



**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.)*

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## **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.

# COMPANY INFORMATION

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<b>Board of Directors</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 &amp; Remuneration 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>Share Registrar</b>	<b>Central Depository Company of Pakistan Limited.</b> CDC House, 99-B, Block B, S.M.C.H.S, Main Shakra-e-Faisal, Karachi. Tel: (021) 111-111-500 Fax: (021) 34326053 Web: www.cdcpakistan.com	
<b>Bankers</b>	MCB Bank Limited Summit Bank Limited Bank Al Habib Limited	
<b>Auditors</b>	<b>A.F. Ferguson &amp; Co.</b> Chartered Accountants (a member firm of PwC Network) State Life Building 1-C I.I. Chundrigar Road, Karachi.	
<b>Legal Advisor</b>	<b>Akhund Forbes</b> D-21, Block 4, Scheme 5, Clifton, Karachi. <b>Bawaney &amp; Partners</b> 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
<b>Registered Office</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>	Asset Manager AM2 (PACRA)	

# **DIRECTOR'S REPORT FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

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The Board of Directors of MCB-Arif Habib Savings and Investments Limited (formerly Arif Habib Investment Limited) (MCBAH) is pleased to present the Quarterly Report on the affairs of MCBAH for the period ended September 30, 2013.

## **Company's Performance Review**

The Company recorded a gross income of Rs. 130.098 million, which includes management/investment advisory fee and other operating income. After accounting of administrative, operating & financial expenses and income sharing of Rs. 83 million, the company earned a profit before tax of Rs. 47.097 million. The net profit after tax for the period amounts to Rs. 34.375 million, as compared to net profit of Rs. 56.57 million for the corresponding period ended September 30, 2012. With the increasing trend of funds under management and rising interest rates, the company is expected to deliver better results going forward.

## **MARKET & ECONOMIC REVIEW**

### **Economy & Money Market Review**

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.

## **DIRECTOR'S REPORT FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

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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 Rs444 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.

### **Equities Market Review**

In light of smooth political transition, the ongoing financial year started on a positive note, with stock market touching an all time high of 23,776.22 on 24-July-2013. The index posted a return of 10.9% during July, outperforming regional markets. But on account of tepid performance in August and September the benchmark index recorded a total gain of 3.9% during the 1QFY14, with KSE-100 index closing at 21,832.68 at the end of quarter. Restrictive forces that played a dampening role for the market were rationalization of tariffs and gas prices, launch of initiatives to enhance revenue administration, monetary tightening and growing concerns on feeble exchange rate outlook. Although activity remained stable in terms of both volumes and turnover, foreigners remained net seller with a cumulative net outflow of US\$ 94 million during the period under review.

Major interest during the period remained in Textile, Construction & Materials and Power Sectors on the heels of strong inherent bottom line growth and healthy payouts. With the market expecting interest rates to increase going forward,

# **DIRECTOR'S REPORT FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

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Banking sector performed better towards the start of the quarter until the present government announced to peg minimum deposit rates on saving accounts to overnight repo rate.

## **MARKET & ECONOMY - 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.

## **MUTUAL FUND INDUSTRY REVIEW**

The Net Assets of the open end mutual fund industry remained unchanged at around \$337.9 billion during the 1QFY14. The growth in Money Market, Islamic Equity and Asset Allocation Fund was countered by decline in Equity, Islamic Money Market and Income Fund.

In terms of the segment share, Money Market funds continued to be the leader with a share of around 38.7%, followed by Equity funds 20%, Income funds 15%, and Islamic Income funds at 10.8%.

## **MUTUAL FUND INDUSTRY OUTLOOK**

In light of growing risk aversion, investors continue to favour fixed income funds over equity and hybrid funds. Given the expectation of interest rate rise, this trend

## **DIRECTOR'S REPORT FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

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is unlikely to be changed going forward. In addition, voluntary pension schemes (due to enhanced tax-advantage) and Shariah compliant funds (stable return due to Ijarah Sukuk) will continue to perform better. Given that market is cognizant of underlying macroeconomic challenges, the market will continue to prefer managed Equity, Balanced and Asset Allocation Funds over Index Funds until a broad based economy recovery.

### **ACKNOWLEDGEMENT**

The Board of Directors of the Management Company is thankful to the Securities and Exchange Commission of Pakistan, the management of the Karachi Stock Exchange Limited for their continued support and cooperation. The Directors also appreciate the efforts put in by the employees of the Company for their commitment and dedication and shareholders for their confidence in the Company.

