



**Bachat** ka Doosra Naam

## Quarterly Report September 30, 2014 (Unaudited)



# TABLE OF CONTENTS

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<b>Vision, Mission &amp; Core Values</b>	<b>02</b>
<b>Company Information</b>	<b>03</b>
<b>Director's Report</b>	<b>04</b>
<b>Condensed Interim Balance Sheet</b>	<b>08</b>
<b>Condensed Interim Profit &amp; Loss Account (Unaudited)</b>	<b>09</b>
<b>Condensed Interim Statement of Comprehensive Income (Unaudited)</b>	<b>10</b>
<b>Condensed Interim Cash Flow Statement (Unaudited)</b>	<b>11</b>
<b>Condensed Interim Statement of Changes in Equity (Unaudited)</b>	<b>12</b>
<b>Notes to the Condensed Interim Financial Information (Unaudited)</b>	<b>13</b>

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## **Vision**

To become synonymous with Savings.

## **Mission**

To become a preferred Savings and Investment Manager in the domestic and regional markets, while maximizing stakeholder's value.

## **Core Values**

The Company takes pride in its orientation towards client service. It believes that its key success factors include continuous investment in staff, systems and capacity building, and its insistence on universal best practices at all times.

# COMPANY INFORMATION

<b>Board of Directors</b>	Mian Mohammad Mansha	Chairman
	Mr. Nasim Beg	Executive Vice Chairman
	Mr. Yasir Qadri	Chief Executive Officer
	Dr. Syed Salman Ali Shah	Director
	Mr. Haroun Rashid	Director
	Mr. Ahmed Jahangir	Director
	Mr. Samad A. Habib	Director
	Mr. Mirza Mahmood Ahmad	Director

<b>Audit Committee</b>	Mr. Haroun Rashid	Chairman
	Mr. Ahmed Jahangir	Member
	Mr. Samad A. Habib	Member

<b>Human Resource &amp; Remuneration Committee</b>	Dr. Syed Salman Ali Shah	Chairman
	Mr. Nasim Beg	Member
	Mr. Haroun Rashid	Member
	Mr. Ahmed Jahangir	Member
	Mr. Yasir Qadri	Member

<b>Company Secretary &amp; Chief Operating Officer</b>	Mr. Muhammad Saqib Saleem
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<b>Chief Financial Officer</b>	Mr. Umair Ahmed
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<b>Share Registrar</b>	<b>Central Depository Company of Pakistan Ltd.</b> CDC House, 99-B, Block 'B' S.M.C.H.S., Main Shahrah-e-Faisal, Karachi. Tel: (92-21) 111-111-500 Fax: (92-21) 34326034 Web: www.cdcpakistan.com
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<b>Bankers</b>	MCB Bank Limited Summit Bank Limited Bank Al Habib Limited Allied Bank Limited
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<b>Auditors</b>	<b>A.F. Ferguson &amp; Co.</b> Chartered Accountants (a member firm of PwC network) State Life Building 1-C I.I. Chundrigar Road Karachi.
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<b>Legal Advisor</b>	<b>Akhund Forbes</b> D-21, Block-4, Scheme-5, Clifton, Karachi.
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**Bawany & Partners**  
404, 4th Floor, Beaumont Plaza,  
Beaumont Road, Civil Lines, Karachi-75530

<b>Registered Office</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi
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<b>Rating</b>	Asset Manager AM2 (PACRA)
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# **DIRECTOR'S REPORT**

## **FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

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The Board of Directors of MCB-Arif Habib Savings and Investments Limited (MCBAH) is pleased to present the Quarterly Report on the affairs of MCBAH for the period ended September 30, 2014.

### **Company's Performance Review**

The Company recorded a gross income of Rs. 162.53 million, which includes management/investment advisory fee and other operating income. After accounting for administrative, operating & financial expenses and income sharing of Rs. 83.58 million, the company earned a profit before tax of Rs. 78.94 million. The net profit after tax for the period amounts to Rs. 52.6 million, as compared to net profit of Rs. 34.37 million for the corresponding period ended September 30, 2013. With the increasing trend of funds under management, the company is expected to deliver better results going forward.

### **MARKET & ECONOMIC REVIEW**

#### **Economy & Money Market Review**

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.

In absence of foreign inflows, the current account deficit widened and forex reserves dropped 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, the IMF and Central Bank have favored a cautious approach. This is evident from the recent monetary policy announcement in which policy makers kept the discount rate unchanged at around 10 percent.

## **DIRECTOR'S REPORT**

### **FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

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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.

#### **Equities Market Review**

Local stock market remained volatile in the wake of growing apprehension on the political front during the first quarter of the current fiscal year. The index posted a return of 2.2 percent and 4.1 percent during July and September, respectively, but on account of poor performance in August the benchmark index recorded a total gain of 0.25 percent during the 1QFY15, with KSE-100 index closing at 29,726.39 at the end of the quarter.

