



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.

CONTENTS

Fund's Information	93
Report of the Directors of the Management Company	94
Report of the Trustee to the Unit Holders	96
Auditors' Report to the Unit Holders on Review of condensed Interim Financial Information	97
Condensed Interim Statement of Assets and Liabilities	98
Condensed Interim Income Statement (Un-audited)	99
Condensed Interim Distribution Statement (Un-audited)	100
Condensed Interim Statement of Movement in Unit Holders' Funds (Un-audited)	101
Condensed Interim Cash Flow Statement (Un-audited)	102
Notes to and forming part of the Condensed Interim Financial Statements (Un-audited)	103

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 Habib Metropolitan Bank Limited Bank Al-Falah Limited Habib Bank Limited Faysal Bank Limited United Bank Limited National Bank Limited Standard Chartered Bank of Pakistan Limited Allied Bank Limited Askari 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 31 DECEMBER 2013

Dear Investor,

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

ECONOMY AND MONEY MARKET OVERVIEW

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

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

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

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

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

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

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

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

FUND PERFORMANCE

During the quarter under review, the fund generated an annualized return of 7.8% as against its benchmark return of 5.49%, an out performance of 2.31%. Owing to macroeconomic uncertainties the fund during the quarter gradually kept on reducing its WAM, mainly to safeguard its investors from any rate hike. Deteriorating fiscal condition force the fund to keep its WAM in lower region, which stood at around 33 days at December end.

The fund was around 44.1% invested in TDRs, cash and bank deposits while around 55.8% was invested in T-Bills.

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

The Net Asset of the Fund as at December 31, 2013 stood at Rs.14,332 million as compared to Rs.11,075 million as at June 30 2013 registering an increase of 29.41%.

The Net Asset Value (NAV) per unit as at December 31, 2013 was Rs.100.08 as compared to opening NAV of Rs.101.10 per unit as at June 30, 2013 registering an decrease of Rs.1.02 per unit.

Income Distribution

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

Date of distribution	Rs. Per unit distribution
26-Jul-13	0.5240
27-Aug-13	0.6020
26-Sep-13	0.6332
29-Oct-13	0.7058
28-Nov-13	0.6127
27-Dec-13	0.6487

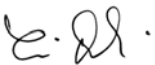
FUTURE OUTLOOK

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

ACKNOWLEDGMENT

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

For and on behalf of the board



Yasir Qadri

Chief Executive Officer

Karachi: February 06, 2014

TRUSTEE REPORT TO THE UNIT HOLDERS



CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office

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




TRUSTEE REPORT TO THE UNIT HOLDERS

MCB CASH MANAGEMENT OPTIMIZER

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 Cash Management Optimizer (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

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

Scope of Review

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

Conclusion

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

Other matters

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

Date: 06 February 2014

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

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

	<i>Note</i>	31 December 2013 (Unaudited)	30 June 2013 (Audited)
(Rupees in '000)			
Assets			
Balances with banks	6	4,567,535	2,152,639
Investments	7	8,067,704	9,014,484
Term deposit receipts	8	1,800,000	-
Prepayments, profit and other receivables		16,652	6,502
Preliminary expenses		742	1,246
Total assets		14,452,633	11,174,871
Liabilities			
Payable to Management Company		13,640	10,980
Payable to Central Depository Company of Pakistan Limited - Trustee		909	771
Payable to Securities and Exchange Commission of Pakistan		4,732	7,770
Accrued expenses and other liabilities	9	101,816	80,820
Total liabilities		121,097	100,341
Net assets		14,331,536	11,074,530
Unit holders' fund (as per statement attached)		14,331,536	11,074,530
Contingencies and commitments	10		
(Number of units)			
Number of units in issue (face value of units is Rs. 100 each)		143,195,442	109,545,606
(Rupees)			
Net asset value per unit		100.08	101.10



