

Quarterly Report

September 30, 2014
(Unaudited)



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

MCB
CASH MANAGMENT OPTIMIZER

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Board of Directors	Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman Executive 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 Mr. Yasir Qadri	Chairman Member Member Member Member
Company Secretary & Chief Operating Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer	Mr. Umair Ahmed	
Trustee	Central Depository Company of Pakistan Limited CDC House, 990B 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 Faisal Bank Limited United Bank Limited National Bank of Pakistan Limited Standard Chartered Bank 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 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
Transfer Agent	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Rating	AM2 - Management Quality Rating assigned by PACRA	

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2014

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **MCB Cash Management Optimizer's** accounts review for the first quarter ended September 30th 2014.

ECONOMY AND MONEY MARKET OVERVIEW

Delay in implementation of fiscal reforms and phasing out of subsidies on tariffs, in the presence of lower commodity prices, helped contain inflation, with CPI averaging at 7.52% during 1QFY15. If oil prices, which eased down to a five-year low in October, stays at the current level, inflation is likely to remain on the lower side during FY15.

Surge in imports, mainly petroleum products, along with a slowdown in exports, widened the country's current account deficit to \$1.37 billion during 2MFY15, significantly higher than the deficit of around \$0.58 billion incurred during the same period last fiscal year. Poor law and order situation and energy crisis are the major culprits behind negative growth in exports. At the same time, financial account registered a surplus of \$0.45 billion as compared to a surplus of \$0.19 billion recorded during the corresponding period last year. Improvement in financial account is mainly due to sell-off of financial assets abroad.

The recent political disruption has stalled progress on the completion of economic and fiscal targets set by International Monetary Fund. This along with wide current account deficit and absence of foreign inflows contributed to a drop in foreign reserves to \$13.21 billion as on 26-Sep-14, after touching a high of \$14.6 billion in July. Therefore, the local currency fell by more than 3.2 percent against dollar during 1QFY15.

Although, the government is optimistic on the economic front on the back of tepid inflationary pressures, contained government borrowings and improved debt profile, fragile political situation in the country has been forcing the policy makers to err on the side of caution to arrest decline in foreign reserves. This is evident from the recent monetary policy announcement in which policy makers kept the discount rate unchanged at around 10 percent.

On the heels of structural reforms, the country's performance on the fiscal side improved in FY14 as the country recorded a fiscal deficit of 5.5 percent lower than the year's target of 6.3 percent and the previous year's level of 8.8 percent (included one-off adjustment for circular debt). The major improvement in fiscal account came on the account of abnormal increase in Non-Tax revenue and restrained development expenditures.

In the money market, short term market rates remained on the higher side amid tight liquidity in the system. M2 has contracted by 1.52 percent in the 1QFY15 (till 26th Sep) as opposed to the contraction of 0.65 percent during the same period last year. While Borrowing from SBP increased marginally by Rs19 billion as compared to net increase in borrowing of around Rs 444.7 billion during the same period last year.

PIB rates inched up, as the government looks to move its borrowing from central bank to commercial banks, causing the yield curve to rise sharply upwards from 2 years. Moreover, unprecedented participation was seen with major concentration in a 2-year instrument. The rates are on slightly longer end, albeit higher have shown a rising trend despite controlled inflation because of unprecedented supply.

FUND PERFORMANCE

During the quarter under review, the fund generated an annualized return of 8.3% as against its benchmark return of 7.4%, an out performance of 0.9%. The fund decreased its portfolio WAM to around 58 days in order to capitalize on attractive yields.

The fund was around 50% invested in T-Bills at the quarter-end while the rest was placed in TDRs, cash and bank deposits.

The Net Asset of the Fund as at September 30, 2014 stood at Rs.13,145 million as compared to Rs 10,181 million as at June 30 2014 registering an increase of 29% The Net Asset Value (NAV) per unit as at September 30, 2014 was Rs. 102.1172.

FUTURE OUTLOOK

The country's import bill is likely to ease off after a lag of few months on the account of lower oil prices. Conversely, weak cotton prices might annul the benefit arising from lower oil prices on the country's trade balance. Although the government is eyeing increase in foreign inflows through pledges made by multilateral agencies, approved project financing and divestment of strategic assets, improvement in reserve position largely hinges on the country's political condition.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2014

In the near-term, realization of expected inflows-through divestment of shares of OGDCL and HBL and issuance of dollar-denominated Sukuks would be crucial.