Demonstrations and sit-ins across the country took its toll on the stock market's performance during August, but the gradual drop in political temperature in September helped in restoring confidence over the continuity of the current democratic system.

Local investors' interest remained subdued. This can be gauged from the fact that the average turnover stood at 131 million shares during 1QFY15 as opposed to the average turnover of 236 million shares during 2HFY14. Although local investors took a cautious stance and preferred to remain on the sideline, foreign investors remained upbeat on the market and remained net buyer with a cumulative net inflow of US\$ 165.77 million during the period under review.

Auto sector and small capital stocks stayed in the limelight, while performance of Oil and Gas, Cement, and Banks remained unimpressive.

# **DIRECTOR'S REPORT FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

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## **MARKET & ECONOMY - 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.

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.

## **MUTUAL FUND INDUSTRY REVIEW**

The Net Assets of the open end mutual fund industry stood at around \$394 billion at the end of the 1QFY15. Size of Income Fund, Equity Fund and Fund of Funds (Islamic/Conventional) increased, while asset under management of Islamic Income Fund declined.

In terms of the segment share, Money Market funds continued to be the leader with a share of around 28.8 percent, followed by Equity funds 22.8 percent and Income funds 15.6 percent.

# **DIRECTOR'S REPORT FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

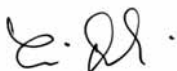
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## **MUTUAL FUND INDUSTRY OUTLOOK**

Taxation may continue to affect growth in the medium term. Income funds, which are capitalizing on T-bill-PIB spread, will continue to offer opportunities for investors. Equity Fund's AUM will continue to expand, but higher return hinges on the performance of the equity markets. Capital Protected structures are likely to benefit from double digit interest rates, but their returns would continue to remain contingent on the performance of the equity market.

The government's insatiable need to borrow continues to push the government bond yields upward, resulting in NSS rates climbing, creating another hurdle for the capital markets of the country, specifically mutual funds.

For and on behalf of Board



**Yasir Qadri**

Chief Executive Officer

October 20, 2014.



# CONDENSED INTERIM BALANCE SHEET

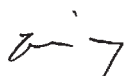
## AS AT SEPTEMBER 30, 2014

		(Unaudited) September 30, 2014	(Audited) June 30 2014
ASSETS	Note	----- Rupees -----	
<b>Non-current assets</b>			
Fixed assets	4	380,609,960	384,746,339
Long-term investments	5	364,989,928	356,922,294
Long-term loans and receivables		3,121,894	5,082,907
Long-term deposits		1,511,236	1,511,236
		<u>750,233,018</u>	<u>748,262,776</u>
<b>Current assets</b>			
Receivable from related parties		210,471,984	181,401,477
Loans and advances		912,393	656,206
Deposits, prepayments and other receivables		20,977,942	13,533,790
Short-term investments	6	846,016,155	600,560,776
Taxation - net		47,971,282	52,764,616
Cash and bank balances		11,520,497	10,554,360
		<u>1,137,870,253</u>	<u>859,471,225</u>
<b>Total assets</b>		<u><b>1,888,103,271</b></u>	<u><b>1,607,734,001</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised share capital			
72,000,000 (2014: 72,000,000) ordinary shares of Rs 10 each		<u>720,000,000</u>	<u>720,000,000</u>
Issued, subscribed and paid-up share capital		<u>720,000,000</u>	<u>720,000,000</u>
Reserves		<u>685,501,457</u>	<u>622,095,830</u>
<b>Total equity</b>		1,405,501,457	1,342,095,830
Surplus arising on revaluation of property and equipment - net of deferred tax		<u>11,614,599</u>	<u>11,750,176</u>
		1,417,116,056	1,353,846,006
<b>Non-current liabilities</b>			
Deferred taxation		<u>53,659,864</u>	<u>47,931,810</u>
<b>Current liabilities</b>			
Running finance	7	181,726,609	-
Trade and other payables		<u>235,600,742</u>	<u>205,956,185</u>
<b>Total liabilities</b>		470,987,215	253,887,995
<b>Total equity and liabilities</b>		<u><b>1,888,103,271</b></u>	<u><b>1,607,734,001</b></u>

