

Quarterly Report
September 30, 2016
(Unaudited)



Funds Under Management
of
MCB-Arif Habib Savings and Investments Limited

Rated: **AM2++** by PACRA

PAKISTAN CASH MANAGEMENT FUND

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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 Muhammad Mansha Mr. Nasim Beg Mr. Muhammad Saqib Saleem Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib	Chairman Member Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir	Chairman Member Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer	Mr. Muhammad Asif Mehdi	
Company Secretary	Mr. Abdul Basit	
Trustee	MCB Financial Services Limited 4th Floor, Pardesi House 2/1, R-Y-16 Old Queens Road, Karachi, Pakistan.	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited Allied Bank Limited Zarai Taraqiati Bank Limited United Bank Limited Bank Al-Habib Limited	
Auditors	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants Progressive Plaza, Beaumont Road, P.O. Box 15541, Karachi, Sindh-75530, Pakistan.	
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 DIRECTORS OF MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2016

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **Pakistan Cash Management Fund's** accounts review for the quarter ended September 30th, 2016.

ECONOMY AND MONEY MARKET OVERVIEW

The fiscal year kicked off on a positive note with most of major macroeconomic indicators showing signs of stabilization. Inflation as measured by CPI averaged at 3.9% for 1QFY17 compared to 3.5% witnessed during the preceding quarter. Government decision to maintain petroleum prices helped to contain the inflation in low single digits. Alongside, government's renewed focus towards agricultural sector also assisted in controlling food inflation.

Monetary Policy Committee ("MPC") in its first meeting of the current fiscal year maintained a status quo stance, keeping the discount rate at 5.75%. The MPC highlighted encouraging macroeconomic environment supported by record high foreign exchange reserves behind its decision. However, it raised certain red flags on widening of current account deficit owing to declining exports and rising imports.

Current account ("CA") balance witnessed a deficit of USD 1,316 million in the 2MFY17 compared to USD 686 million witnessed during the same period of last year, on the back of rising imports and falling exports. Alongside, remittances came under pressure as they fell by 5.4% YoY to USD 4.7 billion during the 1QFY17. The slowdown in remittances was inevitable owing to a weak global GDP growth along with poor economic dynamics of gulf economies where most of the Pakistani expatriates are employed. Nevertheless, the hit on current account did not affect foreign exchange reserves as strong financial inflows especially CPEC led inflows, managed to offset the impact of weakening current account. Foreign Exchange Reserves increased by USD 500 million during the quarter, to USD 23.6 billion.

PIB yields during the quarter inched up by ~30 bps for 3 year, 5 year and 10 year bonds. Inflation beat the market expectations during most of the months causing the yield curve to shift upwards. Furthermore, the bearish sentiment was also backed by SBP in its MPS, which highlighted its concerns on external account as exports dwindled, while remittances witnessed a slowdown.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 5.18% as against its benchmark return of 5.81%. The Net Assets of the Fund as at September 30, 2016 stood at Rs. 1,323 million as compared to Rs. 1,993 million as at June 30, 2016 registering a decrease of 33.61%. The Net Asset Value (NAV) per unit as at September 30, 2016 was Rs. 50.8615 as compared to NAV of Rs. 50.2062 per unit as at June 30, 2016 registering an increase of Rs. 0.6553 per unit.

FUTURE OUTLOOK

With a more stabilized economy now on board, the government has unveiled an ambitious plan to revive the growth of the country. For the current fiscal year, the government is envisaging an ambitious growth target of 5.7% compared to 4.7% witnessed during the preceding year. The prospects of improvement in Pakistan's economy look increasingly promising on the back of improved power situation, rising business confidence, and initiation of projects under the USD 46 billion CPEC program.

The average Consumer Price Index is expected to remain below 5% for the year. Stability in oil prices & exchange rate would allow inflation over the next few quarters to remain well anchored in the range of 4.0%-5.0% thus a stable monetary policy environment looks likely.

As of recent, current account has remained vulnerable owing to weak exports and a slowdown in remittances. While this has been offset by strong financial inflows recently, further deterioration in external account can pose threat to the currency and could result in more than expected PKR depreciation, which we consider the only major risk to economy at this juncture of time.