We believe that the sustainability of external account, in the presence of subdued inflationary pressures, would be a key factor in shaping up interest rate direction. Lower commodity price, in the presences of stable local currency and higher base effect, is likely to keep inflationary pressure on the lower side during the year.

With the market expecting interest rates to remain stable and oil prices lower, profitability of power intensive companies such as: Textile and Cement are expected to improve. On the contrary, lower oil prices bode ill for Exploration and Production and Oil Marketing Companies.

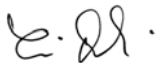
In the face of stable fundamentals and better expectation of financial results of manufacturing companies, we expect the bourse to remain range bound in short term amid lack of clarity on the future of the current government.

Above all, the equity market will continue to attract foreign investors owing to divestment of the government's holding in the listed companies and increase in the country's weight in MSCI FM Index.

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
Dated: October 20, 2014

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES

AS AT SEPTEMBER 30, 2014

	Note	30 September 2014 (Unaudited) ------(Rupees in '000)-----	30 June 2014 (Audited)
ASSETS			
Bank balances		1,568,718	1,169,508
Investments	4	6,635,980	5,507,943
Term deposit receipts		4,700,000	3,500,000
Prepayments, profit and other receivables		394,298	152,503
Preliminary expenses and floatation costs		-	246
Total assets		13,298,996	10,330,200
LIABILITIES			
Payable to the Management Company		11,619	11,738
Payable to Central Depository Company of Pakistan		1,639	796
Payable to the Securities and Exchange Commission of Pakistan		2,307	10,032
Accrued and other liabilities	5	138,008	126,906
Total liabilities		153,573	149,472
NET ASSETS		13,145,424	10,180,728
Unit holders' fund (as per statement attached)		13,145,424	10,180,728
(Number of units)			
Number of units in issue (face value of units is Rs. 100 each)		128,728,740	101,784,629
(Rupees)			
NET ASSET VALUE PER UNIT		102.12	100.02

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


 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, 2014

	Note	Quarter ended	
		30 September 2014	30 September 2013
		----- (Rupees in '000) -----	
INCOME			
Capital gain on sale of investments - net		(4,136)	3,950
Income from government securities		251,142	227,052
Income from reverse repurchase transactions of government securities		-	168
Profit on bank deposits and term deposit receipts		62,368	36,536
		309,375	267,706
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'at fair value through profit or loss'		(1,394)	134
		307,981	267,840
EXPENSES			
Remuneration of Management Company		30,798	27,269
Sindh Sales tax and Federal Excise Duty on Management fee		10,287	9,424
Remuneration of Central Depository Company of Pakistan Limited - Trustee		2,413	2,277
Annual fee of Securities and Exchange Commission of Pakistan		2,307	2,255
Brokerage and settlement charges		674	344
Amortisation of preliminary expenses and floatation costs		246	252
Auditors' remuneration		207	173
Other expenses		243	279
Total operating expenses		47,176	42,273
Net income from operating activities		260,805	225,567
Net element of income and capital gains included in prices of units issued less those in units redeemed		14,025	2,825
Provision for Workers' Welfare Fund	5.2	(5,497)	(4,568)
Net income for the period before taxation		269,334	223,824
Taxation	6	-	-
Net income for the period after taxation		269,334	223,824
Other Comprehensive income:			
Unrealised appreciation in investments classified as available-for -sale		390	-
Total comprehensive income for the period		269,724	223,824
Earnings per unit			