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 on sale of investments - net		7,036	39,114	3,086	26,418
Income from government securities		481,218	501,567	254,166	183,313
Income from reverse repurchase transactions in government securities		168	1,322	-	1,066
Profit on term deposit receipts		17,651	34,473	17,651	34,473
Profit on bank deposits		75,760	49,505	39,224	18,922
		581,833	625,981	314,127	264,192
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'at fair value through profit or loss'		(4,354)	167	(4,488)	(21,367)
Total income		577,479	626,148	309,639	242,825
Expenses					
Remuneration of Management Company		58,511	60,621	31,242	24,435
Sales tax and Federal Excise Duty on Management Fee		20,221	9,699	10,797	3,909
Remuneration of Central Depository Company of Pakistan Limited - Trustee		4,826	4,610	2,549	2,055
Annual fee of Securities and Exchange Commission of Pakistan		4,732	4,075	2,477	1,769
Auditor's remuneration		356	559	183	251
Amortisation of preliminary expenses		504	504	252	252
Brokerage expenses		494	674	150	405
Other expenses		423	417	144	212
Total operating expenses		90,067	81,159	47,794	33,288
Net operating income for the year		487,412	544,989	261,845	209,537
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		18,290	(88,667)	15,465	(12,915)
Provision for workers' welfare fund	9.2	(10,114)	(9,126)	(5,546)	(3,930)
Net income for the period before taxation		495,588	447,196	271,764	192,692
Taxation	11	-	-	-	-
Net income for the period after taxation		495,588	447,196	271,764	192,692
OTHER COMPREHENSIVE INCOME					
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		495,588	447,196	271,764	192,692
Earnings per unit	12				



Chief Executive Officer

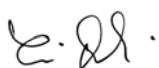
MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Limited)
(Management Company)



Director

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

	Half year ended		Quarter ended	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	----- (Rupees in '000) -----			
Undistributed income brought forward	119,962	32,255	11,255	22,928
Net income for the period	495,588	447,196	271,764	192,692
Net element of loss and capital losses included in prices of units issued less those in units redeemed - amount representing unrealised diminution	-	(17,845)	-	(1,781)
Distributions to the unit holders of the Fund:				
Final Distribution at the rate of Rs. 1.0952 (2012: nil) per unit for the year ended 30 June 2013 Declared on 4 July 2013 - Bonus distribution 1,199,198 units - Cash distribution	(119,920) (55)	- -	- -	- -
Interim distribution at the rate of Rs. 0.5240 (2012: Rs. 2.6745) per unit for the quarter ended 30 September 2013 Declared on 26 July 2013 - Bonus distribution 636,361 units - Cash distribution	(63,636) (26)	(242,437) (5,330)	- -	- -
Interim distribution at the rate of Rs. 0.6020 (2012: Rs. nil) per unit for the quarter ended 30 September 2013 Declared on 27 August 2013 - Bonus distribution 721,359 units - Cash distribution	(72,136) (30)	- -	- -	- -
Interim distribution at the rate of Rs. 0.6332 (2012: Rs. nil) per unit for the quarter ended 30 September 2013 Declared on 26 September 2013 - Bonus distribution 766,956 units - Cash distribution	(76,696) (32)	- -	- -	- -
Interim distribution at the rate of Rs. 0.7058 (2012: Rs. 2.1522) per unit for the quarter ended 31 December 2013 Declared on 29 October 2013 - Bonus distribution 854,442 units - Cash distribution	(85,444) (35)	(183,989) (4,283)	(85,444) (35)	(183,989) (4,283)
Interim distribution at the rate of Rs. 0.6127 (2012: Rs. nil) per unit for the quarter ended 31 December 2013 Declared on 28 November 2013 - Bonus distribution 891,695 units - Cash distribution	(89,170) (30)	- -	(89,170) (30)	- -
Interim distribution at the rate of Rs. 0.6487 (2012: Rs. nil) per unit for the quarter ended 31 December 2013 Declared on 27 December 2013 - Bonus distribution 963,243 units - Cash distribution	(96,324) (32)	- -	(96,324) (32)	- -
	(603,566)	(436,039)	(271,035)	(188,272)
Undistributed income carried forward	11,984	25,567	11,984	25,567


