

# Quarterly Report

## September 30, 2015

### (Unaudited)



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

AM2 Plus by PACRA

**MCB**  
**CASH MANAGMENT OPTIMIZER**

## CONTENTS

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Fund's Information	82
Report of the Directors of Management Company	83
Condensed Interim Statement of Assets and Liabilities	85
Condensed Interim Income Statement (Un-audited)	86
Condensed Interim Distribution Statement (Un-audited)	87
Condensed Interim Statement of Movement in Unit Holders' Funds (Un-audited)	88
Condensed Interim Cash Flow Statement (Un-audited)	89
Notes to and forming part of the Condensed Interim Financial Statements (Un-audited)	90

## FUND'S INFORMATION

<b>Management Company</b>	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Board of Directors</b>	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
<b>Audit Committee</b>	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib	Chairman Member Member
<b>Human Resource &amp; Remuneration Committee</b>	Dr. 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 Financial Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Trustee</b>	Central Depository Company of Pakistan Limited CDC House, 99-B 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 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 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area, Phase VI, DHA, Karachi.	
<b>Transfer Agent</b>	MCB-Arif Habib Savings and 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 DIRECTORS OF MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

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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 first quarter ended September 30th, 2015.

### **Economy and Money Market Overview**

Benefits of more than 50 percent drop year on year in crude oil prices are visible in the macroeconomic score card positively nudging the Balance of Payment, Foreign Exchange Reserves, Inflation, Interest rates and the Fiscal deficit. A net benefit of more than USD 1 billion is visible in the trade account during first two months of fiscal year which has offset the otherwise slower exports. In the same period, Balance of Payment Account also remained stable where a near USD 394 million Current Account deficit has been largely offset by Financial and Capital Account Inflows. During the same period last year, the country had a negative balance of payment of near USD 729 million mainly derived from a current account deficit of about USD 1,456 million. With controlled current account deficit, the support of IMF tranche, CSF flows and multilateral flows, reserves remained firm near USD 18.5 billion (Sep-18) mark giving resilience to PKR which underwent relatively lesser depreciation in the fragile environment prevailing in the emerging markets. Although, the local fuel prices were cushioned by increase in taxes, yet the drop in crude oil along with other commodity prices, kept the inflation contribution from food and other sectors at lower levels. During the first quarter, headline inflation average remained near 1.6% which along with strong external account position, created comfortable space for another 50 basis point cut in policy rate in September monetary policy. M2 growth remained mildly negative on FY15 to date basis (18-Sep) which reflects the seasonal adjustment where NDA continually supported by a net govt. borrowing of about PKR 255 billion with a muted contribution from NFA in absence of any major net inflows. Money markets remained cautiously optimistic about further cut in discount rate and its sustainability. Yield Curve has thus recently witnessed a slight increase in slope with longer dated bonds remaining relatively less responsive to the change in policy rate. Increasingly the markets continue to remain cautious primarily due to low quality of market liquidity which has been reliant on OMO injections and the expected uptick in inflation as 2nd half FY16 inflation is expected to remain near 6% largely due to low base effect.

### **Fund performance**

During the quarter under review, the fund generated an annualized return of 6.20% as against its benchmark return of 4.97%, an out performance of 1.23%. The fund decreased its portfolio WAM to around 35 days in order to capitalize on attractive yields.

The fund was around 36.2% invested in T-Bills at the quarter-end while the rest was placed in TDRs, cash and bank deposits.

The Net Assets of the Fund as at September 30, 2015 stood at Rs.7,921 million as compared to Rs 12,533 million as at June 30, 2015 registering a decrease of 36.8%. The Net Asset Value (NAV) per unit as at September 30, 2015 was Rs. 101.6744.

### **Future outlook**

Oil prices have improved the economic scorecard significantly particularly the external account and inflation while providing an opportunity to address the chronic energy issues along with fiscal management. Most of the indicators have improved passively however critical indicators which still lack significant improvement include Credit off take and Capital Expenditure along with FDI. Despite conducive macro environment, growth is yet to pick up and we hope the China Pakistan Corridor provides the required growth impetus for investment to pick up. Government still remains significantly dependent on domestic borrowing to fund fiscal deficit and still progress has remained slow on key reforms including energy, privatization and revenue generation. Security situation has also improved which however remains a long and continuing challenge with potential risks to infrastructure plans going forward.

