500	8,825	9,086	261	1.00%	1.15%	0.01%
United Bank Limited	246,471	490,400	-	426,000	310,871	39,412	41,206	1,794	4.55%	5.23%	0.03%
						153,872	190,428	36,556	21.02%	24.16%	
Non Life Insurance											
Adanjee Insurance Company Limited	-	15,000	-	15,000	-	-	-	-	0.00%	0.00%	0.00%
Pakistan Reinsurance Company Limited	628,000	130,000	-	-	758,000	18,550	21,565	3,015	2.38%	2.74%	0.25%
						18,550	21,565	3,015	2.38%	2.74%	
Total - 31 December 2013						700,298	787,952	87,654	86.95%	100.00%	
Total - 30 June 2013						684,622	740,171	55,549	83.47%	89.75%	

* the face value of shares held is Rs. 5 per share

7.1.1 Investments include shares with market value aggregating of Rs.57,669 million (30 June 2013: Rs.61,299 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in term of Circular No. 11 dated 23 October 2007 issued by the Securities and Exchange Commission of Pakistan.

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

7.2 Government securities

								Market value	
Particulars	As at 1 July 2013	Purchases during the period	Sold / matured during the period	As at 31 December 2013	Cost as at 31 December 2013	Market value as at 31 December 2013	Appreciation / (diminution) as at 31 December 2013	as a percentage of net assets	as a percentage of total investments
-----Face value-----				----- (Rupees in '000) -----					
Treasury Bills									
Treasury bills - 3 months	10,000	220,000	230,000	-	-	-	-	0.00%	0.00%
Treasury bills - 12 months	75,000	-	75,000	-	-	-	-	0.00%	0.00%
Total - 31 December 2013					-	-	-		
Total - 30 June 2013					84,477	84,497	20		

8. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2013 (Unaudited)	30 June 2013 (Audited)
	(Rupees in '000)	
Auditors' remuneration payable	238	400
Brokerage payable	623	936
Dividend payable	41	41
Provision for federal excise duty and related taxes	8.1 1,957	163
Provision for workers' welfare fund	8.2 17,678	15,080
Others	391	392
	20,928	17,012

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. 1.957 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. 0.25 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 outstanding 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 management intends to distribute at least 90% of the income earned by the Fund by the year end 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. Accordingly, no provision for taxation has been made in this 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 units for calculating EPU is not practicable.

12. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related party of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, the Trustees, directors and key management personnel and other associated undertakings.

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 / at contracted rates.

12.1 Details of transactions with the connected persons / related parties during the period are as follows:

	Half year ended 31 December		Quarter ended 31 December	
	2013	2012	2013	2012
	----- (Unaudited) -----			
	----- (Rupees in '000) -----			
MCB-Arif Habib Savings and Investments Limited				
Remuneration of Management Company (including indirect taxes)	13,009	9,131	6,272	4,703
MCB Bank Limited				
Profit on bank deposits	1,199	751	516	119
Dividend income	160	232	-	112
Bank charges	5	15	3	7
Central Depository Company of Pakistan Limited - Trustee				
Remuneration of Trustee	964	787	466	405
CDC settlement charges	93	51	34	28
Adamjee Insurance Company Limited				
Dividend Income	38	-	38	-

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

	Half year ended 31 December		Quarter ended 31 December	
	2013	2012	2013	2012
	----- (Unaudited) -----			
	----- (Rupees in '000) -----			
Nishat Chunian Limited				
Dividend income	216	1,468	216	1,468
Nishat Mills Limited				
Dividend income	46	2,457	46	2,457
D.G. Khan Cement Company Limited				
Dividend Received	1,494	724	1,494	724
Next Capital Limited				
Brokerage*	79	105	41	46
Arif Habib Limited				
Brokerage*	207	328	155	201

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		
Remuneration payable to the Management Company	1,524	1,459
Sales tax payable on remuneration of Management	244	233
Sales load payable	471	542
Central Depository Company of Pakistan Limited - Trustee		
Payable to Trustee	153	146
CDC Settlement charges payable	5	5
Security deposit	200	200
MCB Bank Limited		
Bank balances	95,087	20,033
Profit receivable on bank balances	261	41
15,000 shares held by the Fund (30 June 2013: 16,600 shares)	4,218	4,027
D. G. Khan Cement Company Limited		
311,000 shares held by the Fund (30 June 2013: 71,406 shares)	26,662	5,976
Fatima Fertilizer Company Limited		
1,177,000 shares held by the Fund (30 June 2013: 1,850,500 shares)	33,615	45,948
Nishat Mills Limited		
39,900 shares held by the Fund (30 June 2013: 225,500)	5,077	21,244
Arif Habib Limited		
Brokerage *	63	96
Next Capital		
Brokerage *	36	22

* 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.

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

	(Unaudited)			
	Half year ended		Half year ended	
	31 December 2013		31 December 2012	
	Units	(Rupees in '000)	Units	(Rupees in '000)
Units sold to:				
Adamjee Life Assurance Company Limited	379,965	41,100	181,354	18,758
Key management personnel	20,213	2,111	3,600	384
Bonus units issued to :				
MCB Employees Provident Fund	489,481	47,800	-	-
MCB Employees Pension Fund	375,103	36,630	-	-
D.G. Khan Cement Company Limited				
Employees Provident Fund	8,287	809	-	-
Adamjee Life Insurance Company Limited (Income Multiplier Fund)	311,458	30,415	-	-
Key Management personnel	7,876	769	-	-
Units redeemed by:				
Adamjee Life Assurance Company Limited	1,338,600	140,000	-	-
Bank of Punjab Limited	-	-	281,458	27,132
Key management personnel	21,852	2,282	2,801	250
	Half year ended	Half year ended	Half year ended	Half year ended
	31 December 2013	30 June 2013	31 December 2013	30 June 2013
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	Units		(Rupees in '000)	
Units held by:				
MCB Employees Provident Fund	1,908,342	1,418,860	216,807	186,353
MCB Employees Pension Fund	1,462,414	1,087,311	166,145	142,807
D.G. Khan Cement Company Limited - Employees Provident Fund	32,310	24,023	3,671	3,155
Adamjee Life Insurance Company Limited (Income Multiplier Fund)	255,646	902,823	29,044	118,577
Key management personnel	29,068	22,831	3,302	2,999

13. SUBSEQUENT EVENT

The Board of Directors of MCB- Arif Habib Savings and Investments Limited (formerly Arif Habib Investments Limited) have decided to merge MCB Dynamic Stock Fund and Pakistan Premier Fund with and into Pakistan Stock Market Fund. In this respect a meeting of Unit Holders was convened on 13 January 2014 for approval of merger in terms of circular 20 of 2009. However, the requirement of resolution for approving of merger to be passed by majority of Unit Holders representing three fourth in value of total outstanding units was not achieved. The Management Company have approached Securities and Exchange Commission of Pakistan (SECP), as authorized by Unit Holders present in the meeting for relaxation of the requirement of circular 20 of 2009. The response from the Securities and Exchange Commission of Pakistan (SECP) is currently awaited.

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

14. RECLASSIFICATION

	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	<u>163</u>

15. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue by the Board of Directors of the Management Company 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)

8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.
UAN: (+92-21) 11-11-622-24 (11-11-MCB-AH), 111-468378 (111-INVEST)
Bachat Center: 0800-622-24 (0800-MCB-AH), Fax: (+92-21)32276898, 32276908
URL: www.mcbah.com, Email: info@mcbah.com