

**Half Year Report**  
**December 31, 2012**  
**(Unaudited)**



**MCB**  
**CASH MANAGEMENT OPTIMIZER**

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## FUND'S INFORMATION

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

# REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

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Dear Investor,

On behalf of the Board of Directors, I am pleased to present MCB Cash Management Optimizer's accounts review for the half year ended December 31<sup>st</sup> 2012.

## ECONOMY AND MONEY MARKET OVERVIEW

On the macroeconomic front, CPI inflation continued to maintain its downward trajectory amid lower food inflation and downward adjustments in gas prices with 1H FY13 CPI inflation averaging at 8.3%. Although current account balance remained comfortable during 1H FY13 with a decent surplus of US\$ 250 million courtesy release of two tranches of Coalition Support Fund proceeds by the US worth around US\$ 1.9 billion, weaker financial account coupled with sizeable repayments (including IMF) continued to put significant pressure on the FX reserves, which eventually came down to a level of around US\$ 13.5 billion. On the fiscal front, the government has continued to rely on domestic sources of funding with YTD GoP borrowing from banking system has risen to PKR 644 billion by Dec'28 2012. Despite highlighting concerns on the external and fiscal accounts, the State Bank of Pakistan took comfort from declining inflationary trend and lowered its policy discount rate cumulatively by 250 bps to 9.5% during the period under review.

In the money market, short term market rates remained largely on the higher side amid tight liquidity scenario in the system with few exceptions where the market witnessed floors also. The SBP continued to inject significant amount of liquidity in the system through OMOs during the period. Given a downward trajectory in YoY CPI inflation coupled with SBP monetary easing stance, the yield curve has adjusted significantly downwards during the period. 1 year PKRV adjusted downwards by 267 bps to 9.3%, while longer tenure 10 year PKRV adjusted downwards by 180 bps to 11.5% during the period under review.

## FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 9.9% as against its benchmark return of 5.9%, an out performance of 4.0%. The fund had increased its portfolio WAM significantly to around 70-90 days range in order to take advantage of the monetary easing by the SBP. After realizing gains from downward adjustment in the yield curve, the fund has gradually lowered its portfolio WAM, which stood at around 28 days at Dec-end.

The fund was around 93% invested in TDRs, cash and bank deposits as they were offering attractive returns near quarter-end while around 6% was invested in T-Bills.

The Net Asset of the Fund as at December 31, 2012 stood at Rs. 8,487.00 million as compared to Rs 18,971.36 million as at June 30 2012 registering a decrease of 55.26%

The Net Asset Value (NAV) per unit as at December 31, 2012 was Rs. 100.3022 as compared to opening NAV of Rs. 100.1703 per unit as at June 30, 2012 registering an increase of Re. 0.1319 per unit

## Income Distribution

During the period, the Management Company has announced the following interim distribution:

<u>Date of distribution</u>	<u>Per unit distribution</u>
September 27, 2012	Rs.2.6745
December 26, 2012	Rs.2.1522

## FUTURE OUTLOOK

Despite receiving another tranche of CSF as well as continued lower range of CPI inflation, we believe that further rate cut would be difficult given deteriorating fiscal and external accounts, significant IMF repayments ahead and alarming monetary growth - while the potential return to the IMF would result in a cycle of monetary tightening by 2Q CY13 in our opinion. The Government bond market, which remained active for last few months on the back of soft inflation numbers and expected monetary easing, has started to become inactive or relatively less active with the anticipation of no rate cut and possible rate hikes in the next 4-6 months. In this backdrop, the activities are expected to be concentrated at short-end papers going forward.

In this fast changing interest rate environment, the fund would deploy its assets in attractive low risk instruments with a strong focus on its portfolio's duration to take advantage of the changing interest rate scenario.

