

Half Year Report December 31, 2014 (Unaudited)



Funds Under Management
of
MCB-Arif Habib Savings and 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.

MCB CASH MANAGEMENT OPTIMIZER

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings & 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 Dr. 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. Ahmed Jahangir Mr. Samad A. Habib	Chairman Member Member
Human Resource & Remuneration Committee	Dr. 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 Ltd. CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi.	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited Habib Bank Limited Faysal Bank Limited United Bank Limited National Bank of Pakistan Limited Standard Chartered Bank Pakistan Limited Allied Bank Limited Askari Bank Limited	
Auditors	KPMG Taseer Haidi & 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 & Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Rating	AM 2 - Management Quality Rating assigned by PACRA	

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED DECEMBER 31, 2014

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 2014.

ECONOMY AND MONEY MARKET OVERVIEW

In the wake of decline in oil prices in the international market, the country witnessed significant improvement in the macroeconomic indicators. Oil prices fell by 48 percent during the first half of the current fiscal year, aided by increase in global oil production amid weak demand.

Consequently, inflation remained subdued with CPI averaging around 6.11 percent during the 1HFY15. If oil prices, which eased down to a five-year low in December, stabilize below \$60 per barrel, inflation is likely to persist in lower ranges during the second half of the current fiscal year.

Despite decline in oil prices, the country's trade deficit widened to \$ 9.7 billion during 1HFY15 as opposed to deficit of \$ 8.6 billion during the corresponding period last year. Exports remained subdued perhaps due to lower cotton prices and disruptive power supplies. With oil imports accounting for one-third of the country's total import bill, trade deficit is forecasted to narrow down in the coming months reflecting significant drop in oil prices.

At the same time, financial account registered a surplus of \$ 2.4 billion as compared to a surplus of \$ 0.24 billion recorded during the same period last year. This is mainly due to increase in portfolio investments after the government successfully raised \$ 1 billion through Sukuk auction. However, foreign direct investment yet failed to pick up pace during the first half.

The country's foreign reserve balance also improved towards the end of the year after the country received \$1 billion through Sukuk auction in November and IMF released 4th and 5th tranche amounting to \$1.1 billion in December. The country's reserve balance totaled to \$14.9 billion at the end of December 2014.

Keeping in view lower inflationary pressure and stable foreign reserves position, the government had announced 50 bps cut in the discount rate in the monetary policy held in November, bringing the discount rate to 9.5 percent. Moreover, the gap between discount rate and inflation is still hovering above 5 percent which supports the case for further monetary easing down the line. M2 has expanded by 3.08 percent during the 1HFY15 (till 26th December) as opposed to expansion of 4.76 percent during the same period last year. While borrowing from the banking system stood at Rs 243 billion as opposed to borrowing of around Rs 539 billion during the same period last year.

In the money market, short term market rates remained on the higher side amid tight liquidity in the system. PIB rates moved downwards in anticipation of cut in the discount rate. Major activity was witnessed in the longer tenor bonds causing the yield curve to move sharply in the downward direction.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 8.57% as against its benchmark return of 7.41%, an out performance of 1.16%. Owing to macroeconomic situation the fund during the period gradually kept on increasing its WAM, mainly to avail the benefit from discount rate which was expected to reduce in future. Adding on to it oil prices and lower inflation rate were also the agents in our decision making for increasing our WAM of the fund, which stood around 80 days at December end.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED DECEMBER 31, 2014

The fund was around 70.1% invested in TDRs, cash and bank deposits while around 29.4% was invested in T-Bills.

The Net Asset of the Fund as at December 31, 2014 stood at Rs.10,011 million as compared to Rs.10,181 million as at June 30 2014 registering an decrease of 1.7%.

The Net Asset Value (NAV) per unit as at December 31, 2014 was Rs.104.3455 as compared to opening NAV of Rs.100.0223 per unit as at June 30, 2014 registering an increase of Rs.4.3232 per unit.

FUTURE OUTLOOK

Economic activity is expected to gain momentum in 2015. The manufacturing activity will be driven by lower energy cost, weak raw material prices, improvement in gas supply situation and progress on the political front. In a major positive development, the government is planning to import LNG to ease off gas shortage in the country.