Chief Executive Officer

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


Director

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

	Half year ended		Quarter ended	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
----- (Rupees in '000) -----				
Net assets at the beginning of the period	11,074,530	18,971,363	11,941,373	9,528,995
* Issue of 113,703,484 units (2012: 85,150,919 units) and 64,420,651 units (2012: 39,205,824 units) for the half year and quarter ended respectively	11,408,825	8,641,829	6,468,138	3,989,880
Redemption of 80,053,648 units (2012: 189,927,657 units) and 40,526,300 units (2012: 49,634,149 units) for the half year and quarter ended respectively	(8,025,551)	(19,226,015)	(4,063,239)	(5,049,209)
	3,383,274	(10,584,186)	2,404,899	(1,059,329)
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed:				
- amount representing (income) / loss and capital (gains) / losses transferred to income statement	(18,290)	88,667	(15,465)	12,915
- amount representing loss that forms part of unit holder's fund transferred to distribution statement	-	17,845	-	1,781
	(18,290)	106,512	(15,465)	14,696
Net element of loss and capital losses included in prices of units issued less those in units redeemed - transferred to distribution statement	-	(17,845)	-	(1,781)
Net income for the period (excluding net unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss' and capital gains on sale of investments)	492,906	407,915	273,166	187,641
Capital gain on sale of investments - net	7,036	39,114	3,086	26,418
Net unrealised (diminution) / appreciation in fair value of	(4,354)	167	(4,488)	(21,367)
	495,588	447,196	271,764	192,692
Distributions during the period	(603,566)	(436,039)	(271,035)	(188,272)
Net assets at end of the period	14,331,536	8,487,001	14,331,536	8,487,001
Net assets value per unit as at beginning of the period	101.10	100.17	100.09	100.24
Net assets value per unit as at end of the period	100.08	100.30	100.08	100.30

* This includes 6,033,253 units (2012: 4,257,009 units) and 2,709,379 units (2012: 1,854,764 units) for the half year and quarter ended respectively issued as bonus units.



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	495,588	447,196	271,764	192,692
Adjustments for non cash and other items:				
Capital gain on sale of investments - net	(7,036)	(39,114)	(3,086)	(26,418)
Net unrealised diminution / (appreciation) on re-measurement of investments classified as 'at fair value through profit or loss'	4,354	(167)	4,488	21,367
Amortisation of preliminary expenses	504	504	252	252
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(18,290)	88,667	(15,465)	12,915
	(20,468)	49,890	(13,811)	8,116
	475,120	497,086	257,953	200,808
Decrease / (increase) in assets				
Investments	949,462	12,966,249	(362,410)	9,201,418
Term deposit receipts	(1,800,000)	(1,290,000)	(1,800,000)	(3,825,000)
Prepayments, profit and other receivable	(10,150)	10,653	2,086	(23,385)
	(860,688)	11,686,902	(2,160,324)	5,353,033
Increase / (decrease) in liabilities				
Payable to Management Company	2,660	(12,831)	3,813	(1,840)
Payable to Central Depository Company of Pakistan Limited - Trustee	138	(567)	126	(57)
Payable to Securities and Exchange Commission of Pakistan	(3,038)	(5,697)	2,478	1,769
Accrued expenses and other liabilities	20,995	9,423	10,107	(493,206)
	20,755	(9,672)	16,524	(493,334)
Net cash flow (used in) / generated from operating activities	(364,813)	12,174,316	(1,885,847)	5,060,507
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments received against issuance of units	10,805,500	8,215,403	6,197,200	3,805,891
Payments against redemption of units	(8,025,551)	(19,226,015)	(4,063,239)	(5,049,209)
	(240)	(9,613)	(97)	(9,613)
Net cash generated / (used in) from financing activities	2,779,709	(11,020,225)	2,133,864	(1,252,931)
Net increase in cash and cash equivalents	2,414,896	1,154,091	248,017	3,807,576
Cash and cash equivalents at beginning of the period	2,152,639	2,770,702	4,319,518	117,217
Cash and cash equivalents as at end of the period	4,567,535	3,924,793	4,567,535	3,924,793



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 Cash Management Optimizer (the Fund) was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and Non Banking Finance Companies and Notified Entities Regulations, 2008 and was approved as an open end investment scheme by the Securities and Exchange Commission of Pakistan (SECP) on 30 July 2009. It was constituted under a Trust Deed dated 10 July 2009 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 as the Trustee, also incorporated under the Companies Ordinance, 1984.

The Board of Directors have approved that the Fund should be categorised as "Money Market Scheme" as per the Securities and Exchange Commission of Pakistan Circular 7 of 2009 dated 6 March 2009.

