



**Bachat** ka Doosra Naam

**Quarterly Report**  
**September 30, 2013**  
**(Unaudited)**



**Funds Under Management**  
**of**  
**MCB-Arif Habib Savings and Investments Limited**  
*(formerly: Arif Habib Investments Ltd.)*

**MCB  
CASH MANAGEMENT OPTIMIZER**

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## FUND'S INFORMATION

<b>Management Company</b>	<b>MCB-Arif Habib Savings and Investments Limited</b> (Formerly: Arif Habib Investments Limited) 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Board of Directors of the Management Company</b>	Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman(subject to the approval of SECP) Executive Vice Chairman Chief Executive Officer (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director Director (subject to the approval of SECP)
<b>Audit Committee</b>	Mr. Haroun Rashid Mr. Nasim Beg Mr. Samad A. Habib	Chairman Member Member
<b>Human Resource Committee</b>	Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Yasir Qadri	Chairman Member Member Member Member
<b>Company Secretary &amp; Chief Operating Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Financial Officer</b>	Mr. Umair Ahmed	
<b>Trustee</b>	Central Depository Company of Pakistan Limited CDC House, 990B Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
<b>Bankers</b>	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	
<b>Auditors</b>	KPMG Taseer Hadi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Building No. 2 Beaumont Road, Karachi - 75530	
<b>Legal Advisor</b>	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
<b>Transfer Agent</b>	<b>MCB-Arif Habib Savings and Investments Limited</b> (Formerly: Arif Habib Investments Limited) 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Rating</b>	AM2 - Management Quality Rating assigned by PACRA	

## **REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

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Dear Investor,

On behalf of the Board of Directors, I am pleased to present MCB Cash Management Optimizer's accounts review for the first quarter ended September 30, 2013.

### **ECONOMY AND MONEY MARKET OVERVIEW**

On the macroeconomic front, inflation has remained slightly higher during the period with CPI averaging around 8.06% amid implementation of tax reforms and higher food prices. The current account balance remained in pressure posting a deficit of \$632 million during 2MFY14 as opposed to surplus of \$582 million during the same period last fiscal year. During the last year, saving grace came in the form of proceeds under the account of Coalition support funds in August, 2012 amounting to \$1.18 bn. On the other hand, financial account registered a surplus of \$401 million in 2MFY14 as compared to deficit of \$271 million during the corresponding period last year.

Out of total \$3 billion repayments to IMF due in FY14, the government repaid around \$850 million to IMF in the 1QFY14. This along with delay in Coalition Support Funds and higher oil payments has reduced reserve balance to around \$ 9.9 billion as on 27-Sep-13, from \$11 billion at the start of the FY14. Consequently, the local currency fell by more than 6% against USD during 1QFY14.

During the quarter, the country successfully managed to enter into 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 first tranche of around \$543 million in 1QFY14.

Moreover, Fiscal side has remained a cause of concern for policy makers with FY13 deficit touching a level of around 8% of GDP (Rs 1.83 trillion deficit size in absolute terms) as opposed to the budgeted deficit of around 6.5%.

Keeping in view that inflation is likely to increase going forward and to arrest decline in foreign reserves balance, the government announced 50 bps hike in the discount rate in the last monetary policy, sending a strong signal that the discount rate will be used to keep inflation rate under check. A combination of higher power tariffs, rise in oil prices and rupee depreciation is likely to keep inflationary pressure on the higher side during the year.

In the money market, short term market rates remained on the higher side amid tight liquidity in the system. Despite Rs 94 billion net growth in Net Domestic Assets during the quarter (till 27th Sep), money supply (M2) has contracted due to reduction in Net Foreign Assets by around Rs 150 billion. Hence, M2 has contracted by 0.63% in the 1QFY14 (till 27th Sep) as opposed to expansion of 0.58% during the same period last year. While Borrowing from SBP increased by Rs. 444 billion as opposed to net decline in borrowing of around Rs 372 billion during the same period last year.

Given an upward trajectory in YoY CPI inflation coupled with monetary tightening scenario, the yield curve has adjusted significantly upwards during the period. Hence 1 year PKRV adjusted upwards by 77 bps to 9.71 %, while longer tenure year 10 year PKRV adjusted upwards by 203 bps to 12.96 % during the quarter under review.

### **FUND PERFORMANCE**

During the quarter under review, the fund generated an annualized return of 7.4% as against its benchmark return of 5.16%, an out performance of 2.24%. The fund decreased its portfolio WAM significantly to around 28 days in order to adjust to monetary tightening by the SBP.

