



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 | Habib Metropolitan Bank Limited 8th Floor, HBZ Building I.I. Chundrigar Road, Karachi. | |
| Bankers | MCB Bank Limited Habib Metropolitan Bank Limited Bank Alfalah Limited Allied Bank Limited Faysal Bank Limited | |
| Auditors | M. Yousuf Adil Saleem & Co.-Chartered Accountants Cavis Court, A-35, Block 7 & 8, KCHSU, Sharae Faisal, Karachi-75350 | |
| Legal Advisor | Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530 | |
| Transfer Agent | MCB-Arif Habib Savings and Investments Limited (Formerly: Arif Habib Investments Limited) 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi | |
| Rating | AM2 - Management Quality Rating assigned by PACRA | |

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

Dear Investor,

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

ECONOMY AND MONEY MARKET OVERVIEW

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

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

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

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

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

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

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

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

FUND PERFORMANCE

During the quarter under review, the fund generated an annualized return of 7.82% as against its benchmark return of 8.67%, an under performance of 0.85%.

The fund remained significantly invested in Treasury bills throughout the period with a focus on adjusting its portfolio duration to capitalize on the fluctuating liquidity and interest rates in the market.

The Net Asset of the Fund as at December 31, 2013 stood at Rs.3,884 million as compared to Rs.2,557 million as at June 30 2012 registering an increase of 51.89%.

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

The Net Asset Value (NAV) per unit as at December 31, 2013 was Rs.50.04 as compared to opening NAV of Rs.50.50 per unit as at June 30, 2013 registering a decrease of Re.0.46 per unit.

Income Distribution

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

| Date of distribution | Rs. Per unit distribution |
|-----------------------------|----------------------------------|
| 25-Jul-13 | 0.2743 |
| 25-Aug-13 | 0.3047 |
| 25-Sep-13 | 0.3238 |
| 25-Oct-13 | 0.3250 |
| 25-Nov-13 | 0.3172 |
| 25-Dec-13 | 0.3449 |

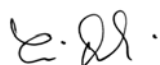
FUTURE OUTLOOK

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 HOLDER



HABIBMETRO

TRUSTEE REPORT TO THE UNIT HOLDERS

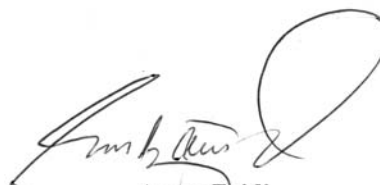
PAKISTAN CASH MANAGEMENT FUND

REPORT OF THE TRUSTEE PURSUANT TO REGULATION 41(H) AND CLAUSE 9 OF SCHEDULE V OF THE NON-BANKING FINANCE COMPANIES AND NOTIFIED ENTITIES REGULATIONS, 2008

Pakistan Cash Management Fund (the Fund), an open-end fund was established under a trust deed executed between MCB-Arif Habib Savings & Investments Limited (formerly: Arif Habib Investments Limited), as the Management Company and Habib Metropolitan Bank Limited as Trustee on February 08, 2008. The Fund was authorized by the Securities and Exchange Commission of Pakistan (SECP) on 1st February 2008.

In our opinion, the Management Company has in all material respects managed the Fund during the six month period ended 31 December 2013 in accordance with the provisions of the following:

- (i) investment limitations imposed on the Management Company and the Trustee under the trust deed and other applicable laws;
- (ii) valuation or pricing is carried out in accordance with the trust deed and any regulatory requirement;
- (iii) creation and cancellation of units are carried out in accordance with the trust deed;
- (iv) and any regulatory requirement.