Although the government is eyeing increase in foreign inflows through pledges made by multilateral agencies, approved project financing and divestment of strategic assets, improvement in reserve position largely hinges on volatile law and order situation. In the near-term, realization of expected inflows-through divestment of shares of HBL would be crucial, where the country is expected to raise around \$1 billion. We believe that the sustainability of external account, in the presence of subdued inflationary pressures, would be a key factor in shaping up interest rate direction.

ACKNOWLEDGMENT

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

On behalf of Directors,



Yasir Qadri
Chief Executive Officer

Karachi, February 02, 2015

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 Shahr-e-Faisal
Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
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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 being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2014 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.

Aftab Ahmed Diwan
Officiating Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 20, 2015



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



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Chartered Accountants
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Karachi, 75530 Pakistan

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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 2014 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 six months period then ended (here-in-after referred to as the "condensed interim financial information"). Management Company is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

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

Conclusion

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

Other matters

The figures for the quarter ended 31 December 2014 and 31 December 2013 in the condensed interim financial information have not been reviewed by us and we do not express a conclusion on them.

Date: 02 February 2015

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT 31 DECEMBER 2014

	<i>Note</i>	31 December 2014 (Unaudited)	30 June 2014 (Audited)
(Rupees in '000)			
Assets			
Balances with banks	6	2,436,367	1,169,508
Investments	7	3,956,521	5,507,943
Term deposit receipts	8	7,000,000	3,500,000
Prepayments, profit and receivables		76,175	152,503
Preliminary expenses		-	246
Total assets		13,469,063	10,330,200
Liabilities			
Payable to Management Company		10,674	11,738
Payable to Central Depository Company of Pakistan Limited - Trustee		766	796
Payable to Securities and Exchange Commission of Pakistan		4,723	10,032
Payable against purchase of investments		3,294,110	-
Accrued expenses and other liabilities	9	147,420	126,906
Total liabilities		3,457,693	149,472
Net assets		10,011,370	10,180,728
Unit holders' fund (as per statement attached)		10,011,370	10,180,728
Contingencies and commitments	10		
(Number of units)			
Number of units in issue (face value of units is Rs. 100 each)		95,944,406	101,784,629
(Rupees)			
Net asset value per unit		104.35	100.02

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.


Chief Executive Officer

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


Director

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2014

	Note	Half year ended		Quarter ended	
		31 December 2014	31 December 2013	31 December 2014	31 December 2013
		----- (Rupees in '000) -----			
Income					
Capital gain on sale of investments - net		3,421	7,036	7,557	3,086
Income from government securities		474,638	481,218	223,496	254,166
Income from reverse repurchase transactions in government securities		-	168	-	-
Profit on term deposit receipts		134,569	17,651	80,624	17,651
Profit on bank deposits		24,355	75,760	15,932	39,224
		636,983	581,833	327,609	314,127
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'at fair value through profit or loss'		824	(4,354)	2,217	(4,488)
Total income		637,807	577,479	329,826	309,639
Expenses					
Remuneration of Management Company		63,551	58,511	32,753	31,242
Sindh Sales tax and Federal Excise Duty on Management Fee		21,227	20,221	10,940	10,797
Remuneration of Central Depository Company of Pakistan Limited - Trustee		4,914	4,826	2,501	2,549
Annual fee of Securities and Exchange Commission of Pakistan		4,723	4,732	2,416	2,477
Auditor's remuneration		492	356	285	183
Amortisation of preliminary expenses		246	504	-	252
Brokerage expenses		1,376	494	702	150
Other expenses		519	423	276	144
Total operating expenses		97,048	90,067	49,873	47,794
Net operating income for the period		540,759	487,412	279,953	261,845
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed		(117,740)	18,290	(131,765)	15,465
Provision for workers' welfare fund	9.2	(8,468)	(10,114)	(2,971)	(5,546)
Net income for the period before taxation		414,551	495,588	145,217	271,764
Taxation	11	-	-	-	-
Net income for the period after taxation		414,551	495,588	145,217	271,764
Earnings per unit	12				

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.