For and on behalf of the board



**Yasir Qadri**

Chief Executive

Karachi: October 23, 2013



# CONDENSED INTERIM BALANCE SHEET AS AT SEPTEMBER 30, 2013

	Note	(Unaudited) September 30, 2013	(Audited) June 30, 2013
		-----Rupees-----	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed Assets	4	387,906,478	387,027,596
Long-term investments	5	309,345,000	303,075,000
Long-term loans and receivables		1,615,377	5,742,592
Long-term deposits		1,519,736	1,519,736
<b>Total non-current assets</b>		<b>700,386,591</b>	<b>697,364,924</b>
<b>Current assets</b>			
Loans and advances		2,448,770	874,249
Deposits, prepayments and other receivables		15,245,097	10,246,491
Receivable from related parties		60,576,292	69,732,326
Short-term investments	6	597,805,641	571,417,927
Accrued return on bank deposits		374,196	156,443
Taxation - net		56,053,412	56,949,201
Cash and bank balances		8,404,933	4,794,987
<b>Total current assets</b>		<b>740,908,341</b>	<b>714,171,624</b>
<b>Total assets</b>		<b>1,441,294,932</b>	<b>1,411,536,548</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised shares capital 72,000,000 (June 30, 2013: 72,000,000) ordinary shares of Rs.10 each		720,000,000	720,000,000
Issued, subscribed and paid-up share capital 72,000,000 (June 30, 2013: 72,000,000) ordinary shares of Rs.10 each		720,000,000	720,000,000
Reserves		583,965,543	543,201,779
<b>Total Equity</b>		<b>1,303,965,543</b>	1,263,201,779
Surplus arising on revaluation of property and equipment - net of deferred tax		9,708,182	9,827,150
<b>Non-current liabilities</b>			
Deferred taxation		42,649,361	41,090,231
<b>Current liabilities</b>			
Trade and other payables		84,971,846	97,417,388
<b>Total liabilities</b>		<b>127,621,207</b>	138,507,619
<b>Total equity and liabilities</b>		<b>1,441,294,932</b>	<b>1,411,536,548</b>

## CONTINGENCIES AND COMMITMENTS

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

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

  
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Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

Note	Quarter ended		
	September 30, 2013	September 30, 2012	
	-----Rupees-----		
<b>Revenue</b>			
Management fee / Investment advisory fee	7	118,742,774	123,119,410
Processing and other related income		311,296	151,933
Profit on bank deposits		387,057	504,304
Capital gain on sale of investments - net		1,589,847	2,556,674
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net		9,064,785	19,568,510
Other income		2,035	631,551
<b>Total income</b>		<b>130,097,794</b>	<b>146,532,382</b>
<b>Expenses</b>			
Administrative and operating expenses	8	(62,599,356)	(55,347,377)
Management fee /Investment Advisory fee / processing fee and other related income sharing		(20,401,451)	(14,434,226)
Financial charges		-	(2,861)
<b>Total expenses</b>		<b>(83,000,807)</b>	<b>(69,784,464)</b>
<b>Profit for the quarter before taxation</b>		<b>47,096,987</b>	<b>76,747,918</b>
<b>Taxation</b>			
- Current		(11,163,061)	(14,912,611)
- Deferred		(1,559,130)	(5,258,923)
		(12,722,191)	(20,171,534)
<b>Profit for the quarter after taxation</b>		<b>34,374,796</b>	<b>56,576,384</b>
Earnings per share - basic and diluted		<b>0.48</b>	<b>0.79</b>

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

  
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Chief Executive Officer

  
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Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

	QUARTER ENDED	
	-----September 30,-----	
	2013	2012
	-----Rupees-----	
<b>Profit for the quarter after taxation</b>	34,374,796	56,576,384
<b>Other Comprehensive income for the quarter</b>		
<i>Items that may be re-classified subsequently to profit or loss</i>		
Unrealised appreciation on re-measurement of 'available-for-sale' financial assets - net of deferred taxation	6,270,000	16,900,447
<i>Items that will not be reclassified to profit or loss</i>		
Transferred from surplus arising on revaluation of property and equipment on account of incremental depreciation - net of deferred taxation	118,968	125,386
	<b>6,388,968</b>	17,025,833
<b>Total comprehensive income for the quarter</b>	<b>40,763,764</b>	<b>73,602,217</b>

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

  
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Chief Executive Officer

  
\_\_\_\_\_  
Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

	Quarter ended	
	September 30, 2013	September 30, 2012
	Rupees	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit for the period before taxation	47,096,987	76,747,918
<b>Adjustments for non cash and other items:</b>		
Depreciation	2,725,407	2,995,355
Amortisation	449,704	475,248
Capital gain on sale of investments-Net	(1,589,847)	(2,556,674)
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	(9,064,785)	(19,568,510)
	<u>(7,479,521)</u>	<u>(18,654,581)</u>
<b>OPERATING CASH FLOWS BEFORE WORKING CAPITAL CHANGES</b>	<b>39,617,466</b>	<b>58,093,337</b>
<b>WORKING CAPITAL CHANGES</b>		
<b>(Increase) / decrease in current assets</b>		
Receivable from related parties	9,156,034	5,537,105
Deposits, prepayments and other receivables	(4,998,606)	3,067,805
Accrued return on bank deposits	(217,746)	(181,414)
Loans and advances	(1,574,521)	-
	<u>2,365,161</u>	<u>8,423,496</u>
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	(12,445,542)	(9,947,161)
<b>NET CASH USED IN WORKING CAPITAL CHANGES</b>	<b>(10,080,381)</b>	<b>(1,523,665)</b>
<b>CASH GENERATED FROM OPERATIONS</b>	<b>29,537,085</b>	<b>56,569,672</b>
Income tax paid	(10,267,279)	(10,407,116)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>19,269,806</b>	<b>46,162,556</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(4,053,993)	(4,683,217)
Proceeds from sale of property and equipment	-	715,347
Short term investments	(15,733,082)	(224,748,383)
Proceed from redemption of investments	-	186,111,718
Long term loans and receivables	4,127,215	(295,289)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(15,659,860)</b>	<b>(42,899,824)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>3,609,946</b>	<b>3,262,733</b>
Cash and cash equivalents at the beginning of the period	4,794,987	11,590,602
Cash and cash equivalents at the end of the period	<u>8,404,933</u>	<u>14,853,335</u>