The fund was around 64% invested in T-Bills at the quarter-end while the rest was placed in TDRs, cash and bank deposits.

## REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2013

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The Net Asset of the Fund as at September 30, 2013 stood at Rs.11,941 million as compared to Rs 11,075 million as at June 30 2013 registering an increase of 7.8% The Net Asset Value (NAV) per unit as at September 30, 2013 was Rs. 100.0944.

### Income Distribution

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

Date of distribution	Per unit distribution
26-Jul-2013	0.5240
27-Aug-2013	0.6020
26-Sep-2013	0.6332

### FUTURE OUTLOOK

We will continue to closely monitor foreign inflows in the presence of higher oil prices and debt repayment to international donors. We believe that the sustainability of external account, in the presence of higher inflationary pressures, would be a key factor shaping up interest rate direction. The foreign reserve balance will continue to remain in the limelight, with the country scheduled to repay more than \$2.3 billion to IMF during the next three quarters. As a result, the local currency is likely to remain under pressure.

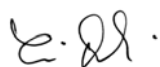
The reserve position is likely to improve towards the later half of the ongoing fiscal year, with the government expecting significant improvement in foreign direct investments and materialization of pledges made by multilateral agencies. In addition to projected CSF inflow of around \$1.2 billion, the country is eyeing inflow of \$2.7 billion during the next three quarters under the umbrella of program financing.

While the economic environment is challenging, corporate earnings are by and large expected to continue to improve. Earnings growth is expected to continue in E&P, Textile, Power and cement sector. The rupee depreciation bodes well for textile, E&P and power sector, while higher allocation in PSDP will increase demand for cement.

### ACKNOWLEDGMENT

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

For and on behalf of the board



**Yasir Qadri**

Chief Executive

Karachi: October 23, 2013

# **FINANCIAL STATEMENTS**

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES  
AS AT SEPTEMBER 30, 2013**

	<i>Note</i>	<b>30 September 2013 (Unaudited)</b>	<b>30 June 2013 (Audited)</b>
----- <b>(Rupees in '000)</b> -----			
<b>ASSETS</b>			
Bank balances		4,319,518	2,152,639
Investments	4	7,706,694	9,014,484
Prepayments, profit and other receivables		18,738	6,502
Preliminary expenses and floatation costs		995	1,246
<b>Total assets</b>		<b>12,045,945</b>	<b>11,174,871</b>
<b>LIABILITIES</b>			
Payable to the Management Company		10,937	12,090
Payable to Central Depository Company of Pakistan Limited - Trustee		783	771
Payable to the Securities and Exchange Commission of Pakistan		2,254	7,770
Accrued and other liabilities		90,598	79,710
<b>Total liabilities</b>		<b>104,572</b>	<b>100,341</b>
<b>NET ASSETS</b>		<b>11,941,373</b>	<b>11,074,530</b>
Unit holders' fund		<b>11,941,373</b>	<b>11,074,530</b>
<b>(Number of units)</b>			
<b>Number of units in issue (face value of units is Rs. 100 each)</b>		<b>119,301,091</b>	<b>109,545,606</b>
<b>(Rupees)</b>			
<b>NET ASSET VALUE PER UNIT</b>		<b>100.0944</b>	<b>101.0952</b>

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

  
\_\_\_\_\_  
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 QUARTER ENDED SEPTEMBER 30, 2013**

	Note	Quarter ended	
		30 September 2013	30 September 2012
------(Rupees in '000)-----			
<b>INCOME</b>			
Capital gain on sale of investments		3,950	12,696
Income from government securities		227,052	318,254
Income from reverse repurchase transactions of government securities		168	256
Profit on bank deposits and term deposit receipts		36,536	30,583
		<b>267,706</b>	361,789
Net unrealised appreciation on re-measurement of investments classified as ' financial assets at fair value through profit or loss'		<b>134</b>	21,534
		<b>267,840</b>	383,323
<b>EXPENSES</b>			
Remuneration of the Management Company		36,693	41,976
Remuneration of the Trustee		2,277	2,555
Annual fee - Securities and Exchange Commission of Pakistan		2,255	2,306
Brokerage and settlement charges		344	269
Amortisation of preliminary expenses and floatation costs		252	252
Auditors' remuneration		173	308
Other expenses		279	204
<b>Total operating expenses</b>		<b>42,273</b>	47,870
<b>Net income from operating activities</b>		<b>225,567</b>	335,452
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		2,825	(75,752)
Provision for Workers' Welfare Fund	5	(4,568)	(5,196)
<b>Net income for the period before taxation</b>		<b>223,824</b>	254,505
Taxation	6	-	-
<b>Net income for the period after taxation</b>		<b>223,824</b>	254,505
Other comprehensive income for the period		-	-
<b>Total comprehensive income for the period</b>		<b>223,824</b>	254,505
<b>Earnings per unit</b>	7		