## ACKNOWLEDGMENT

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

On behalf of Directors,

**Yasir Qadri**  
Chief Executive Officer  
February 04, 2013

# TRUSTEE REPORT TO THE UNIT HOLDERS

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## CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

### Head Office

CDC House, 99-B, Block 'B'  
S.M.C.H.S. Main Shahra-e-Faisal  
Karachi - 74400, Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: www.cdcPakistan.com  
Email: info@cdcpak.com



ISO 27001 Certified

## 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 Arif Habib 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, 2012 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 22, 2013



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

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

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## **Auditor's Report to the Unit Holders on Review of Interim Financial Information**

### *Introduction*

We have reviewed the accompanying condensed interim statement of assets and liabilities of **MCB Cash Management Optimizer** ("the Fund") as at 31 December 2012 and the related condensed interim income statement, 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 "interim financial information"). Management Company is responsible for the preparation and presentation of this 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 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 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 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 three months period ended 31 December 2012 and 31 December 2011 in the condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement, have not been reviewed by us and we do not express a conclusion on them.

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.

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

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KPMG Taseer Hadi & Co.

The condensed interim financial information of the Fund for the six months period ended 31 December 2011 and financial statements of the Fund for the year ended 30 June 2012 were reviewed and audited respectively by another firm of auditors who vide their reports dated 27 January 2012 and 17 September 2012, expressed unmodified conclusion and opinion thereon respectively.

Date: 04 February 2013

Karachi

A handwritten signature in black ink, appearing to read 'KPMG Taseer Hadi &amp; Co.' followed by a stylized signature.

KPMG Taseer Hadi & Co.

Chartered Accountants

Mazhar Saleem



# CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2012

	<i>Note</i>	<b>31 December 2012 (Unaudited) (Rupees in '000)</b>	<b>30 June 2012 (Audited)</b>
<b>Assets</b>			
Balance with banks	6	3,924,793	2,770,702
Investments	7	538,996	13,465,964
Term deposit receipts	8	4,075,000	2,785,000
Prepayments, profit and other receivable		31,778	42,431
Preliminary expenses and floatation charges		1,742	2,246
<b>Total assets</b>		<b>8,572,309</b>	<b>19,066,343</b>
<b>Liabilities</b>			
Payable to the Arif Habib Investments Limited - Management Company		8,884	21,715
Payable to Central Depository Company of Pakistan Limited - Trustee		681	1,248
Annual Fee payable to Securities and Exchange Commission of Pakistan		4,075	9,772
Accrued and other liabilities		71,668	62,245
<b>Total liabilities</b>		<b>85,308</b>	<b>94,980</b>
<b>Net assets</b>		<b>8,487,001</b>	<b>18,971,363</b>
<b>Unit holders' funds</b>		<b>8,487,001</b>	<b>18,971,363</b>
		<b>(Number of units)</b>	
<b>Number of units in issue (face value of units is Rs. 100 each)</b>		<b>84,614,331</b>	<b>189,391,069</b>
		<b>(Rupees)</b>	
<b>Net asset value per unit</b>		<b>100.30</b>	<b>100.17</b>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

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

For Arif Habib Investment Limited  
(Management Company)