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

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


Chief Executive Officer


Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2014

	Quarter ended	
	30 September	30 September
	2014	2013
	----- (Rupees in '000) -----	
Undistributed income brought forward	2,207	119,962
Total comprehensive income for the period	269,724	223,824
Net Element of income and capital gains included in prices of units issued less those in units redeemed - amount amount form part of the unit holders' fund	561	-
Distributions to the unit holders of the Fund:		
Final Distribution at the rate of Rs. Nil (2013 : Re. 1.0952) per unit declared		
- Cash distribution	-	(55)
- Bonus distribution	-	(119,920)
Interim distributions during the period ended September 30:		
Interim distribution at the rate of Rs. Nil (2013: Re. 0.5240) per unit declared in July:		
- Cash distribution	-	(26)
- Bonus distribution	-	(63,636)
Interim distribution at the rate of Rs. Nil (2013: Re. 0.6020) per unit declared in August:		
- Cash distribution	-	(30)
- Bonus distribution	-	(72,136)
Interim distribution at the rate of Rs. Nil (2013: Re. 0.6332) per unit declared in September:		
- Cash distribution	-	(32)
- Bonus distribution	-	(76,696)
Undistributed income carried forward	<u>272,492</u>	<u>11,255</u>

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

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


Chief Executive Officer


Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2014

	Quarter ended	
	30 September 2014	30 September 2013
	----- (Rupees in '000) -----	
Net asset at the beginning of the period	10,180,728	11,074,530
Issue of 70,347,055 units (September 30, 2013: 45,958,959 units)	7,107,951	4,608,300
Issue of Nil bonus units (September 30, 2013: 3,323,874 Bonus Units)	-	332,387
Redemption of 43,402,943 units (September 30, 2013: 39,527,348 units)	(4,398,953)	(3,962,312)
	2,708,998	978,375
Net element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed:		
- amount representing (income) / loss and capital (gains) / losses - transferred to income statement	(14,025)	(2,825)
- amount representing (income) / loss that forms part of unit holder's fund - transferred to distribution statement	(561)	-
	(14,586)	(2,825)
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - transferred to distribution statement	561	-
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(1,394)	134
Capital gain on sale of investments - net	(4,136)	3,950
Unrealised appreciation in investments classified as available-for-sale	390	-
Other operating income	274,863	219,740
Net income for the period	269,724	223,823
Distributions to the unit holders of the Fund:		
Final Distribution at the rate of Rs. Nil (2013 : Re. 1.0952) per unit declared		
- Cash distribution	-	(55)
- Bonus distribution	-	(119,920)
Interim distribution at the rate of Rs. Nil (2013: Re. 0.5240) per unit declared in July:		
- Cash distribution	-	(26)
- Bonus distribution	-	(63,636)
Interim distribution at the rate of Rs. Nil (2013: Re. 0.6020) per unit declared in August:		
- Cash distribution	-	(30)
- Bonus distribution	-	(72,136)
Interim distribution at the rate of Rs. Nil (2013: Re. 0.6332) per unit declared in September:		
- Cash distribution	-	(32)
- Bonus distribution	-	(76,696)
Net assets at end of the period	13,145,424	11,941,373

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



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, 2014

	Quarter ended	
	30 September 2014	30 September 2013
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before taxation	269,334	223,824
Adjustments for:		
Capital gain on sale of investments	4,136	(3,950)
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	1,394	(134)
Amortisation of preliminary expenses and floatation costs	246	252
Element of (income) / losses and capital (gains) / losses included in prices of units issued less those in units redeemed	(14,025)	(2,825)
Net cash used in operations before working capital changes	261,084	217,167
Working capital changes		
(Increase) / decrease in assets		
Investments - net	(2,333,178)	1,311,872
Other receivables	(241,795)	(12,236)
	(2,574,973)	1,299,636
Increase / (decrease) in liabilities		
Payable to the Management Company	(119)	(1,153)
Payable to the Trustee	843	12
Payable to the Securities and Exchange Commission of Pakistan	(7,725)	(5,516)
Accrued and other liabilities	11,102	10,888
	4,101	4,231
Net cash (used in) / generated from operating activities	(2,309,788)	1,521,033
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipts from issue of units	7,107,951	4,608,300
Net payments on redemption of units	(4,398,953)	(3,962,312)
Cash dividend paid		(143)
Net cash generated from financing activities	2,708,998	645,845
Net increase in cash and cash equivalents	399,210	2,166,879
Cash and cash equivalents at beginning of the period	1,169,508	2,152,639
Cash and cash equivalents at end of the period	1,568,718	4,319,518

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


 Chief Executive Officer

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


 Director

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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 .

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

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

The Fund is 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.

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

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (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 2014.