Azam Zaidi
Senior Executive Vice President

Karachi: February 7, 2014



Habib Metropolitan Bank Ltd.
[Subsidiary of Habib Bank AG Zurich]

Treasury Division: 8th Floor, HBZ Plaza, I.I. Chundrigar Road, Karachi-Pakistan
Tel: (92 21) 3263 3311-30 | Fax: (92 21) 3227 4768, 3263 0495
www.habibmetro.com

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

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
Karachi-75350
Pakistan

Phone: +92 (0) 21- 3454 6494-7
Fax: +92 (0) 21- 3454 1314
Web: www.deloitte.com

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

Introduction

We have reviewed the accompanying condensed interim balance sheet of Pakistan Cash Management Fund (the Fund) as at December 31, 2013, and the related condensed interim income statement, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in unit holder's fund together with the notes forming part thereof (here-in-after referred to as the 'interim financial information'), for the six month period ended December 31, 2013. The Management Company (MCB Arif Habib Savings and Investments Limited) 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. The figures of the condensed interim income statement, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in unit holders' fund for the quarters ended December 31, 2013 and 2012 have not been reviewed, as we are required to review only the cumulative figures for the six month period ended December 31, 2013.

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 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.

Member of
Deloitte Touche Tohmatsu Limited

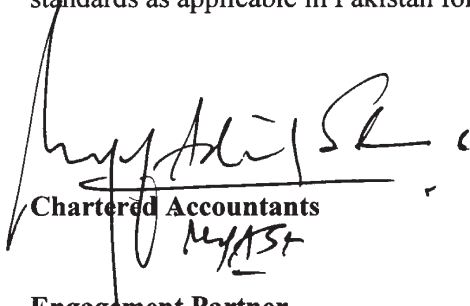
**AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED
INTERIM FINANCIAL INFORMATION**

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the six month period ended December 31, 2013 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.



Chartered Accountants
Mushtaq

Engagement Partner
Mushtaq Ali Hirani

Dated: 06 FEB 2014
Karachi

Member of
Deloitte Touche Tohmatsu Limited

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

| | Note | Un-Audited December 31, 2013 ------(Rupees in '000)----- | Audited June 30, 2013 |
|---|------|---|-----------------------------|
| ASSETS | | | |
| Balances with banks | | 770,511 | 601,898 |
| Investments | 5 | 3,140,183 | 1,977,423 |
| Profit receivable | | 2,901 | 58 |
| Receivable against sale of units | | - | 860 |
| Receivable from Management Company | | 62 | 100 |
| Total assets | | 3,913,657 | 2,580,339 |
| LIABILITIES | | | |
| Payable to Management Company | | 3,516 | 2,353 |
| Accrued expenses and other liabilities | 6 | 26,407 | 21,075 |
| Total liabilities | | 29,923 | 23,428 |
| NET ASSETS | | 3,883,734 | 2,556,911 |
| UNIT HOLDERS' FUND (As per statement attached) | | 3,883,734 | 2,556,911 |
| Contingencies and commitments | 7 | | |
| | | (Number of units) | |
| Number of units in issue | | 77,612,663 | 50,631,960 |
| | | ------(Rupees)----- | |
| Net asset value per unit | | 50.0400 | 50.4999 |

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 (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2013**

| | Note | Half year ended December 31, December | | Quarter ended December 31, | |
|--|------|--|----------------|-------------------------------|---------------|
| | | 2013 | 2012 | 2013 | 2012 |
| INCOME | | | | | |
| Income from investments | | 133,397 | 157,326 | 74,199 | 73,307 |
| Capital (loss) / gain on sale of investments - net | | (520) | 5,565 | (422) | 506 |
| Profit / (loss) on bank deposits | | 13,925 | 2,240 | 7,550 | 785 |
| Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | | (1,738) | 325 | (2,108) | 79 |
| Total income | | 145,064 | 165,456 | 79,219 | 74,677 |
| OPERATING EXPENSES | | | | | |
| Performance fee of Management Company | | 14,810 | 16,546 | 8,053 | 7,468 |
| Sales tax and Federal Excise Duty on performance fee of Management Company | 6.1 | 5,118 | 2,647 | 2,783 | 1,195 |
| Securities transaction cost | | 75 | 43 | 6 | 27 |
| Legal and professional | | 30 | 38 | 13 | 19 |
| Amortisation of preliminary expenses and floatation costs | | - | 101 | - | 51 |
| Total operating expenses | | 20,033 | 19,375 | 10,855 | 8,760 |
| Net income from operating activities | | 125,031 | 146,081 | 68,364 | 65,917 |
| Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net | | 1,327 | (3,060) | 1,507 | (784) |
| Provision for Workers' Welfare Fund | 8 | (2,527) | (2,860) | (1,397) | (1,302) |
| Net income for the period before taxation | | 123,831 | 140,161 | 68,474 | 63,831 |
| Taxation | 9 | - | - | - | - |
| Net income for the period after taxation | | 123,831 | 140,161 | 68,474 | 63,831 |
| Other comprehensive income for the period | | - | - | - | - |
| Total comprehensive income for the period | | 123,831 | 140,161 | 68,474 | 63,831 |
| Earnings per unit | 10 | | | | |