Pursuant to the merger of MCB Asset Management Limited and Arif Habib Investment Limited, the name of the company has been changed from Arif Habib Investment Limited to MCB-Arif Habib Savings and Investments Limited .

1.1 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.

1.2 The Fund is an open end mutual fund and offers units for public subscription on a continuous basis. The units of the Fund can be transferred to / from other funds managed by the Management Company and can also be redeemed by surrendering to the Fund. The units are listed on the Lahore Stock Exchange.

The Fund is purely a money market fund and has a policy to invest in short term corporate debt and government securities, repurchase agreements, term deposit and money market placements with scheduled banks, with a maximum maturity of 180 days and weighted average maturity upto 90 days. The objective of the fund is to provide competitive returns from a low risk portfolio of short duration assets while maintaining high liquidity.

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

1.4 Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited, as the trustee of the Fund.

2. BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP) . In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP) have been followed.

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

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

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

interim financial information for the half year ended 31 December 2012.

The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'.

This condensed interim financial information are unaudited. However, a limited scope review has been performed by the external auditors in accordance with the requirements of clause (xix) of the Code of Corporate Governance.

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

2.3 This condensed interim financial information has 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	6.1	4,567,501	2,152,609
Current accounts		34	30
		4,567,535	2,152,639

6.1 These carry mark-up at rates ranging between 6% to 10.4% per annum (30 June 2013: 6% to 12.25% per annum).

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

	31 December	30 June
	2013	2013
	(Unaudited)	(Audited)
	(Rupees in '000)	
	-	400,600
	8,067,704	8,613,884
	<u>8,067,704</u>	<u>9,014,484</u>

7. INVESTMENTS

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

Government of Pakistan Ijara Sukuk
Market Treasury Bills

	7.1	
--	-----	--

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

	Face value			Balance as at 31 December 2013		Market value	
	As at 1 July 2013	Purchases during the period	Sales / matured during the period	Carrying value	Market value	As a percentage of net assets	As a percentage of total investments
Investment in Ijara Sukuk							
Ijarah sukuk V - 3 years	400,000	200,000	600,000	-	-	-	-
Total of Investment in Ijara Sukuk - 31 December 2013							
Total of Investment in Ijara Sukuk - 30 June 2013				400,400	400,600	3.62%	4.44%
Market Treasury Bills							
Treasury bills - 3 months	2,961,000	34,552,500	29,326,500	8,072,058	8,067,704	56.29%	100.00%
Treasury bills - 6 months	4,850,000	9,149,070	13,999,070	-	-	-	-
Treasury bills - 12 months	1,000,250	8,290,132	9,290,382	-	-	-	-
Total of investment in Market Treasury Bills - 31 December 2013							
Total of investment in Market Treasury Bills - 30 June 2013				8,072,058	8,067,704	56.29%	100.00%
				8,607,677	8,613,884	77.78%	95.56%
Total Investment in Government Securities - 31 December 2013							
Total Investment in Government Securities - 30 June 2013				8,072,058	8,067,704		
				9,008,077	9,014,484		

7.1.1 These treasury bills have cost of Rs. 8,005.429 million (30 June 2013: Rs. 8,513.149 million) maturing up till 6 March 2014 and carry effective yield ranging between 9.84% to 9.90% per annum (30 June 2013: 8.97% to 9.50% per annum).

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

8. TERM DEPOSIT RECEIPTS

These carry interest at rates ranging between 9.9% to 10.15% per annum (30 June 2013: nil) and are maturing at various dates upto 27 January 2014.

9 ACCRUED EXPENSES AND OTHER LIABILITIES

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

Auditors' remuneration		745	470
Withholding tax payable		30	223
Others		334	393
Provision for Federal Excise Duty and related taxes	9.1	11,969	1,110
Provision for Workers' Welfare Fund	9.2	88,738	78,624
		101,816	80,820

9.1 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. 11.969 million as at 31 December 2013. In case, the suit is decided against the fund the same would be paid to management company, who will be responsible for submitting the same to authorities. Had the said provision of FED and related taxes were not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 0.08 per unit as at 31 December 2013.

9.2 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, challenging the applicability of WWF to the CISs, which is pending for adjudication.