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

  
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Chief Executive Officer

  
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Director

# CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2013

	Reserves			Revenue Reserve		Sub Total
	Issued, subscribed and paid-up share capital	Capital Reserves	Unrealised appreciation on re-measurement of available-for-sale financial assets	Unappropriated profit	Sub total	
Balance as at June 30, 2012 (Audited)	720,000,000	396,000,000	28,760,879	186,830,448	215,591,327	1,271,591,327
Final Dividend for year ended June 30, 2012 at Rs. 1.50 per share	-	(60,000,000)	-	(108,000,000)	(108,000,000)	(108,000,000)
Profit for the quarter ended September 30, 2012	-	-	-	56,576,384	56,576,384	56,576,384
Unrealised appreciation on re-measurement of 'available-for-sale' financial assets - net of deferred taxation	-	-	16,900,447	-	16,900,447	16,900,447
Transferred from surplus arising on revaluation of property and equipment on account of incremental depreciation - net of deferred taxation	-	-	-	125,386	125,386	125,386
Total Comprehensive income for the quarter ended September 30, 2012	-	-	16,900,447	56,701,770	73,602,217	73,602,217
<b>Balance as at September 30, 2012 (unaudited)</b>	<b>720,000,000</b>	<b>396,000,000</b>	<b>45,661,326</b>	<b>135,532,218</b>	<b>181,193,544</b>	<b>1,237,193,544</b>
Interim Dividend for the year ended June 30, 2013 at Rs. 1.50 per share	-	-	-	(108,000,000)	(108,000,000)	(108,000,000)
Profit for the period	-	-	-	101,073,314	101,073,314	101,073,314
Unrealised appreciation on re-measurement of 'available-for-sale' financial assets - net of deferred taxation	-	-	32,551,674	-	32,551,674	32,551,674
Transferred from surplus arising on revaluation of property and equipment on account of incremental depreciation - net of deferred taxation	-	-	-	383,247	383,247	383,247
Total Comprehensive income for the period	-	-	32,551,674	134,406,561	134,406,235	134,406,235
<b>Balance as at June 30, 2013 (Audited)</b>	<b>720,000,000</b>	<b>396,000,000</b>	<b>78,213,000</b>	<b>128,988,779</b>	<b>207,201,779</b>	<b>1,263,201,779</b>
Profit for the quarter ended September 30, 2013	-	-	-	34,374,796	34,374,796	34,374,796
Unrealised appreciation on re-measurement of 'available-for-sale' financial assets - net of deferred taxation	-	-	6,270,000	-	6,270,000	6,270,000
Transferred from surplus arising on revaluation of property and equipment on account of incremental depreciation - net of deferred taxation	-	-	-	118,968	118,968	118,968
Total Comprehensive income for the quarter ended September 30, 2013	-	-	6,270,000	34,493,764	40,763,764	40,763,764
<b>Balance as at September 30, 2013 (Un-audited)</b>	<b>720,000,000</b>	<b>396,000,000</b>	<b>84,483,000</b>	<b>163,482,543</b>	<b>247,965,543</b>	<b>1,303,965,543</b>

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



Chief Executive Officer



Director

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

**1 LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1** MCB-Arif Habib Savings and Investments Limited ("the Company") was incorporated in the name of Arif Habib Investment Management Limited (AHIML) on August 30, 2000 as an unquoted public limited company under the Companies Ordinance, 1984. During 2008, AHIML was listed on the Karachi Stock Exchange by way of offer for sale of shares by a few of its existing shareholders to the general public. In the same financial year, the name of the Company was changed from "Arif Habib Investment Management Limited" to "Arif Habib Investments Limited" (AHIL).
- 1.2** On January 19, 2011, a transfer agreement was signed between Arif Habib Corporation Limited (AHCL) [the then parent of AHIL] and MCB Bank Limited (MCB Bank) [the then parent of MCB Asset Management Company Limited (MCB AMC)] for the transfer of the entire business of MCB AMC to AHIL to achieve synergies in business and to access a wider distribution network. The scheme of amalgamation ("the Scheme") was approved by the shareholders of the Company and MCB AMC in their respective extraordinary general meetings held on May 21, 2011. The Securities and Exchange Commission of Pakistan (SECP) vide its order (through letter no. SCD/NBFC-II/MCBAMCL and AHIL/271/2011 dated June 10, 2011) under Section 282(L) of the Companies Ordinance, 1984 (the Sanction Order) approved the Scheme. As per the Sanction Order, the effective date of amalgamation was June 27, 2011 (the effective date). In accordance with the terms contained in the scheme of amalgamation, the Company became a subsidiary of MCB Bank Limited from the end of the year ended June 30, 2011 which continues to own 51.33% ordinary shares in the Company till date.