The macro stability along with China Pakistan Economic Corridor is expected to provide impetus to the construction and power space. Furthermore, expansionary cycle along with stable interest rate environment is expected to provide better global positioning compared with other emerging market economies. Construction sector is expected to remain the proxy for infrastructure led economic growth.

REPORT OF THE DIRECTORS OF MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2016

Long term stability in oil prices is expected to provide impetus to exploration & production sector driven by exploration growth. Banks are expected to gain limelight once life after PIB maturity becomes clear and focus is on the attractive Price to Book ratios. The up gradation into the emerging markets index would remain a major impetus for KSE-100 index and could lead to re-rating of market towards higher multiples.

On the fixed income front, market is expected to remain cautious on back of uptick in inflation trajectory and cross border tensions. Visibility on economic front, in particular to balance of payments, would guide further participation towards fixed income markets.

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,



Muhammad Saqib Saleem
Chief Executive Officer
October 21, 2016

ڈائریکٹر رپورٹ

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی جانب سے 30 ستمبر 2016ء کو اختتام پذیر ہونے والی مدت کے لئے پاکستان کیش مینجمنٹ فنڈ کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت اور بازار زر کا جائزہ

مالی سال کا آغاز خوش آئند تھا اور کلاں معیشت کی نشاندہی کرنے والے اہم عوامل استحکام کی علامات ظاہر کر رہے تھے۔ CPI کی پیمائش کردہ افراط زر کا اوسط مالی سال 2017ء کی پہلی سہ ماہی میں 3.9% تھا، جبکہ گزشتہ سہ ماہی میں 3.5% تھا۔ پٹرولیم کی قیمتوں کو مستحکم رکھنے کے حکومتی فیصلے سے بھی افراط زر کے اعداد و شمار پست رکھنے میں معاونت حاصل ہوئی۔ مزید برآں، زراعت کے شعبے کی طرف حکومت کی تازہ توجہ کی بدولت اشیائے خورد و نوش کے افراط زر کو قابو میں رکھنے میں مدد ملی۔

مانیٹری پالیسی کمیٹی (MPC) نے رواں مالی سال کے پہلے اجلاس میں ڈسکاؤنٹ کی شرح کو 5.75% کی سطح پر قائم رکھ کر اپنا سابقہ موقف برقرار رکھا۔ MPC نے کلاں معاشیات کے حوصلہ افزا ماحول اور غیر ملکی زرمبادلہ کے ذخائر کی اب تک کی بلند ترین سطح کو اپنے فیصلے کے خصوصی اسباب قرار دیا، تاہم برآمدات میں کمی اور درآمدات میں اضافے کو خطرے کی گھنٹی قرار دیا۔

کرنٹ اکاؤنٹ (CA) میں مالی سال 2017ء کے (2M) میں 1,316 ملین ڈالر خسارہ ہوا، جبکہ گزشتہ سال اسی مدت کے دوران 686 ملین ڈالر خسارہ ہوا تھا، اور اس کی وجہ درآمدات میں اضافہ اور برآمدات میں کمی ہے۔ مزید برآں، ترسیلات زر پر دباؤ پڑا؛ مالی سال 2017ء کی پہلی سہ ماہی کے دوران ترسیلات زر میں 5.4% YoY کمی ہوئی اور یہ 4.7 بلین ڈالر کی سطح پر آگئیں۔ عالمی سطح پر مجموعی ملکی پیداوار (GDP) کی نجیف ترقی اور غلجی معاشیات، جہاں بیرون ملک مقیم پاکستانیوں کی اکثریت برسر روزگار ہے، کے ناتواں محرکات کی وجہ سے ترسیلات زر میں یہ سست روی ناگزیر تھی۔ لیکن کرنٹ اکاؤنٹ پر اس ضرب سے غیر ملکی زرمبادلہ کے ذخائر متاثر نہیں ہوئے کیونکہ مضبوط مالیاتی آمدیات، بالخصوص CPEC پر مبنی مالیات، کی بدولت کمزور ہوتے ہوئے کرنٹ اکاؤنٹ کے اثر کو زائل کر دیا۔ غیر ملکی زرمبادلہ کے ذخائر دوران سہ ماہی 500 ملین ڈالر اضافے کے ساتھ 23.6 بلین ڈالر کی سطح تک پہنچ گئے۔