With stable macro environment and pace expected to pick up on the infrastructure projects, we expect the environment to remain conducive for capital markets. We expect the full year inflation to remain below 4.5% as remainder year inflation is expected to gradually pick up and thus provides a stable interest rate outlook. Budgeted target for economic growth appear achievable while fiscal deficit may marginally exceed due to challenges in revenue collection despite significant reduction in subsidies.

**REPORT OF THE DIRECTORS OF MANAGEMENT COMPANY  
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

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With Policy Rate at 6% and SBP committed to contain the money market volatility and liquidity through continuous OMO support, we expect stable environment for short term papers and medium term bonds while longer dated bonds would respond to further confirmations on external account including trade account and exchange rate which in turn would remain dependent on commodity prices and multilateral flows.

**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,



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Yasir Qadri  
Chief Executive Officer  
Dated: October 16, 2015

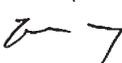
**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES  
AS AT SEPTEMBER 30, 2015**

	<i>Note</i>	<b>September 30, 2015 (Unaudited)</b>	June 30, 2015 (Audited)
----- <b>(Rupees in '000)</b> -----			
<b>ASSETS</b>			
Bank balances with bank		<b>2,237,014</b>	2,398,028
Investments	6	<b>2,929,192</b>	10,302,405
Term deposit receipts		<b>2,900,000</b>	-
Prepayments, profit and other receivables		<b>15,718</b>	10,000
<b>Total assets</b>		<b>8,081,925</b>	12,710,433
<b>LIABILITIES</b>			
Payable to the Management Company		<b>5,656</b>	5,086
Payable to Central Depository Company of Pakistan		<b>631</b>	570
Payable to the Securities and Exchange Commission of Pakistan		<b>1,706</b>	8,282
Accrued and other liabilities	7	<b>152,474</b>	163,848
<b>Total liabilities</b>		<b>160,467</b>	177,786
<b>NET ASSETS</b>		<b>7,921,457</b>	12,532,647
Unit holders' fund		<b>7,921,457</b>	12,532,647
<b>(Number of units)</b>			
<b>Number of units in issue (face value of units is Rs. 100 each)</b>		<b>77,910,025</b>	125,188,076
<b>(Rupees)</b>			
<b>NET ASSET VALUE PER UNIT</b>		<b>101.67</b>	100.11

The annexed notes from 1 to 11 form an integral part of this condensed interim financial statements.

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

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

  
\_\_\_\_\_  
Director

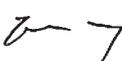
**CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

	Note	Quarter ended	
		September 30, 2015	September 30, 2014
------(Rupees in '000)-----			
<b>INCOME</b>			
Capital gain / (loss) on sale of investments - net		3,279	(4,136)
Income from government securities		145,002	251,142
Profit on bank deposits and term deposit receipts		15,268	62,368
		<b>163,549</b>	<b>309,375</b>
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'at fair value through profit or loss'		<b>1,870</b>	<b>(1,394)</b>
		<b>165,419</b>	<b>307,981</b>
<b>EXPENSES</b>			
Remuneration of Management Company		16,233	30,798
Sindh Sales tax and Federal Excise Duty on Management fee		5,233	10,287
Remuneration of Central Depository Company of Pakistan Limited - Trustee		2,143	2,413
Annual fee of Securities and Exchange Commission of Pakistan		1,706	2,307
Brokerage expense		348	674
Amortisation of preliminary expenses and floatation costs		-	246
Auditors' remuneration		292	207
Other expenses		269	243
<b>Total operating expenses</b>		<b>26,224</b>	<b>47,176</b>
<b>Net income from operating activities</b>		<b>139,195</b>	<b>260,805</b>
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed			
- arising from Capital (loss) / gain and unrealised (loss) / gain on investments		(142)	(375)
- arising from other income		(17,212)	14,401
		<b>(17,354)</b>	<b>14,026</b>
Provision for Workers' Welfare Fund	7.2	-	(5,497)
<b>Net income for the period before taxation</b>		<b>121,841</b>	<b>269,334</b>
Taxation	8	-	-
<b>Net income for the period after taxation</b>		<b>121,841</b>	<b>269,334</b>
<b>Other Comprehensive income:</b>			
Net Unrealised appreciation on re-measurement of investments classified as available-for -sale		-	390
<b>Total comprehensive income for the period</b>		<b>121,841</b>	<b>269,724</b>
<b>Earnings per unit</b>	9		

The annexed notes from 1 to 11 form an integral part of this condensed interim financial statements.