Subsequent to the completion of the merger, the SECP issued an order postponing the effective date of the merger to July 30, 2011 (through letter no. SCD/PR and DD/AMCW/MCB-AMCL and AHIL/348/2011 dated June 27, 2011). However, on the request of the Company, the SECP reviewed its aforementioned order and through letter no. SCD/AMCW/Mis/540/2013 dated May 17, 2013 issued a revised order under section 484(2) of the Companies Ordinance, 1984 to affirm the effective date of merger of MCB-AMC with AHIL as June 27, 2011. The latest order also endorsed the steps/actions taken by Company from June 27, 2011 to date.

Pursuant to the approval of merger, the name of the Company has been changed from Arif Habib Investments Limited to MCB-Arif Habib Savings and Investments Limited with effect from May 23, 2013.

- 1.3** The Company is registered as a Pension Fund Manager under Voluntary Pension System Rules, 2005 and as an Asset Management Company and an Investment Advisor under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. It also manages discretionary portfolios on behalf of its clients. The registered office of the Company is situated at 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.
- 1.4** The Company has been assigned an asset manager rating of AM2 by the Pakistan Credit Rating Agency Limited (PACRA) and currently has the following funds under management:

	Net assets value as at	
	September 30, 2013 (Unaudited)	June 30, 2013 (Audited)
	----- Rupees in million -----	
<b>Open-end Collective Investment Schemes</b>		
MCB Cash Management Optimizer	11,941	11,075
MCB Dynamic Allocation Fund	625	433
MCB Dynamic Cash Fund	10,527	11,320
MCB Dynamic Stock Fund	966	887
MCB Islamic Income Fund	2,543	2,946
Metro Bank - Pakistan Sovereign Fund	829	1,270
Pakistan Capital Market Fund	415	401
Pakistan Cash Management Fund	3,005	2,557
Pakistan Income Enhancement Fund	1,162	1,319
Pakistan Income Fund	1,023	1,092
Pakistan International Element Islamic Asset Allocation Fund	240	204
Pakistan Premier Fund	550	552
Pakistan Stock Market Fund	1,190	1,179
Pakistan Strategic Allocation Fund	321	306
<b>Pension Funds</b>		
Pakistan Islamic Pension Fund	227	218
Pakistan Pension Fund	430	411
<b>Discretionary portfolios</b>	<b>4,520</b>	<b>3,991</b>

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

The Company is also managing investors under discretionary portfolio management agreements, the details of which are given below:

	Net assets value as at	
	September 30, 2013 (Unaudited)	June 30, 2013 (Audited)
<b>Number of accounts (number)</b>	<b>15</b>	<b>15</b>
Cost of the portfolio - Rupees in million	4,350	3,800
Market value of portfolio - Rupees in million	4,371	3,886
	<b>September 30, 2013 (Unaudited)</b>	<b>September 30, 2012 (Unaudited)</b>
Fee earned - Rupees in thousand	2,905	1,130

## 2 BASIS OF PRESENTATION

### 2.1 Statement of compliance

- a) This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.
- b) 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 does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published financial statements of the Company for the year ended June 30, 2013.
- c) This condensed interim financial information is unaudited.

### 2.2 Critical accounting estimates and judgments

The basis and methods used for critical accounting estimates and judgments adopted in this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2013.

### 2.3 Accounting Convention

This condensed interim financial information has been prepared under the historical cost convention except that investments have been marked to market and are carried at their respective fair values.

### 2.4 Functional and presentation currency

This condensed interim financial information is presented in Pakistani Rupee which is the Company's functional and presentation currency.