### CONTINGENCIES AND COMMITMENTS

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

  
Chief Executive Officer

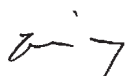
  
Director

# CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2014

		Quarter ended	
	Note	September 30, 2014	September 30, 2013
		-----Rupees-----	
<b>Revenue</b>			
Management fee / Investment advisory fee	8	141,537,423	118,742,774
Processing and other related income		224,819	311,296
Profit on bank deposits		804,096	387,057
Income from Government Securities		6,949,479	-
Capital gain on sale of investments - net		1,517,149	1,589,847
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net		11,260,801	9,064,785
Other income		236,475	2,035
<b>Total income</b>		162,530,242	130,097,794
<b>Expenses</b>			
Administrative and operating expenses	9	(63,680,046)	(62,599,356)
Management fee /Investment Advisory fee / processing fee and other related income sharing		(18,339,577)	(20,401,451)
Financial charges		(1,567,814)	-
<b>Total expenses</b>		(83,587,437)	(83,000,807)
<b>Profit for the quarter before taxation</b>		78,942,805	47,096,987
<b>Taxation</b>			
- Current		(20,566,867)	(11,163,061)
- Deferred		(5,728,054)	(1,559,130)
		(26,294,921)	(12,722,191)
<b>Profit for the quarter after taxation</b>		52,647,884	34,374,796
Earnings per share - basic and diluted		0.73	0.48

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

  
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Chief Executive Officer

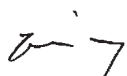
  
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Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

		Quarter ended	
		September 30, 2014	September 30, 2013
		-----Rupees-----	
<b>Profit for the quarter after taxation</b>		52,647,884	34,374,796
<b>Other Comprehensive income for the quarter</b>			
<i>Items that may be re-classified subsequently to profit or loss</i>			
Unrealised appreciation on re-measurement of 'available-for-sale' financial assets - Pension funds	5.1	8,067,634	6,270,000
Unrealised appreciation on re-measurement of 'available-for-sale' financial assets - Pakistan Investment Bond	6.2	2,554,532	-
<i>Items that will not be reclassified to profit or loss</i>			
Transferred from surplus arising on revaluation of property and equipment on account of incremental depreciation - net of deferred taxation		135,577	118,968
		10,757,743	6,388,968
<b>Total comprehensive income for the quarter</b>		<b>63,405,627</b>	<b>40,763,764</b>

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

  
Chief Executive Officer

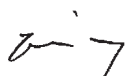
  
Director

# CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2014

	Quarter ended	
	September 30, 2014	September 30, 2013
	-----Rupees-----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit for the period before taxation	78,942,805	47,096,987
<b>Adjustments for non cash and other items:</b>		
Depreciation	3,479,912	2,725,407
Amortisation	1,271,707	449,704
Capital gain on sale of investments-Net	(1,517,149)	(1,589,847)
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	(11,260,801)	(9,064,785)
	(8,026,331)	(7,479,521)
<b>OPERATING CASH FLOWS BEFORE WORKING CAPITAL CHANGES</b>	70,916,474	39,617,466
<b>WORKING CAPITAL CHANGES</b>		
<b>(Increase) / decrease in current assets</b>		
Receivable from related parties	(29,070,507)	9,156,034
Deposits, prepayments and other receivables	(7,444,152)	(5,216,352)
Loans and advances	(256,187)	(1,574,521)
	(36,770,846)	2,365,161
<b>Increase / (decrease) in current liabilities</b>		
Running finance obtained	181,726,609	-
Trade and other payables	29,644,557	(12,445,542)
<b>NET CASH USED IN WORKING CAPITAL CHANGES</b>	174,600,320	(10,080,381)
<b>CASH GENERATED FROM OPERATIONS</b>	245,516,794	29,537,085
Income tax paid	(15,773,532)	(10,267,279)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	229,743,262	19,269,806
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(615,240)	(4,053,993)
Proceeds from sale of property and equipment	-	-
Short term investments	(520,521,590)	(15,733,082)
Proceed from redemption of investments	290,398,692	-
Long term loans and receivables	1,961,013	4,127,215
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	(228,777,125)	(15,659,860)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	966,137	3,609,946
Cash and cash equivalents at the beginning of the period	10,554,360	4,794,987
Cash and cash equivalents at the end of the period	<b>11,520,497</b>	<b>8,404,933</b>