This condensed interim financial information is unaudited. The disclosures made in this condensed interim financial information have,

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2014

however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. The Directors of the asset management company declare that this condensed interim financial information give a true and fair view of the Fund.

The comparatives in the condensed interim statement of assets and liabilities presented in the condensed interim financial information as at 30 September 2014 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2014, 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 2013.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the Fund for the period ended June 30, 2014.

	Note	September 30, 2014 (Unaudited) ----- (Rupees in '000) -----	June 30 2014 (Audited)
4 INVESTMENTS			
'Investments at fair value through profit or loss'			
Market Treasury Bills	4.1	6,635,980	2,303,133
Pakistan Investment Bonds		-	2,804,209
		<u>6,635,980</u>	<u>5,107,342</u>
'Investments classified as available for sale'			
Pakistan Investment Bonds	4.2	-	400,601
		<u>-</u>	<u>400,601</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

4.1 'Investments at fair value through profit or loss'

- Investment in Market Treasury Bills

Government securities	Face Value				Balance as at September 30, 2014			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2014	Purchased during the period	Disposed	Matured	As at Sept 30, 2014	Carrying Value	Market value	Appreciation / (diminution)	%
Treasury Bills - 1 year	-	1,150,000	-	-	1,150,000	1,099,223	1,098,991	(233)	8.36%
Treasury Bills - 6 months	2,315,200	5,716,600	4,975,000	465,200	2,591,600	2,533,610	2,533,132	(478)	19.27%
Treasury Bills - 3 months	47,000	12,390,130	9,148,600	247,000	3,041,530	3,004,541	3,003,857	(683)	22.85%
Totals - September 30, 2014						6,637,375	6,635,980	(1,394)	50.48%
Totals: June 30, 2014						2,303,619	2,303,133	(486)	22.62%

- Investment in Pakistan Investment Bond

PIB - 3 years	2,800,000	500,000	-	-	-	-	-	-	-
Totals - September 30, 2014									
Totals: June 30, 2014						2,808,709	2,804,209	(4,500)	50.91%

4.2 'Investments classified as available-for-sale'

- Investment in Pakistan Investment Bond

Government securities	Face Value				Balance as at September 30, 2014			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2014	Purchased during the period	Disposed	Matured	As at Sept 30, 2014	Carrying Value	Market value	Appreciation / (diminution)	%
PIB - 3 years	400,000	-	300,000	100,000	-	-	-	-	0.00%
Totals - September 30, 2014									
Totals: June 30, 2014						400,991	400,601	(390)	3.93%

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

FOR THE PERIOD ENDED SEPTEMBER 30, 2014

		September 30, 2014 (Unaudited)	June 30 2014 (Audited)
		------(Rupees in '000)-----	
5	ACCRUED AND OTHER LIABILITIES		
	Auditors' remuneration	779	572
	Brokerage payable	443	491
	Provision for Federal Excise Duty and related taxes	5.1 30,783	25,116
	Provision for Workers' Welfare Fund	5.2 105,741	100,244
	Others	262	483
		<u>138,008</u>	<u>126,906</u>

5.1 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 financial information aggregating to Rs. 30.783 million as at 30 June 2014. 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 were not recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 0.24 per unit as at 30 June 2014.

5.2 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.

On 15 July 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on 14 December 2010, the Ministry filed its response against the Constitutional Petition requesting the court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

During the year ended 30 June 2012, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 has declared the said amendments as unlawful and unconstitutional and struck them down. In March 2013 a larger bench of the Sindh High Court (SHC) in various constitutional petitions filed by companies other than mutual funds declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity.

However, as per advice of legal counsel the stay granted to CIS remains intact and the constitution petitions filed by the CIS to challenge the WWF contribution have not been affected by the SHC judgment.

The Management company, as a matter of abundant precaution, has decided to retain the entire provision for WWF in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2014

During the quarter the Fund charged Rs.5.497 million on account of WWF. The aggregate amount of WWF charged as on September 30, 2014 is Rs. 105.741 million. If the same were not made the NAV of the fund would have been higher by Rs. 0.8214 per unit.

6 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders by way of cash dividend. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance 2001. Since the management intends to distribute the income earned by the Fund during the year to the unit holders in the manner as explained above accordingly no provision for taxation has been made in these financial statements.