پاکستان انویسٹمنٹ بانڈز (PIB) کے 3 سالہ، 5 سالہ اور 10 سالہ بانڈز کی آمدنی میں دوران سہ ماہی 30 bps اضافہ ہوا۔ افراط زر کے سبب اکثر مہینوں کے دوران مارکیٹ کی توقعات پوری نہیں ہو سکیں، چنانچہ ختم پیداوار اور پر کی طرف حرکت کر گیا۔ مزید برآں، اسٹیٹ بینک آف پاکستان نے بھی اس غیر ہموار صورتحال کی توثیق کی اور اپنے MPS میں برآمدات میں کمی اور ترسیلات زر میں سستی کے باعث خارجی اکاؤنٹ پر خدشات کا اظہار کیا۔

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ نے 5.18% سالانہ منافع حاصل کیا، بالمقابل مقررہ معیار 5.81% کے۔ 30 ستمبر 2016ء کو فنڈ کے net اثاثے 1,323 ملین روپے تھے، جبکہ 30 جون 2016ء کو 1,993 ملین روپے تھے، یعنی 33.61% کمی ہوئی۔ 30 ستمبر 2016ء

ڈائریکٹر رپورٹ

کو Net Asset Value (NAV) فی یونٹ 50.8651 روپے تھی، جبکہ 30 جون 2016 کو 50.2062 روپے فی یونٹ تھی، یعنی 0.6553 روپے فی یونٹ اضافہ ہوا۔

مستقبل کی صورتحال

معیشت کی صورتحال پہلے کے مقابلے میں مستحکم ہونے پر حکومت نے ملکی ترقی کے احیاء کا پُر جوش منصوبہ ظاہر کیا ہے۔ رواں مالی سال کے لئے حکومت نے 5.7% ترقی کا ہدف مقرر کیا ہے جبکہ گزشتہ برس یہ ہدف 4.7% تھا۔ پاکستانی معیشت میں بہتری کے امکانات بہت اُمید افزا نظر آتے ہیں جس کی بناءً بجلی کی بہتر صورتحال، کاروباری اعتماد میں اضافہ اور 46 بلین ڈالر کے CPEC پروگرام کے تحت پراجیکٹس کا آغاز ہے۔

کنزیومر پرائس انڈیکس کے اوسط کے اس سال 5% سے کم رہنے کا امکان ہے۔ تیل کی قیمتوں اور زر مبادلہ کی شرح میں استحکام کی بدولت افراط زر کو اگلی چند سہ ماہیوں میں 4.0% سے 5.0% کے درمیان قابو میں رکھنے میں مدد ملے گی۔ چنانچہ مانیٹری پالیسی کے لئے ایک مستحکم ماحول کی اُمید کی جاسکتی ہے۔

فی الوقت کرنٹ اکاؤنٹ کو نحیف برآمدات اور سست ترسیلات زر کے باعث خطرہ لاحق ہے، جو اگرچہ حالی ہی میں مضبوط مالی آمدات سے زائل ہو گیا ہے، لیکن اگر خارجی اکاؤنٹ میں مزید کمزوری ہوئی تو کرنسی کو خطرہ لاحق ہو سکتا ہے اور اس کے نتیجے میں پاکستانی روپے کی قدر میں متوقع سے زیادہ کمی آئے گی، اور اسے ہم وقت کے اس موڑ پر معیشت کو لاحق واحد بڑا خطرہ سمجھتے ہیں۔

مجموعی استحکام اور اس کے ساتھ ساتھ چین پاکستان معاشی راہداری متوقع طور پر تعمیر اور بجلی کے شعبے میں تیزی لائیں گے۔ علاوہ ازیں، توسیعی چکر اور اس کے ساتھ ساتھ انٹریسٹ کی شرح کے مستحکم ماحول سے دیگر ابھرتی ہوئی مارکیٹ کی معیشتوں کے مقابلے میں عالمی سطح پر بہتر درجہ بندی متوقع ہے۔ تعمیر کا شعبہ متوقع طور پر انفراسٹرکچر پر مبنی معاشی ترقی کے متبادل بنا رہا ہے۔