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

  
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Chief Executive Officer

  
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Director

# CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2014

	Reserves							
	Capital Reserves			Revenue Reserve		Sub Total		
	Issued, subscribed and paid-up share capital	Share premium	Deficit arising on amalgamation	Sub total	Unrealised appreciation on re-measurement of available-for-sale financial assets		Unappropriated profit	
Rupees								
Balance as at June 30, 2013 (Audited)	720,000,000	396,000,000	(60,000,000)	336,000,000	78,213,000	128,988,779	543,201,779	1,263,201,779
Profit for the quarter ended September 30, 2013	-	-	-	-	-	34,374,796	34,374,796	34,374,796
Unrealised appreciation on re-measurement of available-for-sale financial assets	-	-	-	-	6,270,000	-	6,270,000	6,270,000
Transferred from surplus arising on revaluation of property and equipment on account of incremental depreciation	-	-	-	-	-	-	-	-
- net of deferred taxation	-	-	-	-	-	-	-	-
Total Comprehensive income for the quarter ended September 30, 2013	-	-	-	-	-	118,968	118,968	118,968
<b>Balance as at September 30, 2013 (unaudited)</b>	<b>720,000,000</b>	<b>396,000,000</b>	<b>(60,000,000)</b>	<b>336,000,000</b>	<b>84,483,000</b>	<b>163,363,575</b>	<b>247,846,575</b>	<b>1,303,846,575</b>
Final Dividend for year ended June 30, 2013 at Rs. 1.00 per share	-	-	-	-	-	(72,000,000)	(72,000,000)	(72,000,000)
Interim Dividend for the year ended June 30, 2014 at Rs. 1.25 per share	-	-	-	-	-	(90,000,000)	(90,000,000)	(90,000,000)
Profit for the period	-	-	-	-	-	148,266,256	148,266,256	148,266,256
Unrealised appreciation on re-measurement of available-for-sale financial assets	-	-	-	-	51,430,599	-	51,430,599	51,430,599
Transferred from surplus arising on revaluation of property and equipment on account of incremental depreciation	-	-	-	-	-	-	-	-
- net of deferred taxation	-	-	-	-	-	-	-	-
Total Comprehensive income for the period	-	-	-	-	-	552,400	552,400	552,400
<b>Balance as at June 30, 2014 (Audited)</b>	<b>720,000,000</b>	<b>396,000,000</b>	<b>(60,000,000)</b>	<b>336,000,000</b>	<b>135,913,599</b>	<b>150,182,231</b>	<b>286,095,830</b>	<b>1,342,095,830</b>
Profit for the quarter ended September 30, 2014	-	-	-	-	-	52,647,884	52,647,884	52,647,884
Unrealised appreciation on re-measurement of available-for-sale financial assets	-	-	-	-	10,622,166	-	10,622,166	10,622,166
Transferred from surplus arising on revaluation of property and equipment on account of incremental depreciation	-	-	-	-	-	-	-	-
- net of deferred taxation	-	-	-	-	-	-	-	-
Total Comprehensive income for the period	-	-	-	-	-	135,577	135,577	135,577
<b>Balance as at September 30, 2014 (Un-audited)</b>	<b>720,000,000</b>	<b>396,000,000</b>	<b>(60,000,000)</b>	<b>336,000,000</b>	<b>146,535,765</b>	<b>202,965,692</b>	<b>349,501,457</b>	<b>1,405,501,457</b>

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



Chief Executive Officer



Director

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

**1 LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1** MCB-Arif Habib Savings and Investments Limited ("the Company") was incorporated in the name of Arif Habib Investment Management Limited (AHIML) on August 30, 2000 as an unquoted public limited company under the Companies Ordinance, 1984. During 2008, the Company was listed on the Karachi Stock Exchange by way of offer for sale of shares by a few of its existing shareholders to the general public. In the same financial year, the name of the Company was changed from "Arif Habib Investment Management Limited" to "Arif Habib Investments Limited". Pursuant to the merger of MCB Asset Management Company Limited with and into Arif Habib Investments Limited (AHIL), the name of AHIL has been changed to MCB-Arif Habib Savings and Investments Limited effective from 23 May 2013.
- 1.2** The Company is registered as a Pension Fund Manager under the Voluntary Pension System Rules, 2005 and as an Asset Management Company and an Investment Advisor under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. The registered office of the Company is situated at 8th Floor, Techno City, Corporate Tower, Molana Hasrat Mohani Road, Karachi, Pakistan.
- 1.4** The Company has been assigned an asset manager rating of AM2 by the Pakistan Credit Rating Agency Limited (PACRA) and currently has the following funds under management:

	<b>Net assets value as at</b>	
	<b>(Unaudited) September 30, 2014</b>	<b>(Audited) June 30, 2014</b>
	<b>----- Rupees in million -----</b>	
<b>Open-end Collective Investment Schemes (CISs)</b>		
Pakistan Income Fund	1,017	1,008
Pakistan Stock Market Fund	3,706	3,730
Metro Bank - Pakistan Sovereign Fund	3,390	2,496
Pakistan International Element Islamic Asset Allocation Fund	412	411
Pakistan Capital Market Fund	372	365
Pakistan Cash Management Fund	3,295	3,148
Pakistan Income Enhancement Fund	1,815	1,677
Pakistan Strategic Allocation Fund	366	358
MCB Islamic Income Fund	1,842	2,055
MCB Dynamic Allocation Fund	800	779
MCB Dynamic Cash Fund	12,312	11,102
MCB Cash Management Optimizer	13,145	10,181
<b>Pension Funds</b>		
Pakistan Pension Fund	628	595
Pakistan Islamic Pension Fund	331	321
<b>Discretionary portfolios</b>	8,161	7,207

The Company is also managing investments under discretionary portfolio management agreements, the details of which are given below:

Number of clients	25	28
Total portfolio at cost (Rs in millions)	8,191	6,560
Total portfolio at market value (Rs in millions)	7,599	6,598
	<b>September 30, 2014</b>	<b>September 30, 2013</b>
Fee earned (Rs in millions)	4	3

**2 BASIS OF PRESENTATION**

**2.1 Statement of compliance**

- a)** This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

- b) 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 does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published financial statements of the Company for the year ended June 30, 2014.
- c) This condensed interim financial information is unaudited. The Board of Directors of the Company declares that this condensed interim financial information gives a true and fair view of the state of the Company's affairs.