## 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 of the Company for the year ended June 30, 2013.

4	FIXED ASSETS	Note	September 30, 2013 Unaudited	June 30, 2013 Audited
			Rupees	
	Property and equipment	4.1	95,875,480	96,853,564
	Capital work-in-progress	4.2	11,686,199	11,326,199
	Intangible assets	4.3	280,344,799	278,847,833
			<u>387,906,478</u>	<u>387,027,596</u>

4.1 **Property and equipment**

Following is a statement of property and equipment:

**September 30, 2013 (Un-audited)**

	Computers	Building	Office equipment	Furniture and fixtures	Vehicles	Total	June 30, 2013 (Audited)
<b>Rupees</b>							
<b>As at July 1, 2013</b>							
Cost	24,364,812	80,800,000	12,090,889	15,511,950	7,662,267	140,429,918	136,523,629
Accumulated depreciation	(17,095,059)	(10,005,115)	(5,661,852)	(6,703,194)	(4,111,134)	(43,576,354)	(32,493,186)
Net book value	7,269,753	70,794,885	6,429,037	8,808,756	3,551,133	96,853,564	104,030,443
<b>Quarter ended September 30, 2013</b>							
Opening net book value	7,269,753	70,794,885	6,429,037	8,808,756	3,551,133	96,853,564	104,030,443
Additions during the period	233,494	-	1,513,829	-	-	1,747,323	5,763,331
Disposals / transfers	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	(1,857,042)
Accumulated depreciation	-	-	-	-	-	-	1,038,541
Depreciation for the period	(793,918)	(885,050)	(319,805)	(282,742)	(443,892)	(2,725,407)	(818,501)
<b>Closing net book value</b>	<b>6,709,329</b>	<b>69,909,835</b>	<b>7,623,061</b>	<b>8,526,014</b>	<b>3,107,241</b>	<b>95,875,480</b>	<b>96,853,564</b>
<b>As at September 30, 2013</b>							
Cost	24,598,306	80,800,000	13,604,718	15,511,950	7,662,267	142,177,241	140,429,918
Accumulated depreciation	(17,888,977)	(10,890,165)	(5,981,657)	(6,985,936)	(4,555,026)	(46,301,761)	(43,576,354)
Net book value	6,709,329	69,909,835	7,623,061	8,526,014	3,107,241	95,875,480	96,853,564
<b>Depreciation rates (% per annum)</b>	<b>25%</b>	<b>5%</b>	<b>20%</b>	<b>10%</b>	<b>25%</b>		



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

	Note	September 30, 2013 Unaudited	June 30, 2013 Audited			
		----- Rupees -----				
<b>4.2 Capital work-in-progress</b>						
Update of computer software	4.2.1	<u>11,686,199</u>	<u>11,326,199</u>			
<b>4.2.1</b>	This includes amount paid for upgradation of computer software to a consultant.					
<b>4.3 INTANGIBLE ASSETS</b>						
Intangible assets	4.3.1	<u>280,344,799</u>	<u>278,847,833</u>			
<b>4.3.1</b>	Following is a statement of intangible assets:					
<b>September 30, 2013 (Un-audited)</b>						
		<b>Computer software</b>	<b>Goodwill</b>	<b>Management rights</b>	<b>Total</b>	<b>June 30, 2013 (Audited)</b>
		----- Rupees -----				
<b>As at July 1, 2013</b>						
Cost		14,985,755	82,126,933	192,000,000	289,112,688	287,367,911
Accumulated depreciation		(10,264,855)	-	-	(10,264,855)	(8,126,909)
Net book value		<u>4,720,900</u>	<u>82,126,933</u>	<u>192,000,000</u>	<u>278,847,833</u>	<u>279,241,002</u>
<b>Quarter ended September 30, 2013</b>						
Opening net book value		4,720,900	82,126,933	192,000,000	278,847,833	279,241,002
Additions during the period		1,946,670	-	-	1,946,670	1,744,777
Amortisation for the period		(449,704)	-	-	(449,704)	(2,137,946)
Closing net book value		<u>6,217,866</u>	<u>82,126,933</u>	<u>192,000,000</u>	<u>280,344,799</u>	<u>278,847,833</u>
<b>As at September 30, 2013</b>						
Cost		16,932,425	82,126,933	192,000,000	291,059,358	289,112,688
Accumulated depreciation		(10,714,559)	-	-	(10,714,559)	(10,264,855)
Net book value		<u>6,217,866</u>	<u>82,126,933</u>	<u>192,000,000</u>	<u>280,344,799</u>	<u>278,847,833</u>
<b>Amortisation rates (% per annum)</b>		<u>25%</u>	-	-		
<b>5 LONG TERM INVESTMENTS</b>	Note	September 30 2013 Un-audited	June 30 2013 Audited			
		----- (Rupees) -----				
<b>In Collective Investment Schemes - related parties</b>						
Available-for-sale investments	5.1	<u>309,345,000</u>	<u>303,075,000</u>			

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

5.1 Available-for-sale investments

Name of the Investee Fund	Note	As at July 01, 2013	Bonus units acquired / units sold	As at September 30, 2013	As at September 30, 2013			As at June 30, 2013		
					Cost	Market value	Unrealised appreciation on re-measurement of investments	Cost	Market value	Unrealised appreciation on re-measurement of investments
<b>Open end mutual funds</b>										
Pakistan Pension Fund	5.1.1	900,000	-	900,000	113,328,000	158,145,000	44,817,000	113,328,000	154,218,000	40,890,000
Pakistan Islamic Pension Fund	5.1.1	900,000	-	900,000	111,534,000	151,200,000	39,666,000	111,534,000	148,857,000	37,323,000
					<u>224,862,000</u>	<u>309,345,000</u>	<u>84,483,000</u>	<u>224,862,000</u>	<u>303,075,000</u>	<u>78,213,000</u>