تیل کی قیمتوں میں طویل المیعاد استحکام متوقع طور پر ایکسپلوریشن اور پیداوار کے شعبے کو ایکسپلوریشن میں ترقی کے ذریعے تحریک فراہم کرے گا۔ بینک متوقع طور پر پاکستان انویسٹمنٹ بانڈز (PIBs) کی maturity واضح ہونے کے بعد منظر عام پر آئیں گے، اور پُرکشش Price to Book ratios پر سب کی توجہ مرکوز ہے۔ ابھرتی ہوئی مارکیٹس میں پاکستان کی دوبارہ درجہ بندی سے غیر ملکی آمدات کے لئے KSE-100 انڈیکس میں تیزی آسکتی ہے اور مارکیٹ کی شرح کے دوبارہ تعین اور اس میں اضافے کی راہ ہموار ہوگی۔

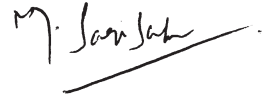
مقررہ آمدنی کے میدان میں مارکیٹ متوقع طور پر افراط زر میں اضافے اور سرحدوں پر کشیدگی کے باعث محتاط رہے گی۔ معاشی میدان میں، خاص طور پر ادائیگیوں کے توازن کے حوالے سے، واضح صورتحال سے مقررہ آمدنی کی مارکیٹوں میں مزید شرکت کی طرف راہنمائی حاصل ہوگی۔

ڈائریکٹرز رپورٹ

اظہار تشکر

بورڈ فنڈ کے گراں قدر سرمایہ کاروں، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور فنڈ کے Trustees کی مسلسل معاونت اور پشت پناہی کے لئے شکر گزار ہے۔ علاوہ ازیں، ڈائریکٹرز مینجمنٹ ٹیم کی کوششوں کو بھی خراج تحسین پیش کرتے ہیں۔

من جانب ڈائریکٹرز



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

21 اکتوبر 2016ء

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES

AS AT SEPTEMBER 30, 2016

	<i>Note</i>	30 September 2016 (Unaudited)	30 June 2016 (Audited)
		----- (Rupees in '000) -----	
Assets			
Bank Balances	5.	867,257	756,620
Investments	6.	494,581	1,274,258
Profit and other receivable		2,388	2,262
Total assets		1,364,226	2,033,140
Liabilities			
Payable to Management Company		824	932
Accrued expenses and other liabilities	7.	40,056	39,226
Total liabilities		40,880	40,158
Net assets		1,323,346	1,992,982
Unit holders' fund		1,323,346	1,992,982
		(Number of Units)	
Number of units in issue (face value of units is Rs. 50 each)		26,018,628	39,695,909
		(Rupees)	
Net Asset Value per unit		50.8615	50.2062

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



Chief Executive Officer

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



Director

**CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

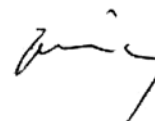
	Quarter ended	
	30 September 2016	30 September 2015
	----- (Rupees in '000) -----	
Income		
Capital (loss) / gain on sale of investments - net	(212)	280
Income from investmnets	18,647	24,036
Profit on bank deposits	3,424	782
Back End Load	2	1
Unrealised (dimnuation) / appreciation on re-measurement of investments 'at fair value through profit or loss' - net	(56)	224
Total Income	21,805	25,323
Expenses		
Remuneration of Management Company	2,187	2,563
Sindh Sales tax on Remuneration of Management Company	284	827
Allocation Expenses	414	
Brokerage and Settlement Charges	29	31
Total Expenses	2,915	3,420
Net operating income for the period	18,890	21,903
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		
-from realized / unrealized capital gain	55	(11)
-arising from other income	(1,869)	(673)
Net income for the period before taxation	17,076	21,219
Taxation	10. -	-
Net income for the period after taxation	17,076	21,219
Other comprehensive income for the period	-	-
Total comprehensive income for the period	17,076	21,219
Earnings per unit	11.	