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\_\_\_\_\_  
Chief Executive Officer

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

  
\_\_\_\_\_  
Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

	Quarter ended	
	30 September 2013	30 September 2012
	----- (Rupees in '000) -----	
Undistributed income brought forward	119,962	32,255
Total comprehensive income for the period	223,824	254,505
Net Element of (loss) / income and (losses) / capital gains included in prices of units issued less those in units redeemed - amount amount form part of the unit holders' fund	-	(16,064)
<b>Distributions to the unit holders of the Fund:</b>		
Final Distribution at the rate of Rs. 1.0952 (2012 : Rs. Nil) per unit declared on 04 July, 2013		
- Cash distribution	(55)	-
- Bonus distribution	(119,920)	-
<b>Interim distributions during the period ended September 30:</b>		
Interim distribution at the rate of Rs. 0.5240 (2012: Rs. Nil) per unit declared in July:		
- Cash distribution	(26)	-
- Bonus distribution	(63,636)	-
Interim distribution at the rate of Rs. 0.6020 (2012: Rs. Nil) per unit declared in August:		
- Cash distribution	(30)	-
- Bonus distribution	(72,136)	-
Interim distribution at the rate of Rs. 0.6332 (2012: Rs. 2.6745) per unit declared in September:		
- Cash distribution	(32)	(5,330)
- Bonus distribution	(76,696)	(242,437)
Undistributed income carried forward	11,255	22,929

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\_\_\_\_\_  
Chief Executive Officer

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

  
\_\_\_\_\_  
Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

	<u>Quarter ended</u>	
	<u>30 September</u>	<u>30 September</u>
	<u>2013</u>	<u>2012</u>
	----- (Rupees in '000) -----	
<b>Net asset at the beginning of the period</b>	<b>11,074,530</b>	<b>18,971,363</b>
Issue of 45,958,959 units (September 30, 2012: 43,542,850 units)	4,608,300	4,409,512
Issue of 3,323,874 bonus units (September 30, 2012: 2,420,245 Bonus Units)	332,387	242,436
Redemption of 39,527,348 units (September 30, 2012: 140,293,508 units)	(3,962,312)	(14,176,806)
	<b>978,375</b>	<b>(9,524,858)</b>
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	(2,825)	75,752
- amount representing loss / (income) that forms part of unit holder's fund - transferred to distribution statement	-	16,064
	<b>(2,825)</b>	<b>91,816</b>
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - transferred to distribution statement	-	<b>(16,064)</b>
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	134	21,534
Capital gain on sale of investments	3,950	12,696
Other operating income	219,740	220,274
Net income for the period	<b>223,824</b>	<b>254,505</b>
<b>Distributions to the unit holders of the Fund:</b>		
Final Distribution at the rate of Rs. 1.0952 (2012 : Rs. Nil) per unit declared on 04 July, 2013		
- Cash distribution	(55)	-
- Bonus distribution	(119,920)	-
Interim distribution at the rate of Rs. 0.5240 (2012: Rs. Nil) per unit declared in July:		
- Cash distribution	(26)	-
- Bonus distribution	(63,636)	-
Interim distribution at the rate of Rs. 0.6020 (2012: Rs. Nil) per unit declared in August:		
- Cash distribution	(30)	-
- Bonus distribution	(72,136)	-
Interim distribution at the rate of Rs. 0.6332 (2012: Rs. 2.6745) per unit declared in September:		
- Cash distribution	(32)	(5,330)
- Bonus distribution	(76,696)	(242,437)
<b>Net assets at end of the period</b>	<b>11,941,373</b>	<b>9,528,995</b>

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

  
 \_\_\_\_\_  
 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 QUARTER ENDED SEPTEMBER 30, 2013**