(Rupees)

Units

5.1.1 Net unrealized appreciation/(diminution) on re-measurement of investments classified as available for sale'

Market value of investments  
Less: Cost of investments

September 30 2013	June 30 2013
309,345,000	303,075,000
(224,862,000)	(224,862,000)
<u>84,483,000</u>	<u>78,213,000</u>
	Rupees
78,213,000	28,522,666
-	(1,276,666)
<u>6,270,000</u>	<u>50,967,000</u>

Less: Net unrealised appreciation in fair value of investments at the beginning of the period / year  
Less amount realised on redemption

6.

SHORT TERM INVESTMENTS

In Collective Investment Schemes - related parties

At fair value through profit or loss

6.1	597,805,641	571,417,927
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NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013

6.1 At fair value through profit or loss	As at September 30, 2013						As at June 30, 2013						
	Name of the Investee Fund	As at July 01, 2013	Purchases during the period	Bonus units issued during the period	Redemptions during the period	As at September 30, 2013	Carrying value	Market value	Unrealised appreciation on re-measurement of investments	Cost	Market value	Unrealised appreciation on re-measurement of investments	
		Units						Rupees					
<b>Open end mutual funds</b>													
MCB Dynamic Cash Fund	4,171,479	-	180,414	177,520	4,174,373	414,455,087	421,773,174	7,318,087	400,722,214	432,384,581	31,662,367		
MCB Dynamic Allocation Fund	1,166,918	827,401	211,148	-	2,205,467	158,348,398	159,916,495	1,568,097	88,547,336	98,348,399	9,801,063		
Metro Bank-Pakistan Sovereign Fund	791,844	-	25,234	494,951	322,127	15,937,371	16,115,972	178,601	40,000,000	40,684,947	684,947		
						588,740,856	597,805,641	9,064,785	529,269,550	571,417,927	42,148,377		

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

	Note	QUARTER ENDED	
		SEPTEMBER 30	
		2013	2012
-----Rupees-----			
<b>7 MANAGEMENT FEE / INVESTMENT ADVISORY FEE</b>			
From Collective Investment Schemes - related parties	7.1	156,410,388	141,688,308
From Discretionary Portfolio		3,369,890	1,130,204
		159,780,278	142,818,512
Less : Indirect Taxes and duties on management fee		(41,037,504)	(19,699,102)
		<b>118,742,774</b>	<b>123,119,410</b>

**7.1 From Collective Investment Schemes - related parties**

MCB Cash Management Optimizer	36,692,767	41,975,642
MCB Dynamic Allocation Fund	3,253,366	911,608
MCB Dynamic Cash Fund	54,770,338	29,001,676
MCB Dynamic Stock Fund	6,736,658	4,427,843
MCB Islamic Income Fund	8,499,575	6,054,659
AH Dow Jones SAFE Pakistan Titans 15 Index Fund	-	307,583
Metro Bank- Pakistan Sovereign Fund (perpetual)	2,954,603	21,618,365
Pakistan Capital Market Fund	2,879,087	2,136,490
Pakistan Capital Protected Fund - Fixed Income Securities	-	523,164
Pakistan Cash Management Fund	9,091,817	10,530,406
Pakistan Income Enhancement Fund	6,497,504	4,001,955
Pakistan Income Fund	5,331,844	5,725,374
Pakistan International Element Islamic Asset Allocation Fund	1,542,761	1,543,679
Pakistan Islamic Pension Fund	1,159,142	741,978
Pakistan Pension Fund	2,204,116	1,303,586
Pakistan Premier Fund	3,984,349	2,887,561
Pakistan Stock Market Fund	8,563,149	5,936,190
Pakistan Strategic Allocation Fund	2,249,312	2,060,549
	<b>156,410,388</b>	<b>141,688,308</b>

**8 ADMINISTRATIVE AND OPERATING EXPENSES**

Salaries, allowances and other benefits	40,645,605	34,325,047
Marketing and advertising expenses	728,317	856,863
Legal and professional charges	2,930,313	3,425,042
Traveling and conveyance charges	187,594	794,829
Repairs and maintenance	6,083,855	5,087,050
Office supplies	103,273	77,639
Auditors' remuneration	450,000	250,000
Directors' meeting fee	300,000	325,000
Insurance	590,429	144,684
Depreciation	2,725,407	2,995,355
Amortisation	449,704	475,248
Stamp duty and taxes	35,408	13,900
Printing and stationery	1,258,682	636,498
Utilities	1,276,364	854,264
Telephone expenses	1,098,080	1,121,188
Entertainment expenses	458,134	365,401
Books, periodicals and subscription	2,162,156	1,858,636
Miscellaneous expenses	1,116,035	1,740,733
	<b>62,599,356</b>	<b>55,347,377</b>