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

  
Chief Executive Officer

  
Director

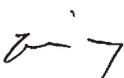
**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

	Quarter ended	
	September 30, 2015 ----- (Rupees in '000) -----	September 30, 2014 -----
<b>Undistributed income brought forward</b>	13,784	2,207
Total comprehensive income for the period	<b>121,841</b>	269,724
Net Element of (loss) / income and capital (loss) / gains included in prices of units issued less those in units redeemed - amount form part of the unit holders' fund	(5,225)	561
<b>Undistributed income carried forward</b>	<u><u>130,400</u></u>	<u><u>272,492</u></u>

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

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

  
\_\_\_\_\_  
Director

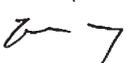
**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

	Quarter ended	
	September 30, 2015	September 30, 2014
	----- (Rupees in '000) -----	
<b>Net asset at the beginning of the period</b>	12,532,647	10,180,728
Issue of 41,043,952 units (September 30, 2014: 70,347,055 units)	4,135,538	7,107,951
Redemption of 88,322,003 units (September 30, 2014: 43,402,943 units)	(8,885,923)	(4,398,953)
	(4,750,384)	2,708,998
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		
- amount representing income and capital gains arising from capital gain (loss) and unrealised gain / (loss) on investments - transferred to income statement	142	375
- amount representing income / (loss) and capital gains / (loss) arising from other income - transferred to income statement	17,212	(14,401)
- amount representing income / (loss) that forms part of unit holder's fund - transferred to distribution statement	5,225	(561)
	22,579	(14,586)
Net element of (loss) / income and capital (losses) / gain included in prices of units issued less those in units redeemed - transferred to distribution statement	(5,225)	561
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	1,870	(1,394)
Capital gain / (loss) on sale of investments - net	3,279	(4,136)
Unrealised appreciation in investments classified as available-for-sale	-	390
Other operating income	116,691	274,863
Net income for the period	121,841	269,724
<b>Net assets at end of the period</b>	7,921,457	13,145,425

The annexed notes from 1 to 11 form an integral part of this condensed interim financial statements.

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

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

  
 \_\_\_\_\_  
 Director

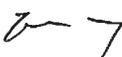
**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

	Quarter ended	
	September 30, 2015	September 30, 2014
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation	121,841	269,334
<b>Adjustments for:</b>		
Capital gain on sale of investments	(3,279)	4,136
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(1,870)	1,394
Amortisation of preliminary expenses and floatation costs	-	246
Element of (income) / losses and capital (gains) / losses included in prices of units issued less those in units redeemed		
- arising from Capital gain / (loss) and unrealised gain / (loss) on investments	142	375
- arising from other income	17,212	(14,401)
Net cash used in operations before working capital changes	<u>134,045</u>	<u>261,084</u>
<b>Working capital changes</b>		
<b>Decrease / (Increase) in assets</b>		
Investments - net	4,478,362	(2,333,178)
Other receivables	(5,718)	(241,795)
	<u>4,472,644</u>	<u>(2,574,973)</u>
<b>(Decrease) / Increase in liabilities</b>		
Payable to the Management Company	570	(119)
Payable to the Trustee	61	843
Payable to the Securities and Exchange Commission of Pakistan	(6,576)	(7,725)
Accrued and other liabilities	(11,374)	11,102
	<u>(17,319)</u>	<u>4,101</u>
<b>Net cash generated / (used in) from operating activities</b>	<u>4,589,371</u>	<u>(2,309,789)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net receipts from issue of units	4,135,538	7,107,951
Net payments on redemption of units	(8,885,923)	(4,398,953)
<b>Net cash (used in) / generated from financing activities</b>	<u>(4,750,384)</u>	<u>2,708,998</u>
Net (decrease) / increase in cash and cash equivalents	<u>(161,014)</u>	<u>399,210</u>
Cash and cash equivalents at beginning of the period	<u>2,398,028</u>	<u>1,169,508</u>
<b>Cash and cash equivalents at end of the period</b>	<u><u>2,237,014</u></u>	<u><u>1,568,718</u></u>

The annexed notes from 1 to 11 form an integral part of this condensed interim 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, 2015

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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.

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+ (AM two plus) dated April 7 2015 to the Management Company and has assigned stability rating of "AA (f)" (Double A ; fund rating) dated March 19 2015 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 2015.