  
\_\_\_\_\_  
Director

# CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

	Note	Half year ended		Quarter ended	
		31 December 2012	31 December 2011	31 December 2012	31 December 2011
		----- (Rupees in '000) -----			
<b>Income</b>					
Capital gain on sale of investments - net		39,114	83,423	26,418	55,280
Income from government securities		501,567	500,237	183,313	173,471
Income from reverse repurchase transactions in government securities		1,322	-	1,066	-
Profit on money market placement		34,473	51,546	34,473	51,546
Profit on bank deposits		49,505	58,150	18,922	11,277
		<u>625,981</u>	<u>693,356</u>	<u>264,192</u>	<u>291,574</u>
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'at fair value through profit or loss'		167	13,950	(21,367)	44,335
<b>Total income</b>		<u>626,148</u>	<u>707,306</u>	<u>242,825</u>	<u>335,909</u>
<b>Expenses</b>					
Remuneration of Arif Habib Investment Limited - Management Company		60,621	69,132	24,435	32,502
Sindh sales tax on management fee		9,699	11,061	3,909	5,200
Remuneration of Central Depository Company of Pakistan Limited - Trustee		4,610	4,578	2,055	2,239
Annual fee to Securities and Exchange Commission of Pakistan		4,075	4,043	1,769	1,968
Auditor's remuneration		559	485	251	264
Amortisation of preliminary expenses		504	504	252	252
Brokerage expenses		674	947	405	521
Other expenses		417	358	212	95
<b>Total operating expenses</b>		<u>81,159</u>	<u>91,108</u>	<u>33,288</u>	<u>43,041</u>
<b>Net operating income for the year</b>		<u>544,989</u>	<u>616,198</u>	<u>209,537</u>	<u>292,868</u>
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed		(88,667)	(48,493)	(12,915)	16,032
Provision for workers' welfare fund	9	(9,126)	(4,284)	(3,930)	-
<b>Net income for the period before taxation</b>		<u>447,196</u>	<u>563,421</u>	<u>192,692</u>	<u>308,900</u>
Taxation	10	-	-	-	-
<b>Net income for the period after taxation</b>		<u>447,196</u>	<u>563,421</u>	<u>192,692</u>	<u>308,900</u>
Other comprehensive income for the period		-	-	-	-
<b>Total comprehensive income for the period</b>		<u>447,196</u>	<u>563,421</u>	<u>192,692</u>	<u>308,900</u>
<b>Earnings per unit</b>	11				

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

For Arif Habib Investment Limited  
(Management Company)

  
Chief Executive Officer

  
Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012**

	<b>Half year ended</b>		<b>Quarter ended</b>	
	<b>31 December 2012</b>	<b>31 December 2011</b>	<b>31 December 2012</b>	<b>31 December 2011</b>
	<b>(Rupees in '000)</b>			
Undistributed income brought forward	<b>32,255</b>	25,946	<b>22,928</b>	15,285
Net income for the period	<b>447,196</b>	563,421	<b>192,692</b>	308,900
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed	<b>(17,845)</b>	1,319	<b>(1,781)</b>	(3,436)

**Distributions to the unit holders of the Fund:**

Interim distribution at the rate of Rs. 2.6745

(2011: Rs. 3.133) per unit for the quarter  
ended 30 September 2012

Distributed on 27 September 2012

- Bonus distribution

- Cash distribution

Interim distribution at the rate of Rs. 2.1522

(2011: Rs. nil) per unit for the quarter ended  
31 December 2012

Distributed on 26 December 2012

- Bonus distribution

- Cash distribution

<b>(242,437)</b>	(209,841)	-	-
<b>(5,330)</b>	(60,096)	-	-
<b>(183,989)</b>	-	<b>(183,989)</b>	-
<b>(4,283)</b>	-	<b>(4,283)</b>	-
<b>(436,039)</b>	(269,937)	<b>(188,272)</b>	-

Undistributed income carried forward

<b>25,567</b>	320,749	<b>25,567</b>	320,749
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The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

  
Chief Executive Officer

For Arif Habib Investment Limited  
(Management Company)