## 9 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as on September 30, 2013 and June 30, 2013.

## 10 TRANSACTIONS WITH RELATED PARTIES

MCB Bank Limited (MCB) holds 51.33% ordinary shares of the Company as at the year end. Therefore, all subsidiaries and associated undertakings of MCB are related parties of the Company. Other related parties comprise of collective investment schemes managed by the Company, directors, key management personnel and their close family members and the defined contribution plan. Transactions with related parties are in the normal course of business and carried out at contracted rates and terms. Details of such transaction are as follows:

	Un-audited Quarter ended September 30 2013	Un-audited September 30 2012
	-----Rupees-----	
<b>10.1 Transactions with related parties during the period</b>		
<b>MCB BANK LIMITED</b>		
Profit on bank deposits	366,711	236,146
Reimbursement of expenses	3,000,000	481,131
Commission on distribution of units	8,867,729	6,806,140
<b>ADAMJEE LIFE ASSURANCE COMPANY LIMITED</b>		
Investment advisory income	2,023,943	688,473
<b>ADAMJEE INSURANCE COMPANY LIMITED</b>		
Amount paid against insurance	807,535	584,460
<b>MCB FINANCIAL SERVICES LIMITED</b>		
Reimbursement of expenses	456,527	224,283
<b>SUMMIT BANK LIMITED</b>		
Expense against differential of guaranteed return	-	1,596,264
<b>MCB DYNAMIC CASH FUND</b>		
Remuneration income	54,770,338	29,001,676
Share of sale load	7,775	18,284
Investment in units	-	38,000,000
Issue of bonus units	18,221,795	11,948,709
Redemption of units	18,000,000	12,000,000
<b>MCB DYNAMIC STOCK FUND</b>		
Remuneration income	6,736,658	4,427,843
Share of sale load	29,209	26,404
<b>MCB DYNAMIC ALLOCATION FUND</b>		
Remuneration income	3,253,366	911,608
Share of sale load	61,303	-
Investment in units	60,000,000	100,000,000
Issue of bonus units	15,069,000	-
Redemption of units	-	14,697,804

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

	Un-audited Quarter ended September 30 2013	Un-audited Quarter ended September 30 2012
	-----Rupees-----	
<b>MCB CASH MANAGEMENT OPTIMIZER</b>		
Remuneration income	36,692,767	41,975,642
Share of sale load	16,292	-
Formation cost received	-	7,173
<b>MCB ISLAMIC INCOME FUND</b>		
Remuneration income	8,499,575	6,054,659
Share of sale load	118,701	26,426
Redemption of units	-	111,941,126
<b>PAKISTAN STOCK MARKET FUND</b>		
Remuneration income	8,563,149	5,936,190
Share of sale load	10,966	13,058
<b>PAKISTAN INCOME FUND</b>		
Remuneration income	5,331,844	5,725,374
Share of sale load	279	23,094
<b>PAKISTAN PREMIER FUND</b>		
Remuneration income	3,984,349	2,887,561
<b>METRO BANK-PAKISTAN SOVERIGN FUND - PERPETUAL SCHEME</b>		
Remuneration income	2,954,603	21,618,365
Share of sale load	-	8,021
Investment in units	-	14,693,791
Issue of bonus units	1,261,681	732,518
Redemption of units	25,000,000	-
<b>PAKISTAN CAPITAL MARKET FUND</b>		
Remuneration income	2,879,087	2,136,490
Share of sale load	377	-
<b>PAKISTAN STRATEGIC ALLOCATION FUND</b>		
Remuneration income	2,249,312	2,060,549
Amount received against conversion cost	-	957,300
Share of sale load	171	-
<b>PAKISTAN PENSION FUND</b>		
Remuneration income	2,204,116	1,303,586
Share of sale load	7,490	6,783
Contribution made to Pension fund on behalf of employees	807,312	-
<b>PAKISTAN INTERNATIONAL ELEMENT ISLAMIC ASSET ALLOCATION FUND</b>		
Remuneration income	1,542,761	1,543,679
Share of sale load	29,728	120

