

Half Year Report

December 31, 2014

(Unaudited)



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

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.

**PAKISTAN SARMAVA
MEHFOOZ FUND**

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings & Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Board of Directors of the Management Company	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 Ltd. CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi.	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited	
Auditors	M. Yousuf Adil Saleem & Co.-Chartered Accountants Cavis Court, A-35, Block 7 & 8, KCHSU, Sharae Faisal, Karachi-75350	
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
Transfer Agent	MCB-Arif Habib Savings & Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Rating	AM 2 - Management Quality Rating assigned by PACRA	

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED DECEMBER 31, 2014

Dear Investor,

On behalf of the Board of Directors, I am pleased to present Pakistan Sarmaya Mehfooz Fund's accounts review for the first half year ended December 31st 2014

ECONOMY AND MONEY MARKET OVERVIEW

In the wake of decline in oil prices in the international market, the country witnessed significant improvement in the macroeconomic indicators. Oil prices fell by 48 percent during the first half of the current fiscal year, aided by increase in global oil production amid weak demand.

Consequently, inflation remained subdued with CPI averaging around 6.11 percent during the 1HFY15. If oil prices, which eased down to a five-year low in December, stabilize below \$60 per barrel, inflation is likely to persist in lower ranges during the second half of the current fiscal year.

Despite decline in oil prices, the country's trade deficit widened to \$ 9.7 billion during 1HFY15 as opposed to deficit of \$ 8.6 billion during the corresponding period last year. Exports remained subdued perhaps due to lower cotton prices and disruptive power supplies. With oil imports accounting for one-third of the country's total import bill, trade deficit is forecasted to narrow down in the coming months reflecting significant drop in oil prices.

At the same time, financial account registered a surplus of \$ 2.4 billion as compared to a surplus of \$ 0.24 billion recorded during the same period last year. This is mainly due to increase in portfolio investments after the government successfully raised \$ 1 billion through Sukuk auction. However, foreign direct investment yet failed to pick up pace during the first half.

The country's foreign reserve balance also improved towards the end of the year after the country received \$1 billion through Sukuk auction in November and IMF released 4th and 5th tranche amounting to \$1.1 billion in December. The country's reserve balance totaled to \$14.9 billion at the end of December 2014.

Keeping in view lower inflationary pressure and stable foreign reserves position, the government had announced 50 bps cut in the discount rate in the monetary policy held in November, bringing the discount rate to 9.5 percent. Moreover, the gap between discount rate and inflation is still hovering above 5 percent which supports the case for further monetary easing down the line.

M2 has expanded by 3.08 percent during the 1HFY15 (till 26th December) as opposed to expansion of 4.76 percent during the same period last year. While borrowing from the banking system stood at Rs 243 billion as opposed to borrowing of around Rs 539 billion during the same period last year.

In the money market, short term market rates remained on the higher side amid tight liquidity in the system. PIB rates moved downwards in anticipation of cut in the discount rate. Major activity was witnessed in the longer tenor bonds causing the yield curve to move sharply in the downward direction.

EQUITIES MARKET OVERVIEW

Despite poor performance of oil and gas sector in the wake of continuous decline in oil prices, KSE-100 index managed to surge by 8.4 percent during 1HFY15. Decline in energy cost has made manufacturing sector attractive, while anticipation of discount rate cut has brought leveraged and high dividend yield companies into limelight.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED DECEMBER 31, 2014

Cement, fertilizer, and power sector remained top performers. Cement companies benefited from decline in coal prices and lower distribution cost. While high dividend yield made fertilizer and power sectors attractive. Performance of E&P, Refineries and Oil Marketing Companies remained dismal and Banking sector stayed range-bound in anticipation of monetary easing down the line.

Foreigners remained net buyers with a cumulative net inflow of US\$ 113 million during the first half of the fiscal year.

FUND PERFORMANCE

The fund posted a return of 0.87% since inception as the fund was launched in December 2014. The fund was 19.9% allocated in equity investments, 26.2% in PIBs and 20.5% in Term Deposits.

The Net Asset of the Fund as at December 31, 2014 stood at Rs.686 million.

The Net Asset Value (NAV) per unit as at December 31, 2014 was Rs.100.8712.

FUTURE OUTLOOK

Economic activity is expected to gain momentum in 2015. The manufacturing activity will be driven by lower energy cost, weak raw material prices, improvement in gas supply situation and progress on the political front. In a major positive development, the government is planning to import LNG to ease off gas shortage in the country.

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 volatile law and order situation. In the near-term, realization of expected inflows-through divestment of shares of HBL would be crucial, where the country is expected to raise around \$1 billion. 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.