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 counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

During the year ended 30 June 2012, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 has declared the said amendments as unlawful and unconstitutional and struck them down. In March 2013 a larger bench of the Sindh High Court (SHC) in various constitutional petitions filed by companies other than mutual funds declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity.

However, as per advice of legal counsel the stay granted to CIS remains intact and the constitution petitions filed by the CIS to challenge the WWF contribution have not been affected by the SHC judgment.

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

10 CONTINGENCIES AND COMMITMENTS

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

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

11 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 Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders. The management of the Fund 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.

12 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 EPU is not practicable.

13 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, MCB Bank Limited being the holding company of the Management company, the Trustee, directors and key management personnel and other associated 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.

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

	Unaudited			
	Half year ended 31 December		Quarter ended 31 December	
	2013	2012	2013	2012
	----- (Rupees in '000) -----			
MCB-Arif Habib Savings and Investments Limited				
Remuneration of Management Company (including indirect taxes)	78,732	70,320	42,039	28,344
Central Depository Company of Pakistan Limited - Trustee				
Remuneration of Trustee	4,826	4,610	2,549	2,055
MCB Bank Limited				
Profit on bank deposits	2,652	7,744	1,740	1,294

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

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

	31 December 2013 (Unaudited)	30 June 2013 (Audited)
	(Rupees in '000)	
MCB-Arif Habib Savings and Investments Limited		
Management Fee Payable	11,714	9,451
Sindh sales tax payable on management fee	1,874	1,512
Sales load payable	52	17
Central Depository Company of Pakistan Limited - Trustee		
Payable to Trustee	909	771
MCB Bank Limited		
Bank balances	10,199	21,311
Profit receivable on bank balances	307	87
Bank Charges	13	45

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

	Unaudited			
	Half year ended 31 December 2013		Half year ended 31 December 2012	
	Units	(Rupees in '000)	Units	(Rupees in '000)
Units sold to:				
Adamjee Insurance Company Limited	1,998,220	200,000	14,488,728	1,481,241
Adamjee Life Assurance Company Limited	3,022,121	303,300	441,852	45,140
Pakistan Petroleum Limited	4,784,498	480,000	1,364	137
Key management personnel	68,456	6,870	25,260	2,573
Bonus units issued to:				
Nishat Mills Limited	98,312	9,831		
Staff Provident Fund of Management Company	13	1,342	215	22
Adamjee Insurance Company Limited	804,377	80,438	295,765	29,627
Adamjee Life Assurance Company Limited	47,843	4,784	19,547	1,958
Pakistan Petroleum Limited	514,981	51,498	591,187	59,219
Key management personnel	1,260	126	1,548	155
Units redeemed by:				
MCB-Arif Habib Savings and Investments Limited	-	-	145,512	14,698
MCB Bank Limited	-	-	69,330,201	6,966,084
Nishat Mills Limited	9,074,948	910,297	-	-
Staff Provident Fund of Management Company	839	84,113	19,750	2,000
Adamjee Insurance Company Limited	9,273,290	930,398	15,433,940	1,570,382
Adamjee Life Assurance Company Limited	1,088,724	109,226	396,455	40,376
Key management personnel	21,105	2,120	93,347	9,421

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

	31 December 2013	30 June 2013	31 December 2013	30 June 2013
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	Units		(Rupees in '000)	
Units held by:				
Staff Provident Fund of Management Company	-	826	-	84
Adamjee Insurance Company Limited	10,565,767	17,036,461	1,057,422	1,722,304
Adamjee Life Assurance Company Limited	2,356,450	375,210	235,834	37,932
Pakistan Petroleum Limited	14,485,302	9,185,822	1,449,689	928,046
Nishat Mills Limited	-	8,976,635	-	907,495
Key management personnel	52,149	3,538	5,219	358

* Pakistan Petroleum Limited was not a connected person as at 30 June 2013 as the unit holding was less than 10% as at that date

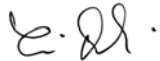
14. RECLASSIFICATION

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

	From	To	30 June 2013 Amount (Rupees in '000)
Federal Excise Duty payable on Management Fee	Payable to the Management Company	Accrued expenses and other liabilities	1,110

15. DATE OF AUTHORISATION

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


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


 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