Chief Executive Officer

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


Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2014

	<i>Note</i>			
	Half year ended		Quarter ended	
	31 December	31 December	31 December	31 December
	2014	2013	2014	2013
	----- (Rupees in '000) -----			
Net income for the period after taxation	414,551	495,588	145,217	271,764
Other comprehensive income:				
<i>Items that are or may be reclassified subsequently to income statement</i>				
Net unrealised appreciation on re-measurement of investment classified as 'available for sale'	390	-	-	-
Total comprehensive income for the period	414,941	495,588	145,217	271,764

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.


 Chief Executive Officer

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


 Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2014

	Half year ended		Quarter ended	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	(Rupees in '000)			
Undistributed income brought forward	2,207	119,962	272,492	11,255
Total comprehensive income for the period	414,941	495,588	145,217	271,764
Net element of loss and capital losses included in prices of units issued less those in units redeemed - amount representing unrealised diminution	(276)	-	(837)	-
Distributions to the unit holders of the Fund:				
Final Distribution at the rate of Rs. nil (2013: 1.0952) per unit for the year ended 30 June 2014 / 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. nil (2013: Rs. 0.5240) per unit for the quarter ended 30 September 2014 / 30 September 2013 Declared on 26 July 2013 - Bonus distribution 636,361 units - Cash distribution	- - - -	(63,636) (26) -	- - - -	- - - -
Interim distribution at the rate of Rs. nil (2013: Rs. 0.6020) per unit for the quarter ended 30 September 2014 / 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. nil (2013: Rs. 0.6332) per unit for the quarter ended 30 September 2014 / 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. nil (2013: Rs. 0.7058) per unit for the quarter ended 31 December 2014 / 31 December 2013 Declared on 29 October 2013 - Bonus distribution 854,442 units - Cash distribution	- - - -	(85,444) (35) -	- - - -	(85,444) (35) -
Interim distribution at the rate of Rs. nil (2013: Rs. 0.6127) per unit for the quarter ended 31 December 2014 / 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. nil (2013: Rs. 0.6487) per unit for the quarter ended 31 December 2014 / 31 December 2013 Declared on 27 December 2013 - Bonus distribution 963,243 units - Cash distribution	- - - -	(96,324) (32) -	- - - -	(96,324) (32) -
Undistributed income carried forward	416,872	11,984	416,872	11,984

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.


Chief Executive Officer

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


Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2014

	Half year ended		Quarter ended	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	----- (Rupees in '000) -----			
Net assets at the beginning of the period	10,180,728	11,074,530	13,145,424	11,941,373
* Issue of 109,934,688 units (2013: 113,703,484 units) and 39,587,633 units (2013: 64,420,651 units) for the half year and quarter ended respectively	11,189,510	11,408,825	4,081,560	6,468,138
Redemption of 115,774,911 units (2013: 80,053,648 units) and 72,371,968 units (2013: 40,526,300 units) for the half year and quarter ended respectively	(11,891,549)	(8,025,551)	(7,492,596)	(4,063,239)
	(702,039)	3,383,274	(3,411,036)	2,404,899
Net element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed:				
- amount representing loss / (income) and capital losses / (gains) transferred to income statement	117,740	(18,290)	131,765	(15,465)
- amount representing loss that forms part of unit holder's fund transferred to distribution statement	276	-	837	-
	118,016	(18,290)	132,602	(15,465)
Net element of loss and capital losses included in prices of units issued less those in units redeemed - transferred to distribution statement	(276)	-	(837)	-
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)	410,306	492,906	135,443	273,166
Capital gain on sale of investments - net	3,421	7,036	7,557	3,086
Net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss'	824	(4,354)	2,217	(4,488)
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'	390	-	-	-
Total comprehensive income for the period	414,941	495,588	145,217	271,764
Distributions during the period	-	(603,566)	-	(271,035)
Net assets at end of the period	10,011,370	14,331,536	10,011,370	14,331,536
Net assets value per unit as at beginning of the period	100.02	101.10	102.12	100.09
Net assets value per unit as at end of the period	104.35	100.08	104.35	100.08

* This includes nil units (2013: 6,033,253 units) and nil units (2013: 2,709,379 units) for the half year and quarter ended respectively issued as bonus units.