## **2.2 Critical accounting estimates and judgments**

The basis and methods used for critical accounting estimates and judgments adopted in this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2014.

## **2.3 Accounting Convention**

This condensed interim financial information has been prepared under the historical cost convention except that investments have been marked to market and are carried at their respective fair values and building has been stated at revalued amount.

## **2.4 Functional and presentation currency**

This condensed interim financial information is presented in Pakistani Rupee which is the Company's functional and presentation currency.

## **3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and methods of computation followed in the preparation of this condensed interim financial information are the same as those applied in the preparation of financial statements of the Company for the year ended June 30, 2014.

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events.

Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

The significant estimates, judgements and assumptions made by the management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended June 30, 2014

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

		(Unaudited) September 30, 2014	(Audited) June 30, 2014
	Note	Rupees	Rupees
<b>4 FIXED ASSETS</b>			
Property and equipment	4.1	94,079,092	96,943,764
Intangible assets	4.2	286,530,868	287,802,575
		<b>380,609,960</b>	<b>384,746,339</b>

**4.1 Property and equipment**

Following is a statement of property and equipment:

	Computers	Building	Office equipment	Furniture and fixtures	Leasehold improvements	Vehicles	Total
	Rupees						
<b>As at July 1, 2014</b>							
Cost	29,871,094	84,494,665	13,064,852	15,602,037	2,725,000	7,662,267	153,419,915
Accumulated depreciation	(21,125,175)	(13,637,343)	(7,258,661)	(8,253,478)	(315,324)	(5,886,170)	(56,476,151)
Net book value	<b>8,745,919</b>	<b>70,857,322</b>	<b>5,806,191</b>	<b>7,348,559</b>	<b>2,409,676</b>	<b>1,776,097</b>	<b>96,943,764</b>
<b>Quarter ended September 30, 2014</b>							
Opening net book value	8,745,919	70,857,322	5,806,191	7,348,559	2,409,676	1,776,097	96,943,764
Additions during the period	215,832	-	391,754	7,654	-	-	615,240
Disposals / transfers	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Depreciation for the period	(1,097,327)	(885,717)	(527,816)	(389,096)	(136,250)	(443,706)	(3,479,912)
Closing net book value	<b>7,864,424</b>	<b>69,971,605</b>	<b>5,670,129</b>	<b>6,967,117</b>	<b>2,273,426</b>	<b>1,332,391</b>	<b>94,079,092</b>
<b>As at September 30, 2014</b>							
Cost	30,086,926	84,494,665	13,456,606	15,609,691	2,725,000	7,662,267	154,035,155
Accumulated depreciation	(22,222,502)	(14,523,060)	(7,786,477)	(8,642,574)	(451,574)	(6,329,876)	(59,956,063)
Net book value	<b>7,864,424</b>	<b>69,971,605</b>	<b>5,670,129</b>	<b>6,967,117</b>	<b>2,273,426</b>	<b>1,332,391</b>	<b>94,079,092</b>
<b>Depreciation rates (% per annum)</b>	25%	5%	20%	10%	20%	25%	

**4.2 INTANGIBLE ASSETS**

Intangible assets	4.2.1	<b>286,530,868</b>	<b>278,847,833</b>
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**4.2.1** Following is a statement of intangible assets:

	Computer software	Goodwill	Management rights	Total
	Rupees			
<b>As at July 1, 2014</b>				
Cost	27,486,381	82,126,933	192,000,000	301,613,314
Accumulated depreciation	(13,810,739)	-	-	(13,810,739)
Net book value	<b>13,675,642</b>	<b>82,126,933</b>	<b>192,000,000</b>	<b>287,802,575</b>
<b>Quarter ended September 30, 2014</b>				
Opening net book value	13,675,642	82,126,933	192,000,000	287,802,575
Additions during the period	-	-	-	-
Amortisation for the period	(1,271,707)	-	-	(1,271,707)
Closing net book value	<b>12,403,935</b>	<b>82,126,933</b>	<b>192,000,000</b>	<b>286,530,868</b>
<b>As at September 30, 2014</b>				
Cost	27,486,381	82,126,933	192,000,000	301,613,314
Accumulated depreciation	(15,082,446)	-	-	(15,082,446)
Net book value	<b>12,403,935</b>	<b>82,126,933</b>	<b>192,000,000</b>	<b>286,530,868</b>
<b>Amortisation rates (% per annum)</b>	25%			