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 (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2013**

| | Half year ended | | Quarter ended | |
|---|-----------------------------------|-------------------|-------------------|-------------------|
| | December 31, 2013 | December 31, 2012 | December 31, 2013 | December 31, 2012 |
| | Note ----- (Rupees in '000) ----- | | | |
| Undistributed income brought forward | 25,323 | 6,075 | 2,762 | 8,090 |
| Final distribution of 506,319 units for the year ended June 30, 2013: Re 0.50 per unit (2012: Re Nil per unit) | (25,316) | - | - | - |
| Interim distributions during the half year and quarter ended December 31, 2013 and December 31, 2012 respectively | | | | |
| - I Bonus | 12 (120,737) | (136,418) | (68,315) | (63,783) |
| - Cash | - | (326) | - | (80) |
| | (146,053) | (136,744) | (68,315) | (63,863) |
| Element of (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed | - | (2,564) | 180 | (1,130) |
| Net income for the period after taxation | 123,831 | 140,161 | 68,474 | 63,831 |
| Undistributed income carried forward | 3,101 | 6,928 | 3,101 | 6,928 |

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 STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2013**

| | Half year ended December 31, | | Quarter ended December 31, | |
|---|---------------------------------|------------------|-------------------------------|------------------|
| | 2013 | 2012 | 2013 | 2012 |
| | ----- (Rupees in '000) ----- | | | |
| Net assets at beginning of the period | 2,556,911 | 3,834,263 | 3,004,951 | 2,931,123 |
| Issue of 78,507,095 (2012: 44,616,448) units and 34,311,184 (2012:10,805,954) units for the half year and quarter respectively | 3,352,314 | 2,242,106 | 1,136,324 | 919,979 |
| Issue of 2,920,894 (2012: 2,724,092) bonus units and 1,048,442 (2012:1,273,637) during the half year and quarter respectively | 146,053 | 136,418 | 68,315 | 63,783 |
| Redemption of 54,447,286 (2012: 79,715,106) units and 18,105,025 (2012:25,329,411) units for the half year and quarter respectively | (2,147,995) | (4,002,886) | (324,509) | (1,699,259) |
| | 1,350,372 | (1,624,362) | 880,130 | (715,497) |
| Element of (income) / loss and capital (gains) / losses included in prices of units sold less those in units redeemed | | | | |
| - amount representing loss and capital losses - transferred to income statement | (1,327) | 3,060 | (1,507) | 784 |
| - amount representing loss and capital losses - transferred to distribution statement | - | 2,564 | (180) | 1,130 |
| | (1,327) | 5,624 | (1,687) | 1,914 |
| Element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units redeemed - amount representing unrealised loss and capital losses | - | (2,564) | 180 | (1,130) |
| Net income for the period transferred from the distribution statement | | | | |
| - Capital gain on sale of investments | (520) | 5,565 | (422) | 506 |
| - Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | (1,738) | 325 | (2,108) | 79 |
| - Other net income for the period | 126,089 | 134,271 | 71,004 | 63,246 |
| - Distributions made during the year (Refer distribution statement) | (146,053) | (136,744) | (68,315) | (63,863) |
| | (22,222) | 3,417 | 159 | (32) |
| Net assets as at end of the period | 3,883,734 | 2,216,378 | 3,883,734 | 2,216,378 |