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.


Chief Executive Officer

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


Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2014

	Half year ended		Quarter ended	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period before taxation	414,551	495,588	145,217	271,764
Adjustments for non cash and other items:				
Net unrealised (appreciation) / diminution on re-measurement of investments classified as 'at fair value through profit or loss'	(824)	4,354	(2,217)	4,488
Amortisation of preliminary expenses	246	504	-	252
Net element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed	117,740	(18,290)	131,765	(15,465)
	117,162	(13,432)	129,548	(10,725)
	531,713	482,156	274,765	261,039
Decrease / (increase) in assets				
Investments	1,552,636	942,426	2,681,677	(365,496)
Term deposit receipts	(3,500,000)	(1,800,000)	(2,300,000)	(1,800,000)
Prepayments, profit and receivables	76,328	(10,150)	318,123	2,086
	(1,871,036)	(867,724)	699,800	(2,163,410)
(Decrease) / increase in liabilities				
Payable to Management Company	(1,064)	2,660	(945)	3,813
Payable to Central Depository Company of Pakistan Limited - Trustee	(30)	138	(873)	126
Payable to Securities and Exchange Commission of Pakistan	(5,309)	(3,038)	2,416	2,478
Payable against purchase of investments	3,294,110	-	3,294,110	-
Accrued expenses and other liabilities	20,514	20,995	9,412	10,107
	3,308,221	20,755	3,304,120	16,524
Net cash flow generated from / (used in) operating activities	1,968,898	(364,813)	4,278,685	(1,885,847)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments received against issuance of units	11,189,510	10,805,500	4,081,560	6,197,200
Payments against redemption of units	(11,891,549)	(8,025,551)	(7,492,596)	(4,063,239)
Cash distribution	-	(240)	-	(97)
Net cash (used in) / generated from financing activities	(702,039)	2,779,709	(3,411,036)	2,133,864
Net increase in cash and cash equivalents	1,266,859	2,414,896	867,649	248,017
Cash and cash equivalents at beginning of the period	1,169,508	2,152,639	1,568,718	4,319,518
Cash and cash equivalents as at end of the period	2,436,367	4,567,535	2,436,367	4,567,535

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.


Chief Executive Officer

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


Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2014

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 Savings and 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2014

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 2014.

The comparative in the statement of assets and liabilities presented in the condensed interim financial information as at 31 December 2014 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2014, 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 interim financial information for the half year ended 31 December 2013.

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.

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2014

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 2014.

- 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 result in change to the funds operation and did not result in change in accounting policy of the fund.

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 2014.

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 2014.

		31 December 2014 (Unaudited)	30 June 2014 (Audited)
6. BALANCES WITH BANKS		(Rupees in '000)	
Saving accounts	6.1	2,435,757	1,169,492
Current accounts		<u>610</u>	<u>16</u>
		<u>2,436,367</u>	<u>1,169,508</u>

- 6.1 These carry mark-up at rates ranging between 6.5% to 10.35% per annum (30 June 2014: 6.5% to 10.35% per annum).

7. INVESTMENTS

7.1 'Investments at fair value through profit or loss'

Market Treasury Bills	7.1.1	<u>3,956,521</u>	<u>2,303,133</u>
Pakistan Investment Bonds	7.1.1	<u>-</u>	<u>2,804,209</u>
		3,956,521	5,107,342

7.2 'Investments classified as available-for-sale'

Pakistan Investment Bonds	7.2.1	<u>-</u>	<u>400,601</u>
		<u>3,956,521</u>	<u>5,507,943</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2014**

7.1.1 'Investments at fair value through profit or loss'