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



Chief Executive Officer

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



Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT(UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

	Quarter ended	
	30 September	30 September
	2016	2015
	----- (Rupees in '000) -----	
Undistributed income brought forward	4,994	4,212
Total net income for the period	17,076	21,219
Element of loss and capital losses included in prices of units issued less those in units redeemed - amount amount form part of the unit holders' fund	(2,850)	(164)
Undistributed income carried forward	<u>19,221</u>	<u>25,267</u>

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



Chief Executive Officer

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



Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

	Quarter ended	
	30 September 2016	30 September 2015
	----- (Rupees in '000) -----	
Net assets at the beginning of the period	1,992,982	1,442,250
Issue of 9,048,384 units (2015: 15,656,014 units)	457,041	790,824
Redemption of 22,725,665 units (2015: 16,753,641 units)	(1,145,568) (688,527)	(846,553) (55,729)
Element of income / (loss) and capital gains/ (losses) included in prices of units issued less those in units redeemed		
- amount representing loss and Capital losses transferred to Income Statement		
-from realized / unrealized capital gain	(55)	11
-from other income	1,869	673
- amount representing loss and Capital losses transferred to distribution Statement	2,850	164
	4,664	848
Element of loss and capital losses included in prices of units issued less those in units redeemed	(2,850)	(164)
Capital (loss) / gain on sale of investments	(212)	280
Unrealised (diminuation) / appreciation on re-measurement of investments classified as 'at fair value through profit or loss' - net	(56)	224
Other net income for the period	17,344	20,715
	17,076	21,219
Net assets as at the end of the period	1,323,346	1,408,424

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



Chief Executive Officer

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

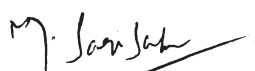


Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

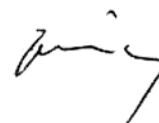
	Quarter ended	
	30 September 2016	30 September 2015
	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period before taxation	17,076	21,219
Adjustments		
Unrealised diminution / (appreciation) in value of investments-net	56	(224)
Element of income / (loss) and capital gains / (losses) included in prices of units less those in units repurchased		
-from realized / unrealized capital gain	(55)	11
-from other income	1,869	673
Net cash generated operations before working capital changes	18,946	21,679
(Increase) / decrease in assets		
Investments	779,621	(382,302)
Profit receivable and Other receivables	(126)	1,945
	779,496	(380,356)
Increase / (decrease) liabilities		
Payable to Management Company	(108)	(272)
Accrued expenses and other liabilities	829	(750,811)
	722	(751,083)
Net cash generated / (used in) from operating activities	799,164	(1,109,761)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipt against issue of units	457,041	790,824
Net payments on redemption of units	(1,145,568)	(846,553)
Net cash (used in) from financing activities	(688,527)	(55,729)
Net increase / (decrease) in cash and cash equivalents	110,637	(1,165,490)
Cash and cash equivalents at beginning of the period	756,620	1,175,694
Cash and cash equivalents at end of the period	867,257	10,204

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



Chief Executive Officer

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



Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Cash Management Fund (PCF) "the Fund" was established under a Trust Deed executed between Arif Habib Investments Limited (now MCB-Arif Habib Savings and Investments Limited) as Management Company and Habib Metropolitan Bank Limited as Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on February 1, 2008 and was executed on February 8, 2008.

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 24th Floor, Centre Point, Off. Shaheed-e-Millat Expressway, Near KPT interchange, Karachi, Pakistan.

Pursuant to the merger of MCB-Asset Management Company and Arif Habib Investments Limited, the name of the Management Company (Arif Habib Investments Limited being the surviving entity) has been changed from Arif Habib Investments Limited to MCB-Arif Habib Savings and Investments Limited.

The Fund is an open-end mutual fund and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering them to the Fund. The Fund is listed on the Pakistan Stock Exchange (Formerly was listed on Islamabad Stock Exchange). The Fund has been categorised as "Money Market" scheme by the Board of Directors of the Asset Management Company in pursuant to Circular 7 of 2009 dated 6 March 2009 issued by the SECP.

The Fund is allowed to invest in treasury bills, short term government instruments and reverse repurchase transactions against government securities and the uninvested portion is deposited in bank accounts.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned management quality rating of 'AM2 ++' to the 'Management Company' and 'AAA(f)' as stability rating to the Fund.

Title to the assets of the Fund is held in the name of MCB financial Services Limited as Trustee of the Fund.

2. BASIS OF PREPARATION

2.1 Statement of compliance

2.1.1 This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 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 NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). In case where requirements differ, the provisions of / or directives issued under the Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations have been followed.

2.1.2 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 2016.