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**16**      **MCB-Arif Habib Savings and Investments Limited**

Note	(Un-audited) September 30, 2014	(Audited) June 30, 2014
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### In Collective Investment Schemes - related parties

At fair value through profit or loss

## Investment in Pakistan Investment Bond

Available-for-sale investments

6.1	443,263,070	515,915,923
6.2	402,753,085	84,644,853
	<b>846,016,155</b>	<b>600,560,776</b>

[illegible]

### Open end mutual funds

MCB Dynamic Cash Fund	2,584,297	-	1,126,073	1,458,124	147,420,670	151,302,464	3,881,794	239,621,793	261,330,685	21,708,892
MCB Dynamic Allocation Fund	2,364,412	-	-	2,364,412	169,933,421	174,633,873	4,700,452	153,624,292	169,933,421	16,309,129
Metro Bank-Pakistan Sovereign Fund	1,569,142	488,950	-	2,058,092	103,319,864	105,888,818	2,368,954	77,000,000	78,519,864	1,519,864
Pakistan Stock Market Fund	98,018	81,626	-	179,644	11,128,315	11,437,915	309,400	6,000,000	6,131,953	131,953
					<b>432,002,270</b>	<b>443,263,070</b>	<b>11,260,800</b>	<b>476,464,085</b>	<b>515,919,233</b>	<b>39,669,838</b>

Particulars	Face Value			As at September 30, 2014			As at June 30, 2014			
	As at July 01, 2014	Purchased during the period	Disposed during the period	As at September 30, 2014	Number of units					
					Carrying Value	Market value	Unrealised appreciation/(diminution) on measurement of investments			
Pakistan Investment Bonds	85,800,000	501,800,000	182,000,000	405,600,000	400,277,187	402,753,085	2,475,898	84,722,487	84,644,853	(78,634)
					400,277,187	402,753,085	2,475,898	84,722,487	84,644,853	(78,634)

This includes investments valuing Rs. 341.5 million pledged against financing from MCB Bank Limited. (June 30, 2014 : NIL)

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

**7 RUNNING FINANCE**

This represents running finance facility amounting to Rs. 300 million obtained by MCB Bank Limited, a related party. The facility carries mark-up at the rate of 1 months' KIBOR plus 0.5 % (June 30, 2014 : NIL) , payable on quarterly basis. The facility is secured against pledge over Government Securites held by the Company.

**8 MANAGEMENT FEE / INVESTMENT ADVISORY FEE**

Note

Quarter Ended	
September 30, 2014	September 30, 2013
-----Rupees-----	
From Collective Investment Schemes - related parties	183,988,478
From Discretionary Portfolio	4,822,443
	188,810,921
Less : Indirect taxes and duties on management fee	(47,273,498)
	(41,037,504)
	<b>141,537,423</b>
	<b>118,742,774</b>

8.1

**8.1 From Collective Investment Schemes - related parties**

MCB Cash Management Optimizer  
MCB Dynamic Allocation Fund  
MCB Dynamic Cash Fund  
MCB Islamic Income Fund  
Metro Bank- Pakistan Sovereign Fund (perpetual)  
Pakistan Capital Market Fund  
Pakistan Cash Management Fund  
Pakistan Income Enhancement Fund  
Pakistan Income Fund  
Pakistan International Element Islamic Asset Allocation Fund  
Pakistan Islamic Pension Fund  
Pakistan Pension Fund  
Pakistan Stock Market Fund  
Pakistan Strategic Allocation Fund

41,084,625	36,692,767
5,332,110	3,253,366
58,738,214	54,770,338
5,342,674	8,499,575
11,309,193	2,954,603
2,472,110	2,879,087
11,284,329	9,091,817
8,483,219	6,497,504
5,097,958	5,331,844
2,686,068	1,542,761
1,642,175	1,159,142
3,094,964	2,204,116
24,941,745	19,284,156
2,479,094	2,249,312
<b>183,988,478</b>	<b>156,410,388</b>

**9 ADMINISTRATIVE AND OPERATING EXPENSES**

Quarter Ended	
September 30, 2014	September 30, 2013
-----Rupees-----	
Salaries, allowances and other benefits	39,692,511
Marketing and advertising expenses	40,645,605
Legal and professional charges	928,008
Travelling and conveyance charges	2,979,741
Repairs and maintenance	2,930,313
Office supplies	595,216
Auditors' remuneration	187,594
Directors' meeting fee	5,834,467
Insurance	6,083,855
Depreciation	84,232
Amortisation	103,273
Stamp duty and taxes	500,000
Printing and stationery	450,000
Utilities	325,000
Telephone expenses	289,521
Entertainment expenses	590,429
Books, periodicals and subscription	3,479,912
Registrar fee	2,725,407
Miscellaneous expenses	1,271,707
	449,704
	17,700
	1,244,947
	1,258,682
	1,269,256
	1,276,364
	1,089,208
	1,098,080
	350,494
	458,134
	1,938,435
	2,162,156
	201,631
	159,174
	1,588,060
	956,861
<b>63,680,046</b>	<b>62,599,356</b>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