		Face value		Balance as at 31 December 2014			Market value	
		As at 1 July 2014	Purchases during the period	Sales / matured during the period	As at 31 December 2014	Carrying value	Market value	As a percentage of net assets
								As a percentage of total investments
----- (Rupees in '000) -----								
Market Treasury Bills								
7.1.1.1	Treasury bills - 3 months	47,000	17,973,230	17,508,730	511,500	505,608	505,493	5.05%
7.1.1.1	Treasury bills - 6 months	2,315,200	15,336,100	14,081,200	3,570,100	3,447,106	3,448,045	34.44%
7.1.1.1	Treasury bills - 12 months	-	3,520,000	3,517,000	3,000	2,983	2,983	0.03%
	Total as at 31 December 2014					3,955,697	3,956,521	39.52%
	Total as at 30 June 2014					2,303,619	2,303,133	22.62%
Pakistan Investment Bond (PIB)								
	PIB - 3 years	2,800,000	500,000	3,300,000	-	-	-	0.00%
	Total as at 31 December 2014					-	-	0.00%
	Total as at 30 June 2014					2,808,709	2,804,209	27.54%

7.1.1.1 These treasury bills cost Rs. 3,952,773 million (30 June 2014: Rs. 2,276,246 million). These will mature latest by 25 June 2015 (30 June 2014: 16 October 2014) and carry effective yield ranging between 9.45% to 9.99% per annum (30 June 2014: 9.80% to 9.97% per annum).

7.2.1 'Investments classified as available-for-sale'

Pakistan Investment Bond								
	PIB - 3 years	400,000	-	400,000	-	-	-	0.00%
	Total as at 31 December 2014					-	-	0.00%
	Total as at 30 June 2014					400,991	400,601	3.93%

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2014**

		31 December 2014 (Unaudited)	30 June 2014 (Audited)
		(Rupees in '000)	
8. TERM DEPOSIT RECEIPTS			
Term deposit receipts	8.1	7,000,000	3,500,000

- 8.1** These carry interest at rates ranging between 10% to 10.55% per annum (30 June 2014: 10.25% to 10.35% per annum). These will mature latest by 30 March 2015.

9. ACCRUED EXPENSES AND OTHER LIABILITIES

Auditors' remuneration		424	572
Brokerage payable		596	491
Others		878	483
Provision for Federal Excise Duty and related taxes	9.1	36,809	25,116
Provision for Workers' Welfare Fund	9.2	108,713	100,244
		147,420	126,906

- 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. 36.809 million as at 31 December 2014. 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 not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 0.38 per unit as at 31 December 2014.

- 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2014

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 outstanding as at 31 December 2014.

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2014

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

	Unaudited			
	Half year ended		Quarter ended	
	31 December		31 December	
	2014	2013	2014	2013
	----- (Rupees in '000) -----			
MCB-Arif Habib Savings and Investments Limited				
Remuneration of the Management Company (including indirect taxes)	<u>84,778</u>	<u>78,732</u>	<u>43,693</u>	<u>42,039</u>
Central Depository Company of Pakistan Limited - Trustee				
Remuneration of the Trustee	<u>4,914</u>	<u>4,826</u>	<u>2,501</u>	<u>2,549</u>
MCB Bank Limited				
Profit on bank deposits	<u>8,052</u>	<u>2,652</u>	<u>3,354</u>	<u>1,740</u>
Bank Charges	<u>58</u>	<u>13</u>	<u>37</u>	<u>6</u>
Arif Habib Limited - Brokerage House				
Brokerage expense**	<u>9</u>	<u>-</u>	<u>1</u>	<u>-</u>

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

	31 December	30 June
	2014	2014
	(Unaudited)	(Audited)
	(Rupees in '000)	
MCB-Arif Habib Savings and Investments Limited		
Management fee payable	<u>9,265</u>	<u>10,102</u>
Sindh sales tax payable on management fee	<u>1,390</u>	<u>1,617</u>
Sales load payable	<u>19</u>	<u>19</u>
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	<u>766</u>	<u>796</u>
MCB Bank Limited		
Bank deposits*	<u>8,254</u>	<u>100,933</u>
Profit receivable on bank deposits	<u>473</u>	<u>678</u>
Arif Habib Limited - Brokerage House		
Brokerage payable**	<u>1</u>	<u>17</u>

* This includes Rs 7.644 million (30 June 2014: 100.916 million) in savings accounts carrying profit at the rate of 8.5% to 9.2% (30 June 2014: 8% to 9%) per annum.