2.1.3 The comparatives in the condensed interim statement of assets and liabilities presented in the condensed interim financial information as at 30 September 2016 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2016, where as the comparative in condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement are extracted from unaudited condensed interim financial information for the period ended 30 September 2016.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2016

2.1.4 The directors of the Management Company declare that this condensed interim financial information gives a true and fair view of the Fund.

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

3. SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

3.1 The accounting policies and methods of computation adopted for the preparation of this condensed interim financial information are same as those applied in the preparation of the financial statements of the Fund for the half year ended 30 September 2016.

3.2 The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

3.3 In preparing this condensed interim financial information, significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 30 June 2016.

3.4 The element of income arising on issuance and redemption of units is bifurcated into portion attributable to capital gain / losses (realised and unrealised) and other income appearing in book of accounts of the Fund.

4. FINANCIAL RISK MANAGEMENT

The Fund's risk management objectives and policies are consistent with those objectives and policies which were disclosed in the financial statements of the Fund as at and for the year ended 30 June 2016.

5. BALANCES WITH BANKS	<i>Note</i>	Unaudited September 30, 2016 (Rupees in '000)	Audited June 30, 2016
In savings accounts	5.1 & 3.2	867,257	756,620
		867,257	756,620

6. INVESTMENTS	<i>Note</i>	Unaudited September 30, 2016 (Rupees in '000)	Audited June 30, 2016
In government securities at fair value through profit or loss- held for trading	6.1	494,581	1,274,258
		494,581	1,274,258

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

6.1 Investment in government securities - 'at fair value through profit or loss'

	Tenor	Face Value				Balance as at September 30, 2016			Market value as a percentage of net assets	Market value as a percentage of total investments
		Balance as at July 1, 2016	Purchases during the period	Sales during the period	Matured during the period	Balance as at September 30, 2016	Cost	Market value		
----- (Rupees in '000') -----										
Market Treasury Bills										
	2 Months	-	-	-	-	-	-	-	-	-
	3 Months	30,000	2,417,000	1,617,000	330,000	500,000	494,617	494,581	37.37	100.00
	6 Months	-	670,000	-	670,000	-	-	-	-	-
	12 Months	1,250,000	520,500	1,550,000	220,500	-	-	-	-	-
Total as at September 30, 2016							494,637	494,581	(56)	
Total as at June 30, 2016							1,274,238	1,274,258	20	

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

		Unaudited September 30, 2016 (Rupees in '000)	Audited June 30, 2016
7. ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision for Workers' Welfare Fund	7.1	26,880	26,880
Federal Excise Duty and related tax payable on performance fee	7.2	11,933	11,933
Payable against purchase of investments		-	-
Withholding tax		1,052	196
Others		191	217
		40,056	39,226

7.1 Provision For workers' welfare fund

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

Subsequent to the year ended 30 June 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) on 8 July 2010 which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on 14 December 2010 the Ministry filed its response against the Constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the Court.

Subsequent to the year ended 30 June 2011, the Honourable Lahore High Court (LHC) in a constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. In March 2013 a larger bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity.

However, as per advice of legal counsel the stay granted to CIS remains intact and the constitution petitions filed by the CIS to challenge the WWF contribution have not been affected by the SHC judgment. In view of the afore mentioned developments and uncertainties created by the decision of SHC, management company, as a matter of abundant precaution, has decided to charge the entire provision for WWF in these financial statements.

Furthermore, in the Finance Act 2015, the mutual funds have been excluded from the levy of WWF. As this change has been made in the definition of the term 'Industrial Establishment' as defined in the Workers' Welfare Fund Ordinance, 1971, the change may appear to apply prospectively. Accordingly, management is of the view that this change is applicable from 01 July 2015. Hence, the matter regarding previous years would either need to be clarified by FBR or would be resolved through Courts. Management Company, as a matter of abundant precaution, has decided to retain the provision for WWF amounting to Rs. 26.880 million in these financial statements pertaining to the period for 1 July 2011 to 30 June 2015 and have not recognised any further provision there against. During the year ended 30 June 2016 the Fund charged Rs. Nil on account of WWF. Had the said provision of WWF not been recorded in the books of account of the Fund, the Net Asset Value (NAV) of the Fund would have been higher by Re. 1.03 per unit as at 30 September 2016.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2016

7.2 Federal excise duty on Remuneration of Management Company

The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. As the asset management services rendered by the Management Company of the Fund are already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund, the Management Company is of the view that further levy of FED was not justified.