  
Director

# CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

	Half year ended		Quarter ended	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	(Rupees in '000)			
<b>Net assets at the beginning of the period</b>	<b>18,971,363</b>	<b>10,393,121</b>	<b>9,528,995</b>	<b>8,472,503</b>
Issue of 80,893,910 units (2011: 98,613,062 units) and 37,351,060 units (2011: 50,592,873 units) for the half year and quarter ended respectively	8,215,403	10,001,771	3,805,891	5,130,133
Issue of 4,257,009 bonus units (2011: 2,098,413 bonus units) and 1,854,764 bonus units (2011: nil bonus units) for the half year and quarter ended respectively	426,426	209,841	183,989	-
Redemption of 189,927,657 units (2011: 95,435,275 units) and 49,634,149 units (2011: 26,312,206 units) for the half year and quarter ended respectively	(19,226,015)	(9,731,166)	(5,049,209)	(2,679,960)
Net element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed:	(10,584,186)	480,446	(1,059,329)	2,450,173
- amount representing loss / (income) and capital losses / (gains) transferred to income statement	88,667	48,493	12,915	(16,032)
- amount representing loss / (income) that forms part of unit holder's fund transferred to distribution statement	17,845	(1,319)	1,781	3,436
	106,512	47,174	14,696	(12,596)
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - transferred to distribution statement	(17,845)	1,319	(1,781)	(3,436)
Net income for the period (excluding net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss' and capital gains / (loss) on sale of investments)	407,915	466,048	187,641	209,285
Capital gain on sale of investments - net	39,114	83,423	26,418	55,280
Net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss'	167	13,950	(21,367)	44,335
	447,196	563,421	192,692	308,900
<b>Distributions to the unit holders of the Fund:</b>				
Interim distribution at the rate of Rs. 2.6745 (2011: Rs. 3.133) per unit for the quarter ended 30 September 2012	(242,437)	(209,841)	-	-
Distributed on 27 September 2012	(5,330)	(60,096)	-	-
- Bonus distribution				
- Cash distribution				
Interim distribution at the rate of Rs. 2.1522 (2011: Rs. nil) per unit for the quarter ended 31 December 2012	(183,989)	-	(183,989)	-
Distributed on 26 December 2012	(4,283)	-	(4,283)	-
- Bonus distribution				
- Cash distribution				
	(436,039)	(269,937)	(188,272)	-
<b>Net assets at end of the period</b>	<b>8,487,001</b>	<b>11,215,544</b>	<b>8,487,001</b>	<b>11,215,544</b>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

For Arif Habib Investment Limited  
(Management Company)

  
Chief Executive Officer

  
Director

# CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

	Half year ended		Quarter ended	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	----- (Rupees in '000) -----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income for the period before taxation	447,196	563,421	192,692	308,900
<b>Adjustments for non cash and other items:</b>				
Capital gain on sale of investments - net	(39,114)	(83,423)	(26,418)	(55,280)
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'at fair value through profit or loss'	(167)	(13,950)	21,367	(44,335)
Amortisation of preliminary expenses	504	504	252	252
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed	88,667	48,493	12,915	(16,032)
	49,890	(48,376)	8,116	(115,395)
	497,086	515,045	200,808	193,505
<b>Decrease / (increase) in assets</b>				
Investments	11,676,249	(381,316)	5,376,418	(7,164,346)
Prepayments, profit and other receivable	10,653	11,997	(23,385)	(17,278)
	11,686,902	(369,319)	5,353,033	(7,181,624)
<b>(Decrease) / increase in liabilities</b>				
Payable to the Arif Habib Investments Limited - Management Company	(12,831)	1,202	(1,840)	(717)
Payable to Central Depository Company of Pakistan Limited - Trustee	(567)	46	(57)	52
Annual Fee payable to Securities and Exchange Commission of Pakistan	(5,697)	(2,815)	1,769	1,968
Accrued expenses and other liabilities	9,423	(30,423)	(493,206)	(62,784)
	(9,672)	(31,990)	(493,334)	(61,481)
<b>Net cash flow generated from / (used in) operating activities</b>	12,174,316	113,736	5,060,507	(7,049,600)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Receipts from issuance of units	8,215,403	10,001,771	3,805,891	5,130,133
Payments on redemption of units	(19,226,015)	(9,731,166)	(5,049,209)	(2,679,960)
Cash distribution	(9,613)	(60,096)	(9,613)	-
<b>Net cash (used in) / generated from financing activities</b>	(11,020,225)	210,509	(1,252,931)	2,450,173
Net (decrease) / increase in cash and cash equivalents	1,154,091	324,245	3,807,576	(4,599,427)
Cash and cash equivalents at beginning of the period	2,770,702	2,586,205	117,217	7,509,877
<b>Cash and cash equivalents as at end of the period</b>	3,924,793	2,910,450	3,924,793	2,910,450