ACKNOWLEDGMENT

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

On behalf of Directors,



Yasir Qadri
Chief Executive Officer

February 02, 2015

TRUSTEE REPORT TO THE UNIT HOLDERS

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office

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



TRUSTEE REPORT TO THE UNIT HOLDERS

PAKISTAN SARMAAYA MEHFOOZ FUND

Report of the Trustee pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We Central Depository Company of Pakistan Limited, being the Trustee of Pakistan Sarmaya Mehfooz Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the period from December 22, 2014 to December 31, 2014 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Aftab Ahmed Diwan
Officiating Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 20, 2015



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



M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
Karachi-75350
Pakistan

Phone: +92 (0) 21- 3454 6494-7
Fax: +92 (0) 21- 3454 1314
Web: www.deloitte.com

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

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of Pakistan Sarmaya Mehfooz Fund (the Fund) as at December 31, 2014, and the related condensed interim income statement, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in unit holders' fund together with the notes forming part thereof (here-in-after referred to as the 'interim financial information'), for the period from December 22, 2014 to December 31, 2014. The Management Company (MCB Arif Habib Savings and Investments Limited) is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Member of
Deloitte Touche Tohmatsu Limited

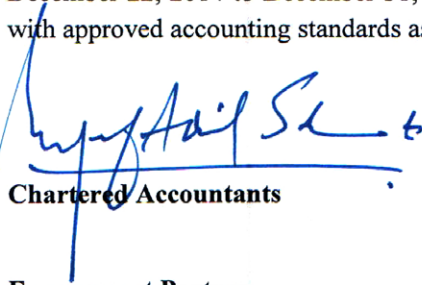
AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION



M. Yousuf Adil Saleem & Co
Chartered Accountants

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of December 31, 2014 and for the period from December 22, 2014 to December 31, 2014 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.



Chartered Accountants

Engagement Partner
Mushtaq Ali Hirani

Dated: February 02, 2015
Karachi

Member of
Deloitte Touche Tohmatsu Limited

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT DECEMBER 31, 2014

	Note	(Un-audited) December 31, 2014 (Rupees in '000)
ASSETS		
Bank balances		230,228
Investments	5	520,880
Profit and other receivables		23,361
Security deposits		2,600
Preliminary expenses and floatation costs		4,254
Total assets		781,323
LIABILITIES		
Payable to Management Company		7,137
Payable to Central Depository Company of Pakistan Limited - Trustee		24
Payable to the Securities and Exchange Commission of Pakistan		14
Payable against purchase of investments		70,786
Accrued expenses and other liabilities	6	16,909
Total liabilities		94,870
NET ASSETS		686,453
Unit holders' fund (as per statement attached)		686,453
Contingencies and commitments	7	
NUMBER OF UNITS IN ISSUE		
		6,805,240
NET ASSET VALUE PER UNIT		
		100.87

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


Chief Executive Officer

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


Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)
FOR THE PERIOD FROM DECEMBER 22, 2014 TO DECEMBER 31, 2014

		For the period from December 22, 2014 to December 31, 2014 (Rupees in '000)
	Note	
INCOME		
Capital gain on sale of investments		31
Profit on bank deposits and term deposit receipts		3,066
Income from government securities		468
		3,565
EXPENSES		
Remuneration of Management Company		185
Sales tax and Federal Excise Duty on remuneration of Management Company		62
Remuneration of Central Depository Company of Pakistan Limited - Trustee		24
Securities and Exchange Commission of Pakistan - fee		14
Settlement and bank charges		22
Amortisation of preliminary expenses and floatation costs		60
Auditors' remuneration		40
Printing and related costs		28
		435
Net income from operating activities		3,130
Provision for Workers' Welfare Fund	6.1	(63)
Net income for the period before taxation		3,067
Taxation	8	-
Net income for the period after taxation		3,067
Other comprehensive income for the period		
<i>Items that may be reclassified to profit and loss account</i>		
Unrealised appreciation on re-measurement of investments classified as 'available for sale'	5.4	2,862
Total comprehensive income for the period		5,929
Earnings per unit	9	0.45

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


Chief Executive Officer

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


Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)
FOR THE PERIOD FROM DECEMBER 22, 2014 TO DECEMBER 31, 2014

**For the period
from
December 22,
2014 to
December 31,
2014
(Rupees in '000)**

Total comprehensive income for the period 5,929

Undistributed income carried forward

5,929

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


Chief Executive Officer

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


Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED)
FOR THE PERIOD FROM DECEMBER 22, 2014 TO DECEMBER 31, 2014

**For the period
from
December 22,
2014 to
December 31,
2014
(Rupees in '000)**

Issue of 6,805,240 units 680,524

Net income for the period transferred from the distribution statement

Capital gain on sale of investments

31

Unrealised appreciation on re-measurement of investments
classified as 'available for sale'

2,862

Other net income for the period

3,036

5,929

Net assets at end of the period

686,453

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


 Chief Executive Officer

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


 Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE PERIOD FROM DECEMBER 22, 2014 TO DECEMBER 31, 2014

