

Half Year Report
December 31, 2015
(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

CONTENTS

Fund's Information	103
Report of the Directors of the Management Company	104
Trustee Report to the Unit Holders	106
Auditors' Report to the Unit Holders on Review of Condensed Interim Financial Information	107
Condensed Interim Statement of Assets and Liabilities	108
Condensed Interim Income Statement (Un-audited)	109
Statement of Comprehensive Income (Un-audited)	110
Condensed Interim Distribution Statement (Un-audited)	111
Condensed Interim Statement of Movement in Unit Holders' Funds (Un-audited)	112
Condensed Interim Cash Flow Statement (Un-audited)	113
Notes to and forming part of the Condensed Interim Financial Statements (Un-audited)	114

FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings and Investments Limited 24 th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi.	
Board of Directors	Mian Mohammad Mansha	Chairman
	Mr. Nasim Beg	Executive Vice Chairman
	Dr. Syed Salman Ali Shah	Director
	Mr. Haroun Rashid	Director
	Mr. Ahmed Jahangir	Director
	Mr. Samad A. Habib	Director
	Mr. Mirza Mahmood Ahmad	Director
Audit Committee	Mr. Haroun Rashid	Chairman
	Mr. Ahmed Jahangir	Member
	Mr. Samad A. Habib	Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah	Chairman
	Mr. Nasim Beg	Member
	Mr. Haroun Rashid	Member
	Mr. Ahmed Jahangir	Member
Company Secretary & Acting Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer	Mr. Asif Mehdi	
Trustee	Central Depository Company of Pakistan Limited CDC House, 99-B Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited Habib Bank Limited Faysal Bank Limited United Bank Limited National Bank of 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 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area, Phase VI, DHA, Karachi.	
Transfer Agent	MCB-Arif Habib Savings and Investments Limited 24 th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi.	
Rating	AM2 + Asset Manager Rating assigned by PACRA	

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

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, 2015.

ECONOMY AND MONEY MARKET OVERVIEW

Overall economic score card continued to gather stability with the significant drop in Int'l Crude Oil Prices. Inflation continued to soften despite a small portion of recent decline in oil prices is passed through as other commodity prices and overall food sector also contributed to the overall slowdown. Recent drop in crude oil has deferred the earlier anticipated uptick in inflation as the full year FY16 average inflation is now expected to remain below 3%.

External account continued to remain stable where Petroleum Group Imports during the 1HFY16 are lower by approx 39% compared to 1HFY15. However, sizeable increase in imports of food and machinery groups and a significant decline in exports (down 14.5% in 1HFY15 YoY) shaved off approximately the two third of the benefit of drop oil prices. Suffering from weak global demand and relative in-competitiveness the decline was most visible in the other manufacturing sector followed by food and textile sectors. Overall Balance of payment account reported a surplus of near USD 1.5 billion supported by a narrower current account and inflows in financial account. Overall positive external account impact and strong foreign exchange reserves balance of near USD 20.76 Billion along with strict vigilance of SBP kept the rupee relatively stable.

M2 growth returned to positive territory on FY16 to date basis (25-Dec) which reflects the seasonal adjustment where Net Domestic Assets continually supported by a net government borrowing of about PKR 95 billion with a contribution from Net Financial Asset of PKR 168 billion. Money markets remained optimistic about further cut in discount rate and its sustainability in later half of the year. Yield Curve has thus recently witnessed a slight increase in slope with longer dated bonds remaining relatively less responsive to the expected change in policy rate.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 5.96% as against its benchmark return of 4.62%, an out performance of 1.34%. Owing to macroeconomic situation the fund during the period gradually kept on decreasing its WAM, mainly to avail the benefit from discount rate stability which appeared to be near bottom. Adding on to it volatility in oil prices and its expected impact on inflation rate were also the agents in our decision making for decreasing our WAM of the fund, which stood around 16 days at December end.

The fund was around 53.8% invested in TDRs, 41.9% in cash and bank deposits while 3.7% was invested in T-Bills.