7 EARNINGS / (LOSS) PER UNIT

Earnings per unit (EPU) has not been disclosed as in the opinion of the management determination of cumulative weighted average number of outstanding units for calculating EPU is not practicable.

8 TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES

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

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

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

-----Unaudited-----	
Quarter ended	
30 September	
2014	2013
----- (Rupees in '000) -----	

8.1 Transactions with connected persons during the period

MCB Bank Limited

Profit on Bank deposits	4,698	912
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MCB-Arif Habib Savings and Investments Limited (Management Company)

Remuneration of the Management Company (including indirect taxes)	41,085	36,693
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Staff Provident Fund of Management Company

Issue of bonus units: Nil units (Sept 2013: 13 bonus units)	-	1
Redemption of units: Nil units (Sept 2013: 839 units)	-	84

Central Depository Company of Pakistan Limited-Trustee

Fee charged during the period	2,413	2,277
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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

		-----Unaudited-----	
		Quarter ended	
		30 September	
		2014	2013
		----- (Rupees in '000) -----	
Adamjee Insurance Company Limited			
Issue of units: Nil units (Sept 2013: 1,998,220 units)		-	200,000
Issue of bonus units: Nil units (Sept 2013: 517,253 bonus units)		-	51,725
Redemption of units: 2,194,525 units (Sept 2013: 1,492,623 units)		222,292	150,000
Adamjee Life Assurance Comapany Limited			
Issue of units: Nil units (Sept 2013: 864,896 units)		-	86,800
Issue of bonus units: Nil units (Sept 2013: 15,232 bonus units)		-	1,523
Redemption of units: Nil units (Sept 2013: 834,527 units)		-	83,726
D.G. Khan Cement Company Limited *			
Issue of units: 42,930,984 units (Sept 2013: Nil units)		4,338,000	-
Redemption of units: 14,856,350 units (Sept 2013: Nil units)		1,507,000	-
Mandate Under Discretionary Portfolio Services			
Issue of units: 166,745 units (Sept 2013: Nil units)		16,766	-
Issue of bonus units: Nil units (Sept 2013: 3,380 bonus units)		0	338
Redemption of units: 203,084 units (Sept 2013: 312,077 units)		20,576	31,304
Key Management Personnel			
Issue of units: 3,761 units (Sept 2013: 41,002 units)		380	4,113
Issue of bonus units: Nil units (Sept 2013: 396 bonus units)		0	40
Redemption of units: 749 units (Sept 2013: 6,651 units)		75	669
		September 30,	June 30
		2014	2014
		(Unaudited)	(Audited)
		----- (Rupees in '000) -----	
8.2	Amount outstanding as at period end		
MCB Bank Limited			
	Bank balance	33,923	100,933
	Profit receivable on deposit accounts	2,050	678
MCB-Arif Habib Savings and Investments Limited (Management Company)			
	Management fee payable	10,086	10,102
	Sindh sales tax payable on management fee	1,513	1,617
	Sales load payable	19	19
Central Depository Company of Pakistan Limited-Trustee			
	Fee payable	1,639	796
D.G. Khan Cement Company Limited *			
	Units held: 28,074,634 units (June 30, 2014: Nil units)	2,866,305	0

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

	September 30, 2014 (Unaudited)	June 30 2014 (Audited)
	----- (Rupees in '000) -----	
Adamjee Insurance Company Limited		
Units held: 10,416,977 units (June 30, 2014: 12,611,502 units)	1,063,531	1,261,431
Mandate Under Discretionary Portfolio Services		
Units held : 253,213 units (June 30, 2014: 289,552 units)	25,857	28,962
Key Management Personnel		
Units held : 13,348 units (June 30, 2014: 10,336 units)	1,363	1,034

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

9 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 20, 2014 by the Board of Directors of the Management Company.

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



Chief Executive Officer



Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

MCB-Arif Habib Savings and Investments Limited

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UAN: 11-11-622-24 (11-11-MCB-AH): Karachi, Lahore, Islamabad.

UAN: 111-468-378 (111-INVEST): Karachi, Lahore, Islamabad & Multan.

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