On September 04, 2013, a constitutional petition was filed in Honorable Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustee, challenging the levy of FED.

The Sindh High Court in its decision dated July 16, 2016 maintained the previous order passed against other constitutional petition whereby levy of FED is declared to be 'Ultra Vires' the Constitution. The management is however of the view that since the Federal government still has the right to appeal against the order, the previous balance of FED can not be reversed.

Further, the Federal Government vide Finance Act, 2016 has excluded asset management companies and other non banking finance companies from charge of FED on their services.

In view of the pending decision and as a matter of abundant caution, the Management Company of the Fund has made a provision for FED in the books of accounts of the Fund with effect from June 13, 2013 to June 30, 2016 aggregating to Rs. 11.93 million.

8. Sindh Sales Tax On Renumeration Of Trustee

The Sindh Revenue Board through Circular No. SRB 3-4/TP/01/2015/86554 dated June 13th, 2015 has amended the definition of services of shares, securities and derivatives and included the custodianship services as well. Accordingly, Sindh Sales Tax of 13% on such services is also chargeable on Trustee fee which is now covered under the section 2(79A) of the Sindh Finance Bill 2010 amended up to 2015.

9. Expenses Allocated By Management Company And Related Sales Tax

The SECP via SRO 1160 dated November 25, 2015 amended clause 60 of NBFC Regulations, 2008. The said clause entitled the Management Company to reimbursement of fees and expenses related to registrar services, accounting, operation and valuation services related to CIS upto a maximum of 0.1% of average annual net assets of the scheme or actual whichever is less.

10. Taxation

The Fund is exempt from taxation under clause 99 of the Part I of the 2nd Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. 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 Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The management intends to distribute at least 90% of the income earned during the year by the Fund to the unit holders. Accordingly, no provision has been made in this condensed interim financial statement.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

11. Earning 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.

12. Total Expense Ratio

The Total Expense Ratio (TER) of the fund including government levies as on September 30, 2016 is 0.20%. Total expense for the period includes 0.02% representing Government levies.

13. Transactions With Connected Persons

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.

13.1 Details of the transactions with connected persons and balances with them at period/year end are as follows:

Transactions with connected persons/related parties:

	Unaudited	
	September 30, 2016	September 30, 2015
	(Rupees in '000)	
MCB- Arif Habib Savings and Investments Limited		
Remuneration fee for the year including (indirect taxes)	<u>2,472</u>	<u>2,563</u>
Allocated expenses (including indirect taxes)	<u>414</u>	<u>-</u>
MCB Bank Limited		
Mark-up for the period	<u>128</u>	<u>453</u>
Central Depository Company of Pakistan Limited		
Investment in the Fund Nil units (2015: 1,178,726 units)	<u>-</u>	<u>60,000</u>
Redemption from the Fund Nil units (2015: 1,992,004 units)	<u>-</u>	<u>100,000</u>
Next Capital Limited		
Brokerage	<u>-</u>	<u>1</u>
Fauji Oil Terminal & Distribution Co. Limited		
Convert in Nil units (2015: 4,534,949 Units)	<u>-</u>	<u>229,451</u>
Investment Nil units (2015: 1,382,823 Units)	<u>-</u>	<u>70,000</u>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

13.2 Amounts outstanding as at the year end

	September 30, 2016	June 30, 2016
	(Rupees in '000)	
MCB- Arif Habib Savings and Investments Limited		
Payable to Management Company	<u>635</u>	<u>717</u>
Sales tax payable on performance fee	<u>83</u>	<u>100</u>
Allocated Expenses	<u>106</u>	<u>115</u>
Receivable From Management Company	<u>253</u>	<u>191</u>
MCB Bank Limited		
Bank Balance	<u>7,422</u>	<u>39,305</u>
Profit receivable on bank deposits	<u>128</u>	<u>423</u>
Arif Habib REIT Management Limited		
NIL units held (2016: 2,121 Units)	<u>-</u>	<u>106</u>

14. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on the October 21, 2016 by the Board of Directors of the Management Company.



Chief Executive Officer

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



Director

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