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

  
Chief Executive Officer

For Arif Habib Investment Limited  
(Management Company)

  
Director

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

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## 1. LEGAL STATUS AND NATURE OF BUSINESS

MCB Cash Management Optimizer (the Fund) was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and Non Banking Finance Companies and Notified Entities Regulations, 2008 and was approved as an open end investment scheme by the Securities and Exchange Commission of Pakistan (SECP) on 30 July 2009. It was constituted under a Trust Deed dated 10 July 2009 between MCB Asset Management Company Limited as the Management Company, a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited as the Trustee, also incorporated under the Companies Ordinance, 1984.

The Board of Directors have approved that the Fund should be categorised as "Money Market Scheme" as per the Securities and Exchange Commission of Pakistan Circular 7 of 2009 dated 6 March 2009.

Based on shareholders' resolutions of MCB-Asset Management Company and Arif Habib Investments Limited the two companies have merged as of 27 June 2011 through operation of an order from the SECP issued under Section 282L of the Companies Ordinance 1984 (Order through letter no. SCD/NBFC-II/MCB- AMCL & AHIL/271/2011 dated 10 June 2011). Arif Habib Investments Limited being a listed company is the surviving entity and in compliance of the State Bank of Pakistan's approval it is a subsidiary of MCB Bank Limited. However, subsequent to the completion of the merger the SECP issued an order postponing the effective date of the merger to 30 July 2011 (through letter no. SCD/PR & DD/AMCW/ MCB-AMCL & AH/348/2011 dated 27 June 2011). Since the merger had already taken place and the subsequent order of the SECP could not be complied with, the Company has sought a ruling by The Honourable Sindh High Court. The Honourable Sindh High Court has held the SECP's subsequent order in abeyance and instructed the SECP to treat the companies as merged pending a final ruling. Irrespective of the final ruling, the Fund's assets and NAV remain unaffected.

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

1.2 The Fund is an open end mutual fund and offers units for public subscription on a continuous basis. The units of the Fund can be transferred to / from other funds managed by the Management Company and can also be redeemed by surrendering to the Fund. The units are listed on the Lahore Stock Exchange.

The Fund is purely a money market fund and has a policy to invest in short term corporate debt and government securities, repurchase agreements, term deposit and money market placements with scheduled banks, with a maximum maturity of 180 days and weighted average maturity upto 90 days.

The objective of the fund is to provide competitive returns from a low risk portfolio of short duration assets while maintaining high liquidity.

1.3 The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of 'AM2' to the Arif Habib 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 requirement 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

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

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.

- 2.2 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 2012.
- 2.3 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.
- 2.4 This condensed interim financial information is unaudited. However, a limited scope review has been performed by the external auditors of the Fund. The Board of Directors of the Management Company declare that this condensed interim financial information gives a true and fair view of the state of affairs of the Fund.
- 2.5 The comparatives in the condensed interim statement of assets and liabilities presented in this condensed interim financial information as at 31 December 2012 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2012, where as the comparatives 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 31 December 2011.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for 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 2012.

- 3.1 Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Fund's operations and did not result in change to the Fund's operation or a change in accounting policies of the Fund.

## 4. ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to financial statements as at and for the year ended 30 June 2012.

## 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 2012.

## 6. BALANCE WITH BANKS

	31 December 2012 (Unaudited) (Rupees in '000)	30 June 2012 (Audited)
Saving accounts	6.1 & 6.2 <u>3,924,793</u>	<u>2,770,702</u>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
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6.1 These carry mark-up at rates ranging between 6% to 12.25% per annum (30 June 2012: 5% to 12.5% per annum).