For the period
from
December 22,
2014 to
December 31,
2014
(Rupees in '000)

CASH FLOWS FROM OPERATING ACTIVITIES

Net income for the period 3,067

Adjustments for

Amortisation of preliminary expenses and floatation costs 60
 Provision for Workers' Welfare Fund 63
 3,190

Assets

Investments - net (518,018)
 Profit and other receivables (23,361)
 Security deposits (2,600)
 Preliminary expenses and floatation costs (4,314)
 (548,293)

Liabilities

Payable to the Management Company 7,137
 Payable to Central Depository Company of Pakistan Limited - Trustee 24
 Payable to the Securities and Exchange Commission of Pakistan - fee 14
 Payable against purchase of investments 70,786
 Accrued expenses and other liabilities 16,846
 94,807

Net cash used in operating activities (A) (450,296)

CASH FLOWS FROM FINANCING ACTIVITIES

Receipts from issue of units 680,524

Net cash generated from financing activities (B) 680,524

Net increase in cash and cash equivalents (A+B) 230,228

Cash and cash equivalents at beginning of the period -

Cash and cash equivalents at end of the period 230,228

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


 Chief Executive Officer

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


 Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE PERIOD FROM DECEMBER 22, 2014 TO DECEMBER 31, 2014

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Pakistan Sarmaya Mehfooz Fund (the Fund) was established under a Trust Deed dated, July 21, 2014, executed between MCB-Arif Habib Savings and Investments Limited as Management Company and Central Depository Company of Pakistan Limited as Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) as an investment scheme under the Non-Banking Finance Companies and Notified Entities Regulations 2008, on August 13, 2014.
- 1.2** The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.
- 1.3** The Fund is a capital protected open ended mutual fund with the objective to protect the initial investment value of investors at maturity with secondary objective of providing growth over the period. The units of the Fund are redeemable subject to a Back-end Load and Contingent Load. The units are listed on the Lahore Stock Exchange.
- 1.4** According to Clause 25.2 of the Trust Deed, the first accounting period of the Fund shall commence from the date on which the trust property is first paid or transferred to the Trustee i.e. December 22, 2014 till June 30, 2015. The duration of the Fund is 2 years starting from the close of initial offering period which was December 19, 2014.
- 1.5** The Fund primarily invests in equity securities while a combination of investments in bank deposits and government securities are used to take fixed-income exposure with a view to provide capital protection.
- 1.6** The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2 dated April 10, 2014 to the Management Company.
- 1.7** Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.
- 1.8** This is the first condensed interim financial information of the Fund, therefore, basis of preparation (note 3) and significant accounting policies (note 4) have been fully disclosed.

2. STATEMENT OF COMPLIANCE

- 2.1** 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) shall prevail.
- 2.2** This condensed interim financial information comprise of condensed interim statement of assets and liabilities, condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement together with the notes forming part thereof. 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'. It does not include all the information and disclosures that are required in an annual published financial statements.
- 2.3** This condensed interim financial information is un-audited. However, limited scope review has been performed by the statutory auditors in accordance with the requirements of clause (xxi) of the Code of Corporate Governance and this condensed interim financial information are being circulated to the unit holders as required under the NBFC Regulations.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE PERIOD FROM DECEMBER 22, 2014 TO DECEMBER 31, 2014

2.4 New accounting standards / amendments and IFRS interpretations that are effective for the period ended December 31, 2014

The following standards, amendments and interpretations are effective for the year ended December 31, 2014. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's condensed interim financial information other than certain additional disclosures.

<i>Standards / amendments / interpretations</i>	<i>Effective from accounting period beginning on or after</i>
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	January 01, 2014
IAS 36 Impairment of Assets - Recoverable amount disclosures for non-financial assets	January 01, 2014
IAS 39 Financial Instruments: Recognition and measurement - Novation of derivatives and continuation of hedge accounting	January 01, 2014
IFRIC 21 - Levies	January 01, 2014

2.5 New accounting standards and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's condensed interim financial information other than certain additional disclosures.

<i>Standards / amendments / interpretations</i>	<i>Effective from accounting period beginning on or after</i>
IAS 27 (Revised 2011) – Separate Financial Statements	January 01, 2015; IAS 27 (Revised 2011) will concurrently apply with IFRS 10.
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2015
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 2015

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE PERIOD FROM DECEMBER 22, 2014 TO DECEMBER 31, 2014

- 2.6 The directors of the asset management company declare that this condensed interim financial information give a true and fair view of the Fund.

3. BASIS OF PREPARATION

3.1 Accounting convention

This condensed interim financial information has been prepared under the historical cost convention except for certain investments which have been marked to market and carried at fair value in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments' : Recognition and Measurement'.