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 (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2013**

| | Half year ended December 31, | | Quarter ended December 31, | |
|---|---------------------------------|--------------------|-------------------------------|------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Note | ----- (Rupees in '000) ----- | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net income for the period before taxation | 123,831 | 140,161 | 68,474 | 63,831 |
| Adjustments | | | | |
| Net unrealised diminution / (appreciation) in the fair value of investments classified 'as financial assets at fair value through profit or loss' | 1,738 | (325) | 2,108 | (79) |
| Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net | (1,327) | 3,060 | (1,507) | 784 |
| Amortisation of preliminary expenses and floatation costs | - | 101 | - | 51 |
| | <u>124,242</u> | <u>142,997</u> | <u>69,075</u> | <u>64,587</u> |
| Working capital changes | | | | |
| Decrease / (increase) in assets | | | | |
| Investments | 632,689 | 1,701,390 | 770,213 | 719,628 |
| Profit receivable | (2,843) | 764 | 773 | 558 |
| Receivable against sale of units | 860 | (25,060) | 860 | 352 |
| Receivable from Management Company | 38 | (56) | (691) | (41) |
| | <u>630,744</u> | <u>1,677,038</u> | <u>771,155</u> | <u>720,497</u> |
| (Decrease) / increase in liabilities | | | | |
| Payable to Management Company | 1,163 | (2,156) | 758 | (77) |
| Accrued expenses and other liabilities | 5,332 | 2,830 | 3,309 | 813 |
| | <u>6,495</u> | <u>674</u> | <u>4,067</u> | <u>736</u> |
| Net cash generated from operating activities | <u>761,481</u> | <u>1,820,709</u> | <u>844,297</u> | <u>785,820</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Receipts from issue of units | 3,352,314 | 2,242,106 | 1,136,324 | 919,979 |
| Payments on redemption of units | (2,147,995) | (4,002,886) | (324,509) | (1,699,259) |
| Cash dividend paid | - | (326) | - | (80) |
| Net cash generated from / (used in) financing activities | <u>1,204,319</u> | <u>(1,761,106)</u> | <u>811,816</u> | <u>(779,361)</u> |
| Net increase in cash and cash equivalents during the period | <u>1,965,800</u> | <u>59,603</u> | <u>1,656,113</u> | <u>6,459</u> |
| Cash and cash equivalents at beginning of the period | 1,944,894 | 42,836 | 2,254,581 | 95,980 |
| Cash and cash equivalents at end of the period | 11 <u>3,910,694</u> | <u>102,439</u> | <u>3,910,694</u> | <u>102,439</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

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2013**

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Pakistan Cash Management Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (the Management Company) and Habib Metropolitan Bank Limited as trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on February 1, 2008 and was executed on February 8, 2008.
- 1.2** Pursuant to the merger of MCB Asset Management Company Limited with and into Arif Habib Investments Limited (AHIL), the name of AHIL has been changed to MCB-Arif Habib Savings and Investments Limited effective from 27 June 2011.
- 1.3** The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.
- 1.4** The Fund is an open-ended mutual fund and is listed on the Islamabad Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund has been characterized as a "money market scheme" by the Management Company.
- 1.5** The Fund is allowed to invest in treasury bills, short term government instruments and reverse repurchase transactions against government securities and uninvested portion is deposited in bank accounts.
- 1.6** Pakistan Credit Rating Agency (PACRA) has assigned Management quality rating of AM2 dated March 21, 2013 to the management company and AAA(f) as stability rating dated January 08, 2013 to the Fund.
- 1.7** Title to the assets of the Fund is held in the name of Habib Metropolitan Bank Limited as a trustee of the Fund.

2. STATEMENT OF COMPLIANCE

- 2.1** 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) shall prevail.
- 2.2** This condensed interim financial information comprise of condensed interim statement of assets and liabilities, condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement together with the notes forming part thereof. 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'. It does not include all the information and disclosures made in the annual published financial statement and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2013. Comparative information of the condensed interim income statement, condensed interim cash flow statement, condensed interim distribution statement and condensed interim statement of movement in unit holders' fund for the quarters ended December 31, 2013 and December 31, 2012 are un-audited and have been included to facilitate comparison.
- 2.3** This condensed interim financial information is Un-audited. However, limited scope review has been performed by the statutory auditors in accordance with the requirements of clause (xxi) of the Code of Corporate Governance and this condensed interim financial information are being circulated to the unit holders as required under the NBFC Regulations.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2013**

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

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

3. SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3.2 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, significant judgments made by management in applying accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the financial statements as at and for the year ended June 30, 2013.