6.2 These include Rs. 4.79 million (30 June 2012: 1.19 million) with related party on which return is earned at 6% to 11% per annum (30 June 2012: 5% to 12.5% per annum).

**7. INVESTMENTS**

		<b>31 December 2012</b>	30 June 2012
		<b>(Unaudited)</b>	(Audited)
		<b>(Rupees in '000)</b>	
Pakistan Investment Bonds	7.1	-	548,950
Market Treasury Bills	7.1	<b>538,996</b>	12,917,014
		<b>538,996</b>	13,465,964

**7.1 Government securities - 'at fair value through profit or loss'**

	Tenor	Face value				Balance as at 31 December 2012			Market value	
		As at 1 July 2012	Purchases during the period	Sales / matured during the period	As at 31 December 2012	Carrying value	Market value	Appreciation/ (diminution)	As a percentage of net assets	As a percentage of total investments
----- (Rupees in '000) -----										
<b>Pakistan Investment Bond</b>										
3 September 2009	3 years	550,000	-	550,000	-	-	-	-	-	-
<b>Total - 31 December 2012</b>						<b>-</b>	<b>-</b>	<b>-</b>		
Total - 30 June 2012						548,892	548,950	58		
<b>Market Treasury Bills</b>										
Treasury bills - 3 months		10,868,000	16,482,405	27,350,405	-	-	-	-	-	-
Treasury bills - 6 months		1,039,000	16,142,495	16,620,495	561,000	538,829	538,996	167	6.35	100.00
Treasury bills - 12 months		1,120,740	19,009,800	20,130,540	-	-	-	-	-	-
<b>Total - 31 December 2012</b>						<b>538,829</b>	<b>538,996</b>	<b>167</b>		
Total - 30 June 2012						12,880,532	12,917,014	3,662		
<b>Total Investment in Government Securities - 31 December 2012</b>						<b>538,829</b>	<b>538,996</b>	<b>167</b>		
Total Investment in Government Securities - 30 June 2012						13,429,424	13,465,964	3,720		

	<b>31 December 2012</b>	30 June 2012
	<b>(Unaudited)</b>	(Audited)
	<b>(Rupees in '000)</b>	
<b>8. TERM DEPOSIT RECEIPTS</b>		

Term Deposit Receipts	<b>4,075,000</b>	2,785,000
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8.1 These carry interest at rates ranging between 9.5% to 9.8% per annum (30 June 2012: 12.15% to 12.25% per annum) and are maturing at various dates upto 5 March 2013 (30 June 2012: 18 July 2012).

**9. CONTINGENCIES AND COMMITMENTS**

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



## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

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

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. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the Honourable High Court of Sindh. The Management company as a matter of abundant caution has decided to continue to charge the provision for WWF amounting to Rs. 70.488 million (including Rs. 9.126 million for the period ended 31 December 2012) in this condensed interim financial statement in order to protect the interest of small investors / units holders.

### 10. TAXATION

The Fund's income is exempt from Income Tax as per clause 99 of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders. The management of the Fund intends to distribute at least 90% of the income earned by the Fund by the year end to the unit holders. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Accordingly, no provision for taxation has been made in this condensed interim financial information.

### 11. 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.

### 12. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons / related parties of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, MCB Bank Limited being the holding company of the management company, the Trustees, directors and key management personnel and other associated undertakings.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provision of the NBFC Regulations 2008 and Constitutive documents of the Fund.