	Quarter ended	
	30 September 2013	30 September 2012
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation	223,824	254,505
<b>Adjustments for:</b>		
Capital gain on sale of investments	(3,950)	(12,696)
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(134)	(21,534)
Amortisation of preliminary expenses and floatation costs	252	252
Element of (income) / losses and capital (gains) / losses included in prices of units issued less those in units redeemed	(2,825)	75,752
Net cash used in operations before working capital changes	217,167	296,279
<b>Working capital changes</b>		
<b>(Increase) / decrease in assets</b>		
Investments - net	1,311,872	7,736,221
Other receivables	(12,236)	34,038
	1,299,636	7,770,259
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	(1,153)	(10,991)
Payable to Central Depository Company of Pakistan Limited - Trustee	12	(510)
Payable to the Securities and Exchange Commission of Pakistan	(5,516)	(7,466)
Accrued and other liabilities	10,888	507,960
	4,231	488,992
<b>Net cash generated from operating activities</b>	1,521,034	8,555,530
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net receipts from issue of units	4,608,300	4,409,512
Net payments on redemption of units	(3,962,312)	(14,176,806)
Cash dividend paid	(143)	(5,330)
<b>Net cash generated / (used in) from financing activities</b>	645,845	(9,772,624)
Net increase / (decrease) in cash and cash equivalents	2,166,879	(1,217,095)
Cash and cash equivalents at beginning of the period	2,152,639	2,770,702
<b>Cash and cash equivalents at end of the period</b>	4,319,518	1,553,607

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

  
\_\_\_\_\_  
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 (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

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### **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.

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

The Fund is an open 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 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.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2' to the Management Company and has assigned stability rating of "AA (f)" to the Fund.

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

### **2 BASIS OF 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 (theNBC 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 FinanceCompanies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companiesand 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 June 30, 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 are unaudited. The Directors of the asset management company declare that this condensed interim financial information give a true and fair view of the Fund.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

**2.2 Basis of measurement**

This condensed interim financial information have been prepared on the basis of historical cost convention except that investments have been included at fair value.

**2.3 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 adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the Fund for the period ended June 30, 2013.

	Note	September 30, 2013 (Unaudited) ------(Rupees in '000)-----	June 30 2013 (Audited)
<b>4 INVESTMENTS</b>			
<b>'at fair value through profit or loss'</b>			
Market Treasury Bills	4.1	7,706,694	8,613,884
Government of Pakistan Ijara Sukuk	4.1	-	400,600
		<u>7,706,694</u>	<u>9,014,484</u>

**4.1 Financial assets at fair value through profit or loss - held for trading**

**- Investment in Market Treasury Bills**

Government securities	Face Value				Balance as at September 30, 2013			Market value as a percentage of net assets	Market value as a percentage of total investment	
	As at July 1, 2013	Purchased during the period	Disposed	Matured	As at Sept 30, 2013	Carrying Value	Market value			Appreciation / (diminution)
	-----Rupees in '000-----								%	
Treasury Bills - 1 year	1,000,250	7,298,132	2,691,650	4,083,100	1,523,632	1,517,628	1,517,293	(335)	12.71%	19.69%
Treasury Bills - 6 months	4,850,000	5,554,070	8,374,070	663,500	1,366,500	1,351,760	1,351,634	(125)	11.32%	17.54%
Treasury Bills - 3 months	2,961,000	8,674,500	6,298,800	436,000	4,900,700	4,837,172	4,837,767	595	40.51%	62.77%
Totals - September 30, 2013						<u>7,706,560</u>	<u>7,706,694</u>	<u>134</u>	<u>64.54%</u>	<u>100%</u>
Totals: June 30, 2013						<u>8,607,677</u>	<u>8,613,884</u>	<u>6,207</u>	<u>77.78%</u>	<u>95.56%</u>

**- Investment in Ijara Sukuk**

Ijarah sukuk V - 3 years	400,000	200,000	600,000	-	-	-	-	-	-	-
Totals - September 30, 2013						<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals: June 30, 2013						<u>400,400</u>	<u>400,600</u>	<u>200</u>	<u>3.62%</u>	<u>4.44%</u>

**5 PROVISION FOR WORKERS' WELFARE FUND**

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending for adjudication.

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2013

Subsequent to the year ended 30 June 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.

In view of the afore mentioned developments and uncertainties created by the recent decision by Honourable Sindh High Court, the Management company, as a matter of abundant precaution, has decided to retain the entire provision for WWF. During the quarter the Fund charged Rs.4.568 million on account of WWF. The aggregate amount of WWF charged as on September 30, 2013 is Rs. 83.192 million. If the same were not made the NAV of the fund would have been higher by Rs. 0.6973 per unit.