3.3 Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Fund's operations and did not have any impact on the accounting policies of the Fund and therefore not stated in this condensed interim financial information.

4. FINANCIAL RISK MANAGEMENT

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

| Note | Un-audited December 31, 2013 | Audited June 30, 2013 |
|------------------------------|------------------------------------|-----------------------------|
| ----- (Rupees in '000) ----- | | |

5. INVESTMENTS

At fair value through profit or loss

| | | | |
|-----------------------|-----|------------------|------------------|
| Market Treasury Bills | 5.1 | <u>3,140,183</u> | <u>1,977,423</u> |
|-----------------------|-----|------------------|------------------|

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2013**

5.1 At fair value through profit or loss

| Particulars | Face value | | | | Balance as at December 31, 2013 | | | Market value as a percentage of net assets | Market value as a percentage of total investment |
|--------------------------------------|--------------------|-----------------------------|-----------------------------------|-------------------------|---------------------------------|------------------|-----------------------------|--|--|
| | As at July 1, 2013 | Purchases during the period | Sales / Matured during the period | As at December 31, 2013 | Carrying value | Market value | Appreciation / (Diminution) | | |
| ----- (Rupees in '000) ----- | | | | | | | | | |
| Market Treasury Bills | | | | | | | | | |
| Treasury Bill - 3 Months | 1,351,000 | 9,066,800 | 7,227,300 | 3,190,500 | 3,141,921 | 3,140,183 | (1,738) | 80.85 | 100.00 |
| Treasury Bill - 6 Months | 5,500 | - | 5,500 | - | - | - | - | - | - |
| Treasury Bill - 12 Months | 634,000 | 3,703,900 | 4,337,900 | - | - | - | - | - | - |
| Total as at December 31, 2013 | 1,990,500 | 12,770,700 | 11,570,700 | 3,190,500 | 3,141,921 | 3,140,183 | (1,738) | | |
| Total as at June 30, 2013 | | | | | 1,976,994 | 1,977,423 | 428 | | |

6. ACCRUED EXPENSES AND OTHER LIABILITIES

| | Note | Un-Audited December 31, 2013 (Rupees in '000) | Audited June 30, 2013 |
|---|------|--|-----------------------------|
| Provision for Workers Welfare Fund | | 23,173 | 20,646 |
| Provision for Federal Excise Duty and related taxes | 6.1 | 2,980 | 231 |
| Capital Gain Tax Payable | | 93 | 76 |
| Zakat Payable | | 78 | 64 |
| Legal and professional charges | | 76 | 48 |
| Withholding Tax Payable | | 4 | 4 |
| Brokerage Payable | | 3 | 6 |
| | | <u>26,407</u> | <u>21,075</u> |

6.1 FEDERAL EXCISE DUTY ON REMUNERATION OF MANAGEMENT COMPANY

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. 2.98 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. 0.04 per unit as at 31 December 2013.

7. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at December 31, 2013 and June 30, 2013.

8. PROVISION FOR WORKER'S WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance), whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, all Collective Investment Schemes (CISs) / mutual funds 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 Collective Investment Schemes (CISs) through their trustees in the Honourable Sindh High Court (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

In 2011, a single judge of the Lahore High Court (LHC) issued a judgment in response to a petition in similar case whereby the amendments introduced in WWF Ordinance through Finance Acts, 2006 and 2008 have been declared unconstitutional and therefore struck down.

However in 2013, the Larger Bench of SHC issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2013**

As the matter relating to levy of WWF on CISs is currently pending in the SHC, the Management Company has decided to retain and continue with the provision for WWF in its books of account and condensed interim financial information which aggregates to Rs. 23.17 million as at December 31, 2013. Had the said provision of WWF not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 0.29 per unit.

9. TAXATION

The Fund's income is exempt from Income Tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 (the Ordinance) 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. 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 Ordinance as the management intends to distribute at least 90% of income earned during current year to the unit holders therefore, no provision for taxation has been recorded in this condensed interim financial information.