The Net Assets of the Fund as at December 31, 2015 stood at Rs. 7,029 million as compared to Rs. 12,533 million as at June 30, 2015 registering a decrease of 43.92%.

The Net Asset Value (NAV) per unit as at December 31, 2015 was Rs. 103.1187 as compared to opening NAV of Rs. 100.1105 per unit as at June 30, 2015 registering an increase of Rs. 3.0082 per unit.

FUTURE OUTLOOK

Crude Oil Prices have created space on fiscal account with lower subsidies and debt servicing burden however major reforms for resolution of circular debt are yet missing which in turn is leaving the chronic issue unresolved. On the other hand, the weak economic outlook of GCC region and Saudi Arabia opens up a potential risk to flow of remittances which contribute more than 60% to the total. Weak exports and potentially weak remittances can be a significant threat to overall stable economic environment and more importantly the exchange rate. Despite real positive interest rates and weak inflationary outlook, we think the emerging risks to current account shall weigh on any considerations for significant monetary easing.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

The short term macro stability is expected to provide favorable environment for economic activities to pick up. The average Consumer Price Index is expected to remain around 3% for the year with the second half of fiscal year inflation expected to average around 4%. We expect the inflation to gradually pick up but it is expected to remain well anchored next year assuming oil prices remain at lower levels.

Budgeted target for economic growth appear achievable while fiscal deficit may marginally exceed due to challenges in revenue collection despite significant reduction in subsidies.

The China Pakistan Economic Corridor is expected to provide much needed impetus to growth with \$46 billion program expected to spur activity in the construction and power space which would have its trickle down affects. However, the current account is expected to worsen with import bill increasing in the short term along with the Foreign Direct Investment inflows. Profit repatriation in the long term would also be a concern for the balance of payments position.

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,



Saqib Saleem
Acting Chief Executive Officer

February 04, 2016

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
Fax: (92-21) 34326020 - 23
URL: www.cdcPakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

MCB CASH MANAGEMENT OPTIMIZER

Report of the Trustee pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We Central Depository Company of Pakistan Limited, being the Trustee of MCB Cash Management Optimizer (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2015 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 18, 2016



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



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

Report on review of Condensed Interim Financial Information to the Unit Holders

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **MCB Cash Management Optimizer** ("the Fund") as at 31 December 2015 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 2015 and 31 December 2014 in the condensed interim financial information have not been reviewed by us and we do not express a conclusion on them.

Date: 4 February 2016

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 2015

	Note	31 December 2015 (Unaudited) (Rupees in '000)	30 June 2015 (Audited)
Assets			
Balance with banks	6	3,011,744	2,398,028
Investments	7	264,274	10,302,405
Term deposit receipts	8	3,870,000	-
Advances, prepayments, profit and receivables		48,252	10,000
Total assets		7,194,270	12,710,433
Liabilities			
Payable to Management Company		5,681	5,086
Payable to Central Depository Company of Pakistan Limited - Trustee		615	570
Payable to Securities and Exchange Commission of Pakistan		3,293	8,282
Accrued and other liabilities	9	155,247	163,848
Total liabilities		164,836	177,786
Net assets		7,029,434	12,532,647
Unit holders' fund (as per statement attached)		7,029,434	12,532,647
Contingencies and commitments	10		
		(Number of units)	
Number of units in issue (face value of units is Rs. 100 each)		68,168,384	125,188,076
		(Rupees)	
Net asset value per unit		103.12	100.11

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.