The comparative in the statement of assets and liabilities presented in the condensed interim financial information as at 30 September 2015 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2015, where as the comparatives in the condensed interim income statement, condensed interim cash flow statement, condensed interim

**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE PERIOD ENDED SEPTEMBER 30, 2015**

distribution statement and condensed interim statement of movement in unit holders' funds are stated from unaudited condensed interim financial information for the quarter ended 30 September 2014.

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

**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**

**3.1** 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, 2015.

**3.2** 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 2015.

**5 FINANCIAL RISK MANAGEMENT**

The Fund's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2015.

	<b>Note</b>	<b>September 30, 2015 (Unaudited)</b>	<b>June 30 2015 (Audited)</b>
----- (Rupees in '000) -----			
<b>6 INVESTMENTS</b>			
<b>'Investments at fair value through profit or loss'</b>			
Market Treasury Bills	6.1	2,929,192	10,260,063
Pakistan Investment Bonds		-	42,342
		<u>2,929,192</u>	<u>10,302,405</u>

**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE PERIOD ENDED SEPTEMBER 30, 2015**

**'Investments at fair value through profit or loss'**

**- Investment in Market Treasury Bills**

Government securities	Face Value			Balance as at September 30, 2015				Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2015	Purchased during the period	Disposed	Matured	As at Sept 30, 2015	Carrying Value	Market value		
									%
									%
Treasury Bills - 1 year	-	1,200,000	300,000	-	900,000	885,605	886,243	638	11.19%
Treasury Bills - 6 months	7,393,175	7,531,000	12,101,000	820,775	2,002,400	1,972,571	1,973,815	1,243	24.92%
Treasury Bills - 3 months	2,987,500	820,000	3,712,500	25,000	70,000	69,146	69,134	(11)	0.87%
Treasury Bills - 2 months	-	345	345	-	-	-	-	-	0.00%
<b>Totals - September 30, 2015</b>						<b>2,927,322</b>	<b>2,929,192</b>	<b>1,870</b>	<b>36.98%</b>
Totals: June 30, 2015						10,261,280	10,260,063	(1,217)	81.87%
									99.59%

**- Investment in Pakistan Investment Bond**

PIB - 3 years	14,100	-	-	14,100	-	-	-	-	-
PIB - 7 years	28,000	250,000	-	278,000	-	-	-	-	-
<b>Totals - September 30, 2015</b>						<b>42,651</b>	<b>42,342</b>	<b>(309)</b>	<b>0.34%</b>
Totals: June 30, 2015									0.41%

	September 30, 2015 (Unaudited)	June 30, 2015 (Audited)
	214	577
	215	417
	47,502	44,560
	102,911	102,911
	1,632	15,383
	<b>152,474</b>	<b>163,848</b>

**ACCRUED AND OTHER LIABILITIES**

Auditors' remuneration	7.1	7.2
Brokerage payable	214	577
Provision for Federal Excise Duty and related taxes	215	417
Provision for Workers' Welfare Fund	47,502	44,560
Others	102,911	102,911
	1,632	15,383
	<b>152,474</b>	<b>163,848</b>

## NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2015

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### 7.1 Provision for Federal Excise Duty and related taxes

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. 47.502 million as at 30 September 2015. In case, the suit is decided against the fund the same would be paid to management company, who will be responsible for submitting the same to authorities. Had the said provision of FED and related taxes were not recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 0.61 per unit as at 30 September 2015.

### 7.2 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 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 Investments classified as available for sale 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.

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, the 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. The Management company, as a matter of abundant precaution, has decided to retain the provision for WWF in these financial statements. During the quarter the Fund charged Rs. Nil on account of WWF. The aggregate amount of WWF charged as on September 30, 2015 is Rs. 102.911 million, if the same were not made the NAV of the fund would have been higher by Rs. 1.32 per unit.

**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE PERIOD ENDED SEPTEMBER 30, 2015**

**8 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 Regulation, 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 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 has distributed 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.