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

	Un-audited Quarter ended September 30 2013	Un-audited September 30 2012
	-----Rupees-----	
<b>PAKISTAN ISLAMIC PENSION FUND</b>		
Remuneration income	1,159,142	741,978
Share of sale load	-	4,957
Contribution made to Pension fund on behalf of employees	390,590	-
<b>PAKISTAN CAPITAL PROTECTED FUND - FIXED INCOME SECURITIES</b>		
Remuneration income	-	523,164
<b>PAKISTAN CASH MANAGEMENT FUND</b>		
Remuneration income	9,091,817	10,530,406
Investments in units	-	51,821,346
Issuance of bonus units	-	711,093
Redemption of units	-	26,000,000
<b>PAKISTAN INCOME ENHANCEMENT FUND</b>		
Remuneration income	6,497,504	4,001,955
Share of sale load	29,005	17,613
<b>AH DOW JONES SAFE PAKISTAN TITANS 15 INDEX FUND</b>		
Remuneration income	-	307,583
<b>MCB AMC Staff Provident Fund</b>		
Contribution made to provident fund	-	1,059,668
	September 30, 2013 (Unaudited)	June 30, 2013 (Audited)
<b>Amount outstanding as at period end</b>	----- Rupees -----	
<b>MCB BANK LIMITED</b>		
Bank balance	5,655,001	1,975,281
Other receivable	206,162	206,162
Mark up receivable	156,429	156,429
Commission payable	10,369,898	13,014,516
Other payable	4,025,272	6,853,105
<b>ADAMJEE LIFE ASSURANCE COMPANY LIMITED</b>		
Advisory fee	2,358,079	1,321,628
<b>SUMMIT BANK LIMITED</b>		
Bank balance	2,684,485	2,791,898
<b>MCB FINANCIALS SERVICES LIMITED</b>		
Payable against monthly reimbursement	150,000	151,632
<b>MCB DYNAMIC CASH FUND</b>		
Remuneration receivable	15,016,151	17,918,046
Share of load receivable	4,911,052	197,983
Closing balance of investment in units	421,773,174	432,384,581

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

	(Unaudited) September 30, 2013	(Audited) June 30, 2013
	----- Rupees -----	
<b>MCB DYNAMIC STOCK FUND</b>		
Remuneration receivable	1,902,455	1,855,602
Share of load receivable	248,805	524,706
<b>MCB DYNAMIC ALLOCATION FUND</b>		
Remuneration receivable	1,182,456	638,057
Share of load receivable	1,173,788	616,795
Closing balance of investment in units	159,916,495	98,348,399
<b>MCB CASH MANAGEMENT OPTIMIZER</b>		
Remuneration receivable	10,895,582	12,073,240
Share of load receivable	104,971	96,724
<b>MCB ISLAMIC INCOME FUND</b>		
Remuneration receivable	2,219,644	2,819,564
Share of load receivable	1,054,598	4,581,973
<b>PAKISTAN STOCK MARKET FUND</b>		
Remuneration receivable	2,354,129	2,522,056
Share of load receivable	373,796	405,132
Other receivable	98,454	8,855
<b>PAKISTAN INCOME FUND</b>		
Remuneration receivable	1,465,547	1,898,723
Share of load receivable	159,556	946,370
<b>PAKISTAN PREMIER FUND</b>		
Remuneration receivable	1,091,934	1,184,745
Share of load receivable	1,976	4,308
Other receivable	2,750	2,750
Conversion cost receivable	3,952,675	3,952,675
<b>METRO BANK - PAKISTAN SOVERIGN FUND</b>		
Remuneration receivable	765,400	2,702,281
Share of load receivable	84,507	124,531
Closing balance of investment in units	16,115,972	40,684,947
<b>PAKISTAN CAPITAL MARKET FUND</b>		
Remuneration receivable	804,797	850,897
Other receivable	6,895	5,197
<b>PAKISTAN STRATEGIC ALLOCATION FUND</b>		
Remuneration receivable	628,517	665,929
Share of load receivable	3,454	400
Conversion cost receivable	5,122,826	5,122,826
<b>PAKISTAN PENSION FUND</b>		
Remuneration receivable	665,672	629,710
Share of load receivable	36,438	36,438
Closing balance of investment	158,145,000	154,218,000



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


	(Unaudited) September 30, 2013	(Audited) June 30, 2013
	----- Rupees -----	
<b>PAKISTAN INTERNATIONAL ELEMENT ISLAMIC ASSET ALLOCATION FUND</b>		
Remuneration receivable	837,214	412,539
Share of load receivable	294,699	201,131
<b>PAKISTAN ISLAMIC PENSION FUND</b>		
Remuneration receivable	345,258	329,489
Share of load receivable	15,784	59,864
Closing balance of investment	151,200,000	148,857,000
<b>PAKISTAN CAPITAL PROTECTED FUND - FIXED INCOME SECURITIES</b>		
Others receivable	-	840,478
<b>PAKISTAN CASH MANAGEMENT FUND</b>		
Remuneration receivable	2,924,527	2,584,464
Others receivable	27,009	35,029
Other payable	-	985
<b>PAKISTAN INCOME ENHANCEMENT FUND</b>		
Remuneration receivable	1,241,652	1,799,004
Share of load receivable	118,164	5,602,829
Others receivable	51,889	3,530

**11. DATE OF AUTHORIZATION FOR ISSUE**

This condensed interim financial information was approved and authorized for issue by the Board of Directors of the company in their meeting held on October 23, 2013.

**12. NON-ADJUSTING EVENT**

The Board of Directors in its meeting held on August 05, 2013 has proposed a cash dividend of Rs. 1.00 per share. This appropriation will be approved in the Annual General Meeting to be held on October 25, 2013. The financial statements for the quarter ended September 30, 2013 do not include the effect of this appropriation.



Chief Executive Officer



Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

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

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