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


Director


Director

Statement under Section 241(2) of the Companies Ordinance, 1984

"As the approval of the appointment of the Chief Executive Officer from the Securities and Exchange Commission of Pakistan is awaited, this condensed interim financial information has been signed by two Directors authorized in this behalf by the Board of Directors of the Management Company"

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2015

	Note	Half year ended		Quarter ended	
		31 December		31 December	
		2015	2014	2015	2014
		----- (Rupees in '000) -----			
Income					
Capital gain on sale of investments - net		5,663	3,421	2,384	7,557
Income from government securities		216,781	474,638	71,779	223,496
Profit on term deposit receipts		57,695	134,569	47,270	80,624
Profit on bank deposits		28,334	24,355	23,491	15,932
		308,473	636,983	144,924	327,609
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'at fair value through profit or loss'		(112)	824	(1,983)	2,217
Total income		308,361	637,807	142,941	329,826
Expenses					
Remuneration of Management Company		30,574	63,551	14,341	32,753
Sindh Sales tax and Federal Excise Duty on Management Fee		9,857	21,227	4,624	10,940
Remuneration of Central Depository Company of Pakistan Limited - Trustee		3,655	4,914	1,775	2,501
Sindh Sales tax on Trustee Fee	11	512	-	249	-
Annual fee of Securities and Exchange Commission of Pakistan		3,293	4,723	1,587	2,416
Auditor's remuneration		561	492	269	285
Amortisation of preliminary expenses		-	246	-	-
Brokerage expenses		666	1,376	318	702
Allocated expenses	12	834	-	834	-
Other expenses		492	519	223	276
Total operating expenses		50,444	97,048	24,220	49,873
Net operating income for the period		257,917	540,759	118,721	279,953
Net element of (loss) and capital (losses) included in prices of units issued less those in units redeemed					
-from realized / unrealized capital gain		(511)	(1,827)	(369)	(1,450)
-from other income		(52,348)	(115,913)	(35,136)	(130,315)
		(52,859)	(117,740)	(35,505)	(131,765)
Provision for workers' welfare fund	9.2	-	(8,468)	-	(2,971)
Net income for the period before taxation		205,058	414,551	83,216	145,217
Taxation	13	-	-	-	-
Net income for the period after taxation		205,058	414,551	83,216	145,217
Earnings per unit	14				

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.

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


Director


Director

Statement under Section 241(2) of the Companies Ordinance, 1984

"As the approval of the appointment of the Chief Executive Officer from the Securities and Exchange Commission of Pakistan is awaited, this condensed interim financial information has been signed by two Directors authorized in this behalf by the Board of Directors of the Management Company"

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2015**


	Half year ended		Quarter ended	
	31 December		31 December	
	2015	2014	2015	2014
	----- (Rupees in '000) -----			
Net income for the period after taxation	205,058	414,551	83,216	145,217
Other comprehensive income:				
<i>Items that are or may be reclassified subsequently to income statement</i>				
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'	-	390	-	-
Total comprehensive income for the period	205,058	414,941	83,216	145,217

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.

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



Director



Director

Statement under Section 241(2) of the Companies Ordinance, 1984

"As the approval of the appointment of the Chief Executive Officer from the Securities and Exchange Commission of Pakistan is awaited, this condensed interim financial information has been signed by two Directors authorized in this behalf by the Board of Directors of the Management Company"


**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2015**

	Half year ended		Quarter ended	
	31 December		31 December	
	2015	2014	2015	2014
	----- (Rupees in '000) -----			
Undistributed income brought forward	13,784	2,207	130,400	272,492
Total comprehensive income for the period	205,058	414,941	83,216	145,217
Net element of loss and capital losses included in prices of units issued less those in units redeemed - amount representing unrealised diminution	(6,302)	(276)	(1,076)	(837)
Undistributed income carried forward	<u>212,540</u>	<u>416,872</u>	<u>212,540</u>	<u>416,872</u>

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.

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


Director


Director

Statement under Section 241(2) of the Companies Ordinance, 1984

"As the approval of the appointment of the Chief Executive Officer from the Securities and Exchange Commission of Pakistan is awaited, this condensed interim financial information has been signed by two Directors authorized in this behalf by the Board of Directors of the Management Company"

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED)

FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2015

	Half year ended 31 December		Quarter ended 31 December	
	2015	2014	2015	2014
	(Rupees in '000)			
Net assets at the beginning of the period	12,532,647	10,180,728	7,921,457	13,145,424
Issue of 81,017,884 units (2014: 109,934,688 units) and 39,973,932 units (2014: 39,587,633 units) for the half year and quarter ended respectively	8,224,160	11,189,510	4,088,623	4,081,560
Redemption of 138,037,576 units (2014: 115,774,911 units) and 49,715,573 units (2014: 72,371,968 units) for the half year and quarter ended respectively	(13,985,290)	(11,891,549)	(5,099,367)	(7,492,596)
Net element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed:	(5,761,130)	(702,039)	(1,010,744)	(3,411,036)
- amount representing loss / (income) and capital losses / (gains) transferred to income statement				
-from realized / unrealized capital gain	511	1,827	369	1,450
-from other income	52,348	115,913	35,136	130,315
- amount representing loss that forms part of unit holder's fund transferred to distribution statement	6,302	276	1,076	837
	59,161	118,016	36,581	132,602
Net element of loss and capital losses included in prices of units issued less those in units redeemed - transferred to distribution statement	(6,302)	(276)	(1,076)	(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)	199,507	410,306	82,815	135,443
Capital gain on sale of investments - net	5,663	3,421	2,384	7,557
Net unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss'	(112)	824	(1,983)	2,217
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'	-	390	-	-
Total comprehensive income for the period	205,058	414,941	83,216	145,217
Net assets at end of the period	7,029,434	10,011,370	7,029,434	10,011,370
Net assets value per unit as at beginning of the period	100.11	100.02	101.67	102.12
Net assets value per unit as at end of the period	103.12	104.35	103.12	104.35

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.

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


Director


Director

Statement under Section 241(2) of the Companies Ordinance, 1984

"As the approval of the appointment of the Chief Executive Officer from the Securities and Exchange Commission of Pakistan is awaited, this condensed interim financial information has been signed by two Directors authorized in this behalf by the Board of Directors of the Management Company"

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2015


	Half year ended	Quarter ended		
	31 December	31 December		
	2015	2014	2015	2014
	----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period before taxation	205,058	414,551	83,216	145,217
Adjustments for non cash and other items:				
Net unrealised diminution / (appreciation) on re-measurement of investments classified as 'at fair value through profit or loss'	112	(824)	1,983	(2,217)
Amortisation of preliminary expenses	-	246	-	-
Net element of loss and capital losses included in prices of units issued less those in units redeemed				
-from realized / unrealized capital gain	511	1,827	369	1,450
-from other income	52,348	115,913	35,136	130,315
	52,971	117,162	37,488	129,548
	258,029	531,713	120,704	274,765
Decrease / (increase) in assets				
Investments	10,038,019	1,552,636	2,662,935	2,681,677
Term deposit receipts	(3,870,000)	(3,500,000)	(970,000)	(2,300,000)
Advances, prepayments, profit and receivables	(38,252)	76,328	(32,534)	318,123
	6,129,767	(1,871,036)	1,660,401	699,800
Increase / (decrease) in liabilities				
Payable to Management Company	595	(1,064)	25	(945)
Payable to Central Depository Company of Pakistan Limited - Trustee	45	(30)	(16)	(873)
Payable to Securities and Exchange Commission of Pakistan	(4,989)	(5,309)	1,587	2,416
Payable against purchase of investments	-	3,294,110	-	3,294,110
Accrued expenses and other liabilities	(8,601)	20,514	2,773	9,412
	(12,950)	3,308,221	4,369	3,304,120
Net cash flow generated from operating activities	6,374,846	1,968,898	1,785,474	4,278,685
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments received against issuance of units	8,224,160	11,189,510	4,088,623	4,081,560
Payments against redemption of units	(13,985,290)	(11,891,549)	(5,099,367)	(7,492,596)
Net cash used in financing activities	(5,761,130)	(702,039)	(1,010,744)	(3,411,036)
Net increase in cash and cash equivalents	613,716	1,266,859	774,730	867,649
Cash and cash equivalents at beginning of the period	2,398,028	1,169,508	2,237,014	1,568,718
Cash and cash equivalents as at end of the period	3,011,744	2,436,367	3,011,744	2,436,367

6

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.