**9 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.

**10 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	
	September 30,	
	2015	2014
	----- (Rupees in '000) -----	
<b>10.1 Transactions with connected persons during the period</b>		
<b>MCB Bank Limited</b>		
Profit on Bank deposits	1,939	4,698
Bank Charges	40	21
<b>MCB-Arif Habib Savings and Investments Limited (Management Company)</b>		
Remuneration of the Management Company (including indirect taxes)	21,466	41,085
Issue of units: 1,047,264 units (Sept 2014: Nil units)	105,000	-
Redemption of units: 1,427,144 units (Sept 2014: Nil units)	143,232	-
<b>Central Depository Company of Pakistan Limited-Trustee</b>		
Fee charged during the period	2,143	2,413
<b>Adamjee Insurance Company Limited - Investment Department</b>		
Redemption of units: 19,131,871 units (Sept 2014: 2,194,525 units)	1,924,255	222,292
<b>Adamjee Insurance Company Limited</b>		
Redemption of units: 8,655,218 units (Sept 2014: Nil units)	866,478	-

**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE PERIOD ENDED SEPTEMBER 30, 2015**

		-----Unaudited-----	
		Quarter ended	
		September 30	
		2015	2014
		------(Rupees in '000)-----	
<b>Pakistan Petroleum Limited **</b>			
Issue of units: 9,776,354 units (Sept 2014: Nil units)		985,000	-
Redemption of units: Nil units (Sept 2014: 2,450,723 units)		-	250,000
<b>D.G. Khan Cement Company Limited</b>			
Issue of units: Nil units (Sept 2014: 42,930,984 units)		-	4,338,000
Redemption of units: 15,057,137 units (Sept 2014: 14,856,350 units)		1,509,401	1,507,000
<b>Arif Habib Limited-Brokerage House *</b>			
Brokerage expense		-	8
<b>Next Capital Limited-Brokerage House *</b>			
Brokerage expense		60	171
<b>Mandate Under Discretionary Portfolio Services</b>			
Issue of units: 203,631 units (Sept 2014: 166,745 units)		20,481	16,766
Redemption of units: 829,648 units (Sept 2014: 203,084 units)		83,672	20,576
<b>Key Management Personnel</b>			
Issue of units: Nil units (Sept 2014: 3,761 units)		-	380
Redemption of units: Nil units (Sept 2014: 749 units)		-	75
		<b>September 30,</b>	<b>June 30,</b>
		<b>2015</b>	<b>2015</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
		------(Rupees in '000)-----	
<b>10.2</b>	<b>Amount outstanding as at period end</b>		
<b>MCB Bank Limited</b>			
Bank balance		9,312	389,275
Profit receivable on deposit accounts		703	3,606
<b>MCB-Arif Habib Savings and Investments Limited (Management Company)</b>			
Management fee payable		4,962	4,336
Sindh sales tax payable on management fee		695	650
Legal and professional Charges Payable		-	100
Units held: Nil units (June 30, 2015: 379,880 units)		-	38,030
<b>Central Depository Company of Pakistan Limited-Trustee</b>			
Fee payable		631	570
<b>Arif Habib Limited-Brokerage House *</b>			
Brokerage payable		-	73
<b>Next Capital Limited-Brokerage House *</b>			
Brokerage payable		29	31
<b>Indus Motor Company Limited **</b>			
Units held: 12,496,750 units (June 30, 2015: 12,496,750 units)		1,270,600	1,251,056
<b>Adamjee Insurance Company Limited - Investment Department</b>			
Units held: Nil units (June 30, 2015: 19,131,871 units)		-	1,915,301
<b>Adamjee Insurance Company Limited</b>			
Units held: Nil units (June 30, 2015: 8,655,218 units)		-	866,478
<b>Pakistan Petroleum Limited **</b>			
Units held : 9,776,355 units (June 30, 2015: Nil units)		994,005	-

**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE PERIOD ENDED SEPTEMBER 30, 2015**

	-----Unaudited-----	
	Quarter ended	
	September 30,	
	2015	2014
	----- (Rupees in '000) -----	
<b>D.G. Khan Cement Company Limited</b>		
Units held : Nil units (June 30, 2015: 15,057,137 units)	-	1,507,378
<b>Mandate Under Discretionary Portfolio Services</b>		
Units held : 199,819 units (June 30, 2015: 323,738 units)	<b>20,316</b>	32,410
<b>Key Management Personnel</b>		
Units held : 16,046 units (June 30, 2015: 4,399 units)	<b>1,631</b>	440

\* The amount disclosed the amount of brokerage paid to the connected persons and not the purchase and sale value of securities transacted through them. The purchase and sale value can not be treated as transaction with connected persons as the ultimate counter parties are not connected persons.

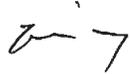
\*\* These includes those parties that exist as at September 30, 2015 and became connected / related parties during the period due to acquiring unit holding of more than 10% of net assets of the Fund.

**11 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on **October 16, 2015** by the Board of Directors of the Management Company.

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

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

  
\_\_\_\_\_  
Director

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