10. Earnings per unit

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

| 11. Cash and cash equivalents | Half year ended December 31, | | Quarter ended December 31, | |
|-------------------------------|---------------------------------|----------------|-------------------------------|----------------|
| | 2013 | 2012 | 2013 | 2012 |
| | (Rupees in '000) | | | |
| Balances with banks | 770,511 | 102,439 | 770,511 | 102,439 |
| Treasury Bills-3 months | 3,140,183 | - | 3,140,183 | - |
| | <u>3,910,694</u> | <u>102,439</u> | <u>3,910,694</u> | <u>102,439</u> |

12. INTERIM DISTRIBUTIONS

The Fund makes distribution on a monthly basis and has made following distributions during the period.

| Date | Rate Per Unit | Bonus * | |
|--------------------|------------------|------------------|--------------------------|
| | | Units | Amount Rupees in '000 |
| July 25, 2013 | Re. 0.2743 | 278,067 | 13,903 |
| August 25, 2013 | Re. 0.3047 | 379,469 | 18,973 |
| September 25, 2013 | Re. 0.3238 | 390,906 | 19,545 |
| October 25, 2013 | Re. 0.3250 | 427,153 | 21,358 |
| November 25, 2013 | Re. 0.3172 | 430,204 | 21,510 |
| December 25, 2013 | Re. 0.3449 | 508,776 | 25,447 |
| | | <u>2,414,575</u> | <u>120,737</u> |

* Bonus units have been distributed to the unit holders under plan A for all type of investors.

As per Clause 12 of the Trust Deed and Clause 6 of Part VI of the Offering Document, the Management Company on behalf of the Fund on a monthly basis (except June) distributes cash dividend, bonus, partially cash / bonus or in any other form acceptable to the Commission that may qualify under the tax laws. Net income (after deducting all the expenses of the Fund) earned upto 25th of each month may be distributed by the Management Company. The Board of Directors on September 22, 2008 have passed a resolution providing standing authorisation to the Chief Executive Officer to approve and declare interim dividends out of profits earned by the Fund upto the 25th of each month. The SECP vide letter no. NBFC - ILDD / AHIL / Misc-734 / 2009 has approved the above arrangement.

13. TRANSACTIONS WITH CONNECTED PERSONS

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.

Performance fee to the Management Company and the Trustee are determined in accordance with the provisions of the Non-Banking Finance Companies & Notified Entities Regulations, 2008 and the Trust Deed of the Fund. All other transactions with connected persons are in the normal course of business and are carried out on agreed terms.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2013**

13.1 Details of transactions with connected persons are as follows:

| | Half year ended December 31, | | Quarter ended December 31, | |
|--|---------------------------------|--------|-------------------------------|-------|
| | 2013 | 2012 | 2013 | 2012 |
| ----- (Rupees in '000) ----- | | | | |
| MCB - Arif Habib Investment Management Limited (formerly: Arif Habib Investments Limited) | | | | |
| Performance fee for the period including indirect taxes | 19,928 | 19,193 | 10,836 | 8,663 |
| Bank charges received | 100 | - | 100 | - |
| Habib Metropolitan Bank Limited - Trustee | | | | |
| Profit on bank deposits | 398 | 1,380 | 268 | 517 |
| MCB Bank Limited | | | | |
| Profit on bank deposits | 1,213 | 845 | 1,022 | 253 |
| Central Depository Company of Pakistan Limited | | | | |
| Issue of 15,329,198 units (2012: Nil) and 2,298,846 units (2012: Nil units) for the half year and quarter respectively | 767,665 | - | 115,001 | - |
| Redemption of 13,623,625 units (2012:Nil) and 3,187,931 units(2012 :Nil) for the half year and quarter respectively | 682,665 | - | 160,001 | - |
| Issue of 441,417 Bonus units (2012: 0 units) and 180,224 units (2012:Nil) for the half year and quarter respectively | 22,071 | - | 9,012 | - |
| Arif Habib REIT Management Limited | | | | |
| Issue of 66 (2012: 49,867) bonus units and 2013: 28 (2012: Nil) units for the half year and quarter respectively | 3 | 2,500 | 1 | - |
| Redemption of Nil (2012:48,968) unit and 2013: Nil (2012: Nil) units for the half year and quarter respectively | - | 2,460 | - | - |
| Adamjee Life Assurance Company Limited (Investment multiplier Fund) | | | | |
| Issue of 2,591,196 units (2012:Nil) and 2013: Nil units (2012: Nil) for the half year and quarter respectively | 130,190 | - | - | - |
| Redemption of 2,567,930 units (2012: Nil) and 2013: Nil units (2012:nil) for the half year and quarter respectively | 129,000 | - | - | - |
| Issue of 16,825 bonus units (2012: Nil) and 2013: 781 (2012:nil) units for the half year and quarter respectively | 841 | - | 39 | - |
| Cyan Limited | | | | |
| Issue of 6,923,014 units (2012:Nil) and 2,611,289 units (2012:nil) for the half year and quarter respectively | 346,800 | - | 131,000 | - |
| Issue of 167,942 Bonus units (2012:Nil) and 42,271 bonus units (2012:Nil) for the half year and quarter respectively | 8,397 | - | 2,114 | - |
| Redemption of 12,102,874 units(2012: Nil) and 1,695,117 units(2012: Nil) for the half year and quarter respectively | 608,000 | - | 85,000 | - |