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


Director


Director

Statement under Section 241(2) of the Companies Ordinance, 1984

"As the approval of the appointment of the Chief Executive Officer from the Securities and Exchange Commission of Pakistan is awaited, this condensed interim financial information has been signed by two Directors authorized in this behalf by the Board of Directors of the Management Company"

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

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 management 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 a certificate of registration issued by the SECP. The registered office of the Management Company is currently situated at 8th floor, Techno city corporate tower, Hasrat Mohani Road, Karachi, Pakistan. With effect from 08 February, 2016 the registered office of the Management Company will be changed to 24th Floor, Centre Point, Off. Shaheed-e-Millat Expressway, Near KPT interchange, Karachi, Pakistan.

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 Pakistan Stock Exchange. (Formerly listed on 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 MCB-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.

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 2015.

The comparative in the statement of assets and liabilities presented in the condensed interim financial information as at 31 December 2015 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2015, 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 2014.

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.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

4 Functional and presentation currency

This condensed interim financial information is presented in Pak Rupees which is the functional and presentation currency of the Fund and rounded to the nearest thousand rupees.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the annual financial statements of the Fund for the year ended 30 June 2015.

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 2015 except as disclosed in note 3.1

3.1 Changes in accounting policies

3.1.1 Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, the Fund has included additional disclosures in this regard (see Note 15).

In accordance with the transitional provisions of IFRS 13, the Fund has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Fund's assets and liabilities.

3.1.2 Element of income

Element of income arising on issuance and redemption of units is bifurcated in to portion attributable to capital gain / losses (realized and unrealized) and other income appearing in book of accounts of the Funds. Accordingly, corresponding figures have been aligned with the current presentation.

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 2015.

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 2015.

		31 December 2015 (Unaudited) (Rupees in '000)	30 June 2015 (Audited)
6. BALANCES WITH BANKS			
Saving accounts	6.1	3,010,613	2,390,467
Current accounts		1,131	7,561
		<u>3,011,744</u>	<u>2,398,028</u>

6.1 These carry mark-up at rates ranging between 4% to 7.05% per annum (30 June 2015: 4.5% to 10.35% per annum).

7. INVESTMENTS

7.1 'Investments at fair value through profit or loss'

Market Treasury Bills	7.1.1	264,274	10,260,063
Pakistan Investment Bonds	7.1.2	-	42,342
		<u>264,274</u>	<u>10,302,405</u>

7.1 'Investments at fair value through profit or loss'

8.1 These carry interest at rates ranging between 6.80% to 6.95% per annum (30 June 2015: nil) and will mature latest by 4 February 2016.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

		31 December 2015 (Unaudited)	30 June 2015 (Audited)
9. ACCRUED AND OTHER LIABILITIES		(Rupees in '000)	
Provision for Federal Excise Duty and related taxes	9.1	50,118	44,541
Provision for Federal Excise Duty on sales load		19	19
Provision for Workers' Welfare Fund	9.2	102,911	102,911
Withholding tax payable (deducted on dividend distribution)		-	13,392
Withholding tax payable (deducted on capital gains)		1,407	1,871
Auditors' remuneration		483	577
Brokerage payable		229	417
Others		80	120
		155,247	163,848

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. 50.118 million as at 31 December 2015. 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. 0.735 per unit as at 31 December 2015.

9.2 Through the Finance Act 2015, the definition of Industrial Establishment is amended to exclude the mutual funds and collective investment schemes. The management is of the view that since the change is brought in the definition it would be effective from 01 July 2015. Accordingly the provision for WWF is discontinued from 01 July 2015. However there is no change in the status of petition pending with the Honourable Sindh High Court (SHC) as reported in note 16 to the annual financial statements of the Fund for the year ended June 30, 2015. Since the matter is pending adjudication, the fund has retained a provision for WWF up to 30 June 2015 amounting to Rs. 102.911 millions. Had the provision not been made, the net asset value per unit of the Fund would have been higher by Rs.1.5097 per unit (30 June 2015: Rs. 0.822 per unit).

10. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at 31 December 2015.

11. SINDH SALES TAX ON TRUSTEE FEE

The Sindh Revenue Board through Circular No. SRB 3-4/TP/01/2015/86554 dated 13 June 2015 has amended the definition of services of shares, securities and derivatives and included the custodianship services as well according to which Sindh sales tax at the rate of 14% is charged on trustee fee. Accordingly, the Fund has made an accrual of Rs. 0.512 million on account of Sindh sales tax on services chargeable on custodianship services.

12. ALLOCATED EXPENSES

During the current period, a statutory notification (S.R.O. No. 1160 (I)/2015 dated November 25, 2015) was issued by Securities and Exchange Commission of Pakistan (SECP), which introduced amendments in Non - Banking Finance Companies and Notified Entities Regulations, 2008. As a result of these amendments, the Management Company may charge fees and expenses related to registrar services, accounting, operations and valuation services, related to Collective Investment Schemes (CIS) upto a maximum of 0.1% of average annual net assets of the Scheme. Accordingly, such expenses have been charged effective from 27 November 2015.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

13. 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 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. The Fund has not recorded any tax liability in respect of income relating to the current period as the management company intends to distribute at least 90 percent of the Fund's accounting income for the year ending 30 June 2016 as reduced by capital gains (whether realised or unrealised) to its unit holders.

14. 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.

15. FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value of underlying financial assets are determined based on requirements of Regulation 66 of Non-Banking Finance Companies and Notified Entities Regulations, 2008 and directives if any, issued by the Securities and Exchange Commission of Pakistan. Fair value of debt instruments other than Government Securities, which are unlisted or listed but not traded regularly on stock exchange be valued at rates notified by Mutual Funds Association of Pakistan. The fair value of financial assets traded in active market i.e. listed securities are based on the quoted market price at determined by stock exchange in accordance with its regulations.

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

Level 1 - Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.

Level 2 -Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable).

Level 3 — Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

As at 31 December 2015, the Fund held the following classes of financial instruments measured at fair value:

31 December 2015	Carrying amount		Fair value		
	Investments	Cash and cash equivalents	Trade and other receivables	Total	Level 1 Level 2 Level 3 Total
Financial assets measured at fair value					
Market Treasury Bills	264,386	-	-	264,386	- 264,274 - 264,274
Financial assets not measured at fair value					
Cash and cash equivalents	15.1 -	3,011,744	-	3,011,744	- - -
Term deposit receipts	15.1 -	-	3,870,000	3,870,000	- - -
Profit and receivables	15.1 -	-	48,226	48,226	- - -
	264,386	3,011,744	3,918,226	7,194,356	- 264,274 - 264,274

15.1 The Fund has not disclosed the fair values for these financial assets, because their carrying amounts are reasonable approximation of fair value.

15.2 All the financial liabilities of the fund are classified as trade and other payables. The Fund has not disclosed the fair values for these financial liabilities, because their carrying amounts are reasonable approximation of fair value.

15.3 For financial instruments that are recognised at fair value on a recurring basis, the Fund determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the six-month period ended 31 December 2015, there were no transfers between Level 1, Level 2 or Level 3 of fair value measurements.

16. TRANSACTIONS WITH CONNECTED PERSONS / 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 STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

16.1 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	
	2015	2014	2015	2014
	(Rupees in '000)			
MCB-Arif Habib Savings and Investments Limited				
Remuneration of the Management Company (including indirect taxes)	40,431	84,778	19,799	43,693
Federal excise duty on remuneration of Management Company	-	-	-	-
Sindh sales tax on remuneration of Management Company	-	-	-	-
Allocated expenses (including indirect taxes)	834	-	834	-
Central Depository Company of Pakistan Limited - Trustee				
Remuneration of the Trustee (including indirect taxes)	4,167	4,914	2,024	2,501
MCB Bank Limited				
Profit on bank deposits	2,260	8,052	321	3,354
Bank Charges	59	58	19	37
Arif Habib Limited - Brokerage House				
Brokerage expense*	1	9	1	1
Next Capital Limited - Brokerage House				
Brokerage expense*	67	228	7	57
Summit Capital (Private) Limited - Brokerage House				
Brokerage expense*	29	26	-	22