** 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.

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2014**

	Unaudited			
	Half year ended		Half year ended	
	31 December 2014		31 December 2013	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Units sold to:				
MCB-Arif Habib Savings and Investments Limited	1,727,647	177,988	-	-
Adamjee Insurance Company Limited	-	-	1,998,220	200,000
Adamjee Life Assurance Company Limited - NUIL Fund	-	-	403,894	40,500
Adamjee Life Assurance Company Limited - IMF Fund	-	-	1,588,819	159,500
Adamjee Life Assurance Company Limited - ISF Fund	-	-	477,441	47,900
Adamjee Life Assurance Company Limited - ISF-II Fund	-	-	551,967	55,400
Pakistan Petroleum Limited	-	-	4,784,498	480,000
Gul Ahmed Energy Limited ***	16,696,542	1,722,140	14,694,823	1,476,225
Key management personnel	14,612	1,495	68,456	6,870
Mandate Under Discretionary Portfolio Services	221,732	22,466	729,739	73,313

	Unaudited			
	Half year ended		Half year ended	
	31 December 2014		31 December 2013	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Bonus units issued to:				
Staff Provident Fund of Management Company	-	-	13	1,342
Adamjee Insurance Company Limited	-	-	804,377	80,438
Adamjee Life Assurance Company Limited	-	-	12,043	1,204
Adamjee Life Assurance Company Limited - NUIL Fund	-	-	4,514	452
Adamjee Life Assurance Company Limited - IMF Fund	-	-	21,574	2,157
Adamjee Life Assurance Company Limited - ISF Fund	-	-	5,329	533
Adamjee Life Assurance Company Limited - ISF-II Fund	-	-	4,383	438
Nishat Mills Limited	-	-	98,312	9,831
Pakistan Petroleum Limited	-	-	514,981	51,498
Gul Ahmed Energy Limited ***	-	-	307,767	30,777
Key management personnel	-	-	1,260	126
Mandate Under Discretionary Portfolio Services	-	-	17,896	1,790

	Unaudited			
	Half year ended		Half year ended	
	31 December 2014		31 December 2013	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Units redeemed by:				
MCB-Arif Habib Savings and Investments Limited	1,727,647	178,273	-	-
Staff Provident Fund of Management Company	-	-	839	84,113
Adamjee Insurance Company Limited	2,194,525	222,292	9,273,290	930,398
Adamjee Life Assurance Company Limited	-	-	99,427	10,000
Adamjee Life Assurance Company Limited - NUIL Fund	-	-	109,591	11,000
Adamjee Life Assurance Company Limited - IMF Fund	-	-	159,715	16,000
Adamjee Life Assurance Company Limited - ISF Fund	-	-	278,919	28,000
Adamjee Life Assurance Company Limited - ISF-II Fund	-	-	441,072	44,226
Nishat Mills Limited	-	-	9,074,948	910,297
Pakistan Petroleum Limited	2,450,723	250,000	-	-
Gul Ahmed Energy Limited ***	5,164,368	536,320	15,108,385	1,515,548
Key management personnel	19,366	1,988	21,105	2,120
Mandate Under Discretionary Portfolio Services	415,003	42,473	619,276	62,114

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2014**

	31 December 2014	30 June 2014	31 December 2014	30 June 2014
	(Unaudited) (Units)	(Audited)	(Unaudited) (Rupees in '000)	(Audited)
Units held by:				
Adamjee Insurance Company Limited	10,416,977	12,611,502	1,086,954	1,261,431
Pakistan Petroleum Limited	12,651,226	15,101,949	1,320,086	1,510,532
Gul Ahmed Energy Limited ***	11,840,658	308,484	1,235,508	30,855
Key management personnel	7,719	12,473	805	1,248
Mandate Under Discretionary Portfolio Services	96,282	289,553	10,046	28,962

*** These persons became connected persons / related parties during the period due to acquiring unit holding of more than 10% of net assets of the Fund.

14. DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on February 02, 2015.


Chief Executive Officer

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


Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

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