**10 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments outstanding as on September 30, 2014 and June 30, 2014.

**11 TRANSACTIONS WITH RELATED PARTIES**

MCB Bank Limited (MCB) holds 51.33% ordinary shares of the Company as at the year end. Therefore, all subsidiaries and associated undertakings of MCB are related parties of the Company. Other related parties comprise of collective investment schemes managed by the Company, directors, key management personnel and their close family members and the defined contribution plan. Transactions with related parties are in the normal course of business and carried out at contracted rates and terms. Details of such transaction are as follows:

	Quarter ended	
	September 30, 2014	September 30, 2013
	-----Rupees-----	
<b>11.1 Transactions with related parties during the period</b>		
<b>MCB BANK LIMITED</b>		
Profit in bank deposits	756,426	366,711
Bank charges	8,830	-
Reimbursement of expenses	3,000,000	3,000,000
Commission and other expenses	8,433,936	8,867,729
Branch sharing expenses	780,000	667,866
Mark-up on running finance	1,558,984	-
<b>ADAMJEE LIFE ASSURANCE COMPANY LIMITED</b>		
Investment advisory income	2,609,179	2,023,943
<b>ADAMJEE INSURANCE COMPANY LIMITED</b>		
Amount paid against insurance	836,837	807,535
<b>MCB FINANCIAL SERVICES LIMITED</b>		
Reimbursement of expenses	439,077	456,527
Trustee fee	375,154	-
<b>SUMMIT BANK LIMITED</b>		
Payment against compensation on outright sale of Treasury	136,354	-
Profit in bank deposits	47,670	48,988
<b>MCB DYNAMIC CASH FUND</b>		
Remuneration income	58,738,214	54,770,338
Share of sale load	42,786	7,775
Issue of bonus units	-	18,221,795
Redemption of units	115,000,000	18,000,000
<b>MCB DYNAMIC ALLOCATION FUND</b>		
Remuneration income	5,332,110	3,253,366
Share of sale load	17,709	61,303
Investment in units	-	60,000,000
Issue of bonus units	-	15,069,000
<b>MCB CASH MANAGEMENT OPTIMIZER</b>		
Remuneration income	41,084,625	36,692,767
Share of sale load	-	16,292
<b>MCB ISLAMIC INCOME FUND</b>		
Remuneration income	5,342,674	8,499,575
Share of sale load	3,167	118,701

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

	Quarter ended	
	September 30, 2014	September 30, 2013
	-----Rupees-----	
<b>PAKISTAN STOCK MARKET FUND</b>		
Remuneration income	24,941,745	19,284,156
Share of sale load	87,715	40,175
Amount received against conversion cost	1,135,912	-
Investment in units	4,996,362	-
<b>PAKISTAN INCOME FUND</b>		
Remuneration income	5,097,958	5,331,844
Share of sale load	7,287	279
<b>METRO BANK-PAKISTAN SOVERIGN FUND - PERPETUAL SCHEME</b>		
Remuneration income	11,309,193	2,954,603
Share of sale load	100	-
Investment in units	25,000,000	-
Issue of bonus units	-	1,261,681
Redemption of units	-	25,000,000
<b>PAKISTAN CAPITAL MARKET FUND</b>		
Remuneration income	2,472,110	2,879,087
Share of sale load	3,445	377
<b>PAKISTAN STRATEGIC ALLOCATION FUND</b>		
Remuneration income	2,479,094	2,249,312
Amount received against conversion cost	1,520,031	-
Share of sale load	5,086	171
<b>PAKISTAN PENSION FUND</b>		
Remuneration income	3,094,964	2,204,116
Share of sale load	32,675	7,490
Contribution made to Pension fund on behalf of employees	783,002	807,312
<b>PAKISTAN INTERNATIONAL ELEMENT ISLAMIC ASSET ALLOCATION FUND</b>		
Remuneration income	2,686,068	1,542,761
Share of sale load	7,336	29,728
<b>PAKISTAN ISLAMIC PENSION FUND</b>		
Remuneration income	1,642,175	1,159,142
Share of sale load	904	-
Contribution made to Pension fund on behalf of employees	866,242	390,590
<b>PAKISTAN CASH MANAGEMENT FUND</b>		
Remuneration income	11,284,329	9,091,817
<b>PAKISTAN INCOME ENHANCEMENT FUND</b>		
Remuneration income	8,483,219	6,497,504
Share of sale load	16,609	29,005
<b>KEY MANAGEMENT PERSONNEL</b>	9,956,994	11,437,026