### 6 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders. The 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. Since the management has distributed the income earned by the Fund during the year to the unit holders in the manner as explained above accordingly no provision for taxation has been made in these financial statements.

### 7 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.

### 8 TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES

Related parties / connected persons of the Fund include the Management Company, other collective investment schemes managed by the Management Company, MCB Bank Limited being the holding company of the Management Company, the Trustee, directors and key management personnel, other associated undertakings and unit holders holding more than 10% units of the Fund.

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 AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

		-----Unaudited-----	
		Quarter ended	
		30 September	
		2013	2012
		----- (Rupees in '000) -----	
<b>8.1</b>	<b>Transactions with connected persons during the period</b>		
	<b>MCB Bank Limited</b>		
	Profit received on deposit accounts	912	6,450
	Redemption of units: Nil (Sept 2012: 69,330,200 units)		6,966,083
	<b>MCB-Arif Habib Savings and Investments Limited (Management Company)</b>		
	Remuneration of the Management Company	36,693	41,976
	Issue of bonus units: Nil (Sept 2012: Nil bonus units)	-	-
	Redemption of units: Nil (Sept 2012: 145,512 units)	-	14,698
	Sale load payable	42	136
	<b>Staff Provident Fund of Management Company</b>		
	Issue of bonus units: 13 (Sept 2012: 118 bonus units)	1	12
	Redemption of units: 839 (Sept 2012: 19,750 units)	84	2,000
	<b>Central Depository Company of Pakistan Limited-Trustee</b>		
	Fee charged during the period	2,277	2,555
	<b>Adamjee Insurance Company Limited</b>		
	Issue of units: 1,998,220 (Sept 2012: 11,468,105 units)	200,000	1,173,954
	Issue of bonus units: 517,253 (Sept 2012: 209,036 bonus units)	51,725	20,939
	Redemption of units: 1,492,623 (Sept 2012: 8,411,638 units)	150,000	858,267
	<b>Adamjee Life Assurance Comapany Limited</b>		
	Issue of units: 864,896 (Sept 2012: 205,207 units)	86,800	20,960
	Issue of bonus units: 15,232 (Sept 2012: 10,708 bonus units)	1,523	1,072
	Redemption of units: 834,527 (Sept 2012: 159,443 units)	83,726	16,300
	<b>Nishat Mills Limited</b>		
	Issue of bonus units: 98,312 (Sept 2012: Nil bonus units)	9,831	-
	Redemption of units: 9,074,948 (Sept 2012: Nil units)	910,297	-
	<b>Key Management Personnel</b>		
	Issue of units: 41,002 (Sept 2012: 33,085 units)	4,113	3,395
	Issue of bonus units: 396 (Sept 2012: 2,107 bonus units)	40	211
	Redemption of units: 6,651 (Sept 2012: 68,738 units)	669	6,975
		September 30,	June 30
		2013	2013
		(Unaudited)	(Audited)
		----- (Rupees in '000) -----	
<b>8.2</b>	<b>Amount outstanding as at period end</b>		
	<b>MCB Bank Limited</b>		
	Bank balance	66,026	21,311
	Profit receivable on deposit accounts	742	87
	Bank Charges	7	45
	<b>MCB-Arif Habib Savings and Investments Limited (Management Company)</b>		
	Management fee payable	10,895	12,073
	Sales load payable	42	17
	<b>Central Depository Company of Pakistan Limited-Trustee</b>		
	Fee payable	783	771
	<b>Staff Provident Fund of Management Company</b>		
	Units held: Nil (June 30, 2013: 826 units)	-	84



**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

	September 30, 2013 (Unaudited)	June 30 2013 (Audited)
	------(Rupees in '000)-----	
<b>Nishat Mills Limited</b>		
Units held: Nil units (June 30, 2013: 8,976,635 units)	-	907,495
<b>Adamjee Insurance Company Limited</b>		
Units held: 18,059,311 (June 30, 2013: 17,036,461 units)	1,807,636	1,722,386
<b>Adamjee Life Assurance Comapany Limited</b>		
Units held: 420,481 (June 30, 2013: 375,210 units)	42,121	37,934
<b>Key Management Personnel</b>		
Units held : 38,285 (June 30, 2013: 3,538 units)	3,832	358

**9 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on October 23, 2013 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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