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2013**

| | Half year ended December 31, | | Quarter ended December 31, | |
|--|---------------------------------|--------|---|-------------------------------------|
| | 2013 | 2012 | 2013 | 2012 |
| | ----- (Rupees in '000) ----- | | | |
| Key Management Personnel | | | | |
| Issue of 32,634 (2012: 129,357) units and 32,634 (2012: 79,490) units for the half year and quarter respectively | 1,636 | 6,498 | 1,636 | 1,075 |
| Redemption of 83,513 (2012: 235,651) units and 51,132 (2012: 136,300) units for the half year and quarter respectively | 4,182 | 11,831 | 2,562 | 6,974 |
| Issue of 1,694 (2012: 4,869) bonus units and 105 (2012: 2,752) bonus units for the half year and quarter respectively | 84,718 | 244 | 84,639 | 225 |
| | | | Un-audited December 31, 2013 | Audited June 30 2013 |
| | | | (Rupees in '000) | |
| 13.2 Amounts outstanding as at period / year end | | | | |
| MCB - Arif Habib Investments Limited (formerly: Arif Habib Investments Limited) | | | | |
| Performance fee payable | | | 3,031 | 2,029 |
| Sales tax payable on performance fee | | | 485 | 356 |
| Bank charges receivable | | | 62 | 100 |
| Habib Metropolitan Bank Limited - Trustee | | | | |
| Bank balance at the end of the period / year | | | 6,477 | 3,564 |
| Profit receivable on bank deposits | | | 44 | 42 |
| MCB Bank Limited | | | | |
| Bank balance at the end of the period / year | | | 26,414 | 6,448 |
| Profit receivable on bank deposits | | | 230 | 16 |
| Arif Habib REIT Management Limited | | | | |
| Units held 1,413 (June 30, 2013:1,347 units) | | | 71 | 68 |
| Key Managemnet Personnel | | | | |
| Units held 19,524 (June 30, 2013: 47,323 units) | | | 977 | 3,831 |
| Central Depository Company Of Pakistan Limited | | | | |
| units held 9,693,646 (June 30, 2013:7,546,655 units) | | | 485,070 | 381,105 |
| Adamjee Life Assurance Company Limited (Investment multiplier Fund) | | | | |
| units held 40,090 (June 30, 2013: Nil units) | | | 2,006 | - |
| Cyan Limited | | | | |
| 2,017,931 units held (2013:7,029,849 Units) | | | 100,977 | 355,007 |

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2013**

14. RECLASSIFICATION

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

| | From | To | June 30, 2013 (Rupees in '000) |
|---|-------------------------------|--|---|
| Federal Excise Duty payable on management fee | Payable to Management Company | Accrued expenses and other liabilities | 231 |

15. DATE OF AUTHORISATION FOR ISSUE

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



 Chief Executive Officer

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



 Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

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

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