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

	(Unaudited) September 30, 2014	(Audited) June 30, 2014
	----- Rupees -----	
<b>AMOUNT OUTSTANDING AS AT PERIOD END</b>		
<b>MCB BANK LIMITED</b>		
Bank balance	8,456,463	7,511,943
Receivable as share of expense	206,162	206,162
Other payable	6,462,765	3,382,765
Commission payable	21,234,896	6,870,556
Running finance	181,726,609	-
Markup on running finance	1,558,984	-
Mark up receivable	198,922	-
<b>ADAMJEE LIFE ASSURANCE COMPANY LIMITED</b>		
Advisory fee receivable	8,125,379	9,135,094
<b>MCB FINANCIAL SERVICES LIMITED</b>		
Payable against monthly reimbursement	414,966	167,500
<b>ADAMJEE INSURANCE COMPANY LIMITED</b>		
Receivable against sale of software	2,000,000	2,000,000
<b>SUMMIT BANK LIMITED</b>		
Bank balance	3,060,144	3,017,026
<b>MCB DYNAMIC CASH FUND</b>		
Remuneration receivable	57,378,313	47,661,854
Sale load receivable	12,945,350	10,582,915
Closing balance of investment in units	151,302,464	261,330,685
<b>MCB DYNAMIC ALLOCATION FUND</b>		
Remuneration receivable	4,685,948	3,896,954
Sale load receivable	1,866,778	2,361,127
Closing balance of investment in units	174,633,873	169,933,421
<b>MCB CASH MANAGEMENT OPTIMIZER</b>		
Remuneration receivable	42,379,446	36,949,201
Receivable against compensation on outright sale of Treasury	136,354	-
Sale load receivable	111,708	111,708
<b>MCB ISLAMIC INCOME FUND</b>		
Remuneration receivable	5,198,056	4,688,348
Sale load receivable	2,746,332	2,996,501
<b>PAKISTAN STOCK MARKET FUND</b>		
Remuneration receivable	21,363,550	17,708,648
Share of load receivable	1,426,044	1,432,902
Other receivable	15,518	11,518
Conversion cost receivable	1,680,851	2,816,763
Closing balance of investment in units	11,437,915	6,131,953
<b>PAKISTAN INCOME FUND</b>		
Remuneration receivable	6,598,084	5,902,907
Share of load receivable	87,676	86,404
<b>METRO BANK-PAKISTAN SOVEREIGN FUND</b>		
Remuneration receivable	7,823,419	5,011,930
Share of load receivable	941,699	740,431
Closing balance of investment in units	105,888,818	78,519,864

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

	(Unaudited) September 30, 2014	(Audited) June 30, 2014
	----- Rupees -----	
<b>PAKISTAN CAPITAL MARKET FUND</b>		
Remuneration receivable	2,442,118	2,086,808
Share of load receivable	21,841	30,327
Other receivable	44,841	44,841
<b>PAKISTAN STRATEGIC ALLOCATION FUND</b>		
Remuneration receivable	3,104,127	2,730,500
Share of load receivable	78,318	37,918
Conversion cost receivable	2,082,764	3,602,795
<b>PAKISTAN PENSION FUND</b>		
Remuneration receivable	2,708,838	2,216,016
Closing balance of investment in units	179,958,795	175,418,882
<b>PAKISTAN INTERNATIONAL ELEMENT ISLAMIC ASSET ALLOCATION FUND</b>		
Remuneration receivable	2,123,925	1,700,221
Share of load receivable	300,211	609,094
<b>PAKISTAN ISLAMIC PENSION FUND</b>		
Remuneration receivable	1,446,996	1,179,868
Share of load receivable	105,289	105,289
Closing balance of investment in units	185,031,133	181,503,412
<b>PAKISTAN CASH MANAGEMENT FUND</b>		
Remuneration receivable	10,747,402	9,372,032
<b>PAKISTAN INCOME ENHANCEMENT FUND</b>		
Remuneration receivable	8,282,475	6,847,776
Share of load receivable	823,963	812,794
Others receivable	3,530	3,530
<b>KEY MANAGEMENT PERSONNEL</b>	539,620	884,654

**12. DATE OF AUTHORIZATION FOR ISSUE**

This condensed interim financial information was approved and authorized for issue by the Board of Directors of the company in their meeting held on October 20, 2014.

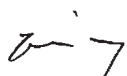
**13. CORRESPONDING FIGURES**

Corresponding figures have been rearranged or reclassified wherever necessary for the purpose of comparison or better presentation. No significant reclassification was made in this condensed interim financial information during the current period.

**14. GENERAL**

Figures have been rounded off to the nearest of Rupees.

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

  
\_\_\_\_\_  
Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

### **MCB-Arif Habib Savings and Investments Limited**

**Head Office:** 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.

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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