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

	31 December 2015 (Unaudited)	30 June 2015 (Audited)
	(Rupees in '000)	
MCB-Arif Habib Savings and Investments Limited		
Management fee payable	4,252	4,336
Sindh sales tax payable on management fee	595	650
Allocated expenses payable	834	-
Legal and professional charges payable	-	100
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	540	570
Sindh sales tax payable on trustee fee	75	-
MCB Bank Limited		
Bank deposits**	39,780	389,275
Profit receivable on bank deposits	443	3,606
Arif Habib Limited - Brokerage House		
Brokerage payable*	1	73
Next Capital Limited - Brokerage House		
Brokerage payable*	7	31

* 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.

** This includes Rs 38.649 million (30 June 2015: 381.714 million) in saving accounts carrying profit at the rate of 4% to 6.25% (30 June 2015: 8.5% to 9.2%) per annum.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

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

	Unaudited			
	Half year ended 31 December 2015		Half year ended 31 December 2014	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Units sold to:				
MCB-Arif Habib Savings and Investments Limited	2,052,204	207,740	1,727,647	177,988
Pakistan Petroleum Limited***	9,776,355	985,000	-	-
Lucky Cement Limited***	7,354,780	750,000	-	-
Key management personnel	11,963	1,198	14,612	1,495
Mandate Under Discretionary Portfolio Services	661,513	67,356	221,732	22,466
Units redeemed by:				
MCB-Arif Habib Savings and Investments Limited	2,331,191	235,907	1,727,647	178,273
Adamjee Insurance Company Limited	8,655,218	870,529	2,194,525	222,292
Adamjee Insurance Company Limited - Investment Dept	19,131,871	1,924,255	-	-
D.G. Khan Cement Company Limited	15,057,137	1,509,401	-	-
Pakistan Petroleum Limited***	-	-	2,450,723	250,000
Key management personnel	316	32	19,366	1,988
Mandate Under Discretionary Portfolio Services	1,297,573	131,697	415,003	42,473
	31 December 2015 (Unaudited)	30 June 2015 (Audited)	31 December 2015 (Unaudited)	30 June 2015 (Audited)
	(Units)		(Rupees in '000)	
Units held by:				
MCB-Arif Habib Savings and Investments Limited	-	-	-	-
Adamjee Insurance Company Limited	100,893	379,880	10,404	38,030
Adamjee Life Assurance Company Limited	-	8,655,218	-	866,478
Adamjee Life Assurance Company Limited - IMF Fund	-	-	-	-
Adamjee Life Assurance Company Limited - ISF Fund	-	-	-	-
Lucky Cement Limited***	-	-	-	-
Key management personnel	7,354,780	-	758,415	-
Mandate Under Discretionary Portfolio Services	16,046	4,399	1,655	440

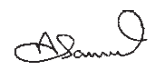
*** These persons became connected persons / related parties during the period due to acquiring unit holding of more than 10% of net assets of the Fund.

17. DATE OF AUTHORISATION

17.1 This condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on February 04, 2016 .

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


Director


Director

Statement under Section 241(2) of the Companies Ordinance, 1984

"As the approval of the appointment of the Chief Executive Officer from the Securities and Exchange Commission of Pakistan is awaited, this condensed interim financial information has been signed by two Directors authorized in this behalf by the Board of Directors of the Management Company"

Please find us on



by typing: **Bachat Ka Doosra Naam**

MCB-Arif Habib Savings and Investments Limited

24th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi-74900

UAN: (+92-21) 11-11-62224 (11-11-MCBAH), 111-468-378 (111-INVEST)

Bachat Center: 0800-62224 (0800-MCBAH), Fax: (+92-21) 35316080, 35316081,

URL: www.mcbah.com, Email: info@mcbah.com