The transactions with connected persons / related parties are in the normal course of business and are carried out on agreed terms at contracted rates.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
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**12.1** 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	
	2012	2011	2012	2011
	----- (Rupees in '000) -----			
<b>Arif Habib Investments Limited</b>				
Remuneration to Management Company	60,621	69,132	24,435	32,502
Sindh sales tax paid on remuneration	9,699	11,061	3,909	5,200
<b>Central Depository Company of Pakistan Limited</b>				
Remuneration for the period	4,610	4,578	2,055	2,239
<b>MCB Bank Limited</b>				
Profit received	7,744	18,816	1,294	5,436

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

	31 December 2012 (Unaudited) (Rupees in '000)	30 June 2012 (Audited)
<b>Arif Habib Investments Limited</b>		
Remuneration to Management Company payable	7,651	18,720
Sindh sales tax paid on remuneration payable	1,224	2,995
Sales load payable	9	-
<b>Central Depository Company of Pakistan Limited</b>		
Remuneration payable	681	1,248
<b>MCB Bank Limited</b>		
Bank deposits	478,868	119,348
Profit receivable	596	2,404

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

	Unaudited			
	Half year ended		Half ended	
	31 December 2012		31 December 2011	
	Units	(Rupees in '000)	Units	(Rupees in '000)
<b>Units sold to:</b>				
Adamjee Insurance Company Limited	14,488,728	1,481,241	18,667,969	1,900,000
Adamjee Life Assurance Company Limited	441,852	45,140	33,848	3,400
Indus Motor Company Limited	12,935,516	1,303,750	2,930,515	300,149
Pakistan Petroleum Limited	1,364	137	22,082	2,267
Key management personnel	25,260	2,573	32,039	3,240

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012**

**Bonus units issued to:**

Arif Habib Investments Limited  
MCB Bank Limited  
Staff Provident Fund of Management Company  
Adamjee Insurance Company Limited  
Adamjee Life Assurance Company Limited  
Indus Motor Company Limited  
Pakistan Petroleum Limited  
Key management personnel

Unaudited			
Half year ended 31 December 2012		Half ended 31 December 2011	
Units	(Rupees in '000)	Units	(Rupees in '000)
-	-	19,076	1,908
-	-	-	-
215	22	679	68
295,765	29,627	136,087	13,609
19,547	1,958	1,848	185
257,892	25,833	36	4
591,187	59,219	339,978	33,998
1,548	155	1,585	160

**Units redeemed by:**

Arif Habib Investments Limited  
MCB Bank Limited  
Staff Provident Fund of Management Company  
Adamjee Insurance Company Limited  
Adamjee Life Assurance Company Limited  
Indus Motor Company Limited  
Pakistan Petroleum Limited  
Key management personnel

145,512	14,698	-	-
69,330,201	6,966,084	-	-
19,750	2,000	4,465	450
15,433,940	1,570,382	22,947,060	2,350,000
396,455	40,376	49,216	5,000
4,866,640	500,000	7,695,250	776,085
-	-	-	-
93,347	9,421	79,334	8,006

31 December 2012 (Unaudited)	30 June 2012 (Audited)	31 December 2012 (Unaudited)	30 June 2012 (Audited)
Units		(Rupees in '000)	

**Units held by:**

Arif Habib Investments Limited  
MCB Bank Limited  
Staff Provident Fund of Management Company  
Adamjee Insurance Company Limited  
Adamjee Life Assurance Company Limited  
Indus Motor Company Limited  
Pakistan Petroleum Limited  
Key management personnel

-	145,512	-	14,576
-	69,330,201	-	6,944,827
4,626	24,161	464	2,420
4,123,322	4,772,769	413,569	478,088
420,246	355,302	42,151	35,591
8,328,677	1,909	835,366	191
12,715,967	12,123,416	1,275,411	1,213,725
7,995	74,534	802	7,466

**13. DATE OF AUTHORISATION**

This condensed interim financial information was authorised for issue on February 04, 2013 by the Board of Directors of the Management Company.

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

For Arif Habib Investment Limited  
(Management Company)

  
\_\_\_\_\_  
Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

**Arif Habib Investments Limited (A subsidiary of MCB Bank Limited)**

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