3.2 Critical accounting estimates and judgments

The preparation of this condensed financial information in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The area where various assumptions and estimates are significant to the Fund's condensed interim financial information or where judgment was exercised in application of accounting policies primarily related to classification and valuation of investments and impairment there against (note 4.1).

3.3 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 has been rounded off to the nearest thousand rupees, unless otherwise specified.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of this condensed interim financial information are set out below:

4.1 Financial assets

4.1.1 Classification

The Fund classifies its financial assets in the following categories: 'financial assets at fair value through profit or loss', 'available for sale' and 'loans and receivables'. The classification depends on the purpose for which the financial assets were acquired. Management determines the appropriate classification of its financial assets at initial recognition and re-evaluates this classification on regular basis.

a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in market prices are classified as held for trading in the 'Financial assets at fair value through profit or loss' category.

b) Available for sale

These are non-derivative financial assets that are designated as available for sale or are not classified as a) loans and receivables or b) financial assets 'at fair value through profit or loss'.

c) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

4.1.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE PERIOD FROM DECEMBER 22, 2014 TO DECEMBER 31, 2014

4.1.3 Initial recognition and measurement

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial instrument not as 'at fair value through profit or loss', transaction costs that are directly attributable to the acquisition or issue of the financial instruments. Transaction costs on financial instruments 'at fair value through profit or loss' are expensed out immediately.

4.1.4 Subsequent measurement

a) Financial assets 'at fair value through profit or loss' and 'available for sale'

Subsequent to initial recognition, financial assets designated by the management as 'at fair value through profit or loss' and 'available for sale' are valued as follows:

- Government securities

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Market Association of Pakistan in accordance with the requirements of the NBFC Regulations. Net gains and losses arising from changes in the fair value of financial assets 'at fair value through profit and loss' are taken to the 'income statement'. Net gains and losses arising from changes in fair value of 'available for sale' financial assets are taken to 'Other Comprehensive Income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised in Other Comprehensive Income is transferred to the Income Statement.

- Equity securities

The investment of the Fund in equity securities is valued on the basis of closing quoted market prices available at the stock exchange.

Net gains and losses arising on changes in the fair value of financial assets 'at fair value through profit or loss' are taken to the income statement. Net gains and losses arising from changes in fair value of 'available for sale' financial assets are taken to Other Comprehensive Income until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised in Other Comprehensive Income is transferred to income before taxation.

b) Loans and receivable

Subsequent to initial recognition financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest method.

Gain or loss is also recognised in the 'income statement' when financial assets carried at amortised cost are derecognised or impaired.

4.1.5 Impairment

Financial assets not carried 'at fair value through profit or loss' are reviewed at each balance sheet date to determine whether there is any indication of impairment. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of asset and that loss events had an impact on the future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. In case of an investment in an equity security, a significant or prolong decline in fair value below its cost is objective evidence of impairment. Impairment losses are recognised in income statement. Any subsequent decrease in impairment loss on debt securities classified as available-for-sale is recognised in income statement. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognised in other comprehensive income.

The Board of Directors of the Management Company has formulated a comprehensive policy for making provision against non-performing investments in compliance with Circular 13 of 2009 issued by the SECP.

4.1.6 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is measured to its fair value and the resultant gain or loss is recognised in the income statement.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE PERIOD FROM DECEMBER 22, 2014 TO DECEMBER 31, 2014

4.2 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

4.3 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

4.4 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4.5 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of two years commencing from December 22, 2014, as per the requirement of the Trust Deed of the Fund.

4.6 Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

4.7 Taxation

Current

The Fund's income is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders. The management intends to distribute at least 90% of the income earned by the Fund during the year 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.

Deferred

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilized tax losses to the extent that it is no longer probable that the related tax benefit will be realized. However, the Fund has not recognized any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realized or Unrealised, to its unit holders every year.

4.8 Earnings per unit

The Fund presents basic and diluted earnings per unit (EPU) data for its units. EPU is calculated by dividing net income or loss attributable to unit holders of the Fund by the weighted average number of units outstanding during the period.

4.9 Accrued expenses and other liabilities

Accrued expenses and other liabilities are recognised initially at fair value and subsequently stated at amortised cost.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE PERIOD FROM DECEMBER 22, 2014 TO DECEMBER 31, 2014

4.10 Net asset value per unit

The net asset value (NAV) per unit, as disclosed on the Statement of Assets and Liabilities, is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

4.11 Issue and redemption of units

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption requests during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

4.12 Proposed distributions

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

4.13 Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of income per unit and distribution of income already paid out on redemption.

The Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period which pertains to income / (losses) held in the Unit Holder's Fund in a separate reserve account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognised in the income statement.

4.14 Revenue recognition

- Mark-up on government securities is recognised on an accrual basis.
- Realized capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised capital gain/ (losses) arising on re-measurement of investments classified as 'Financial assets at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Profits on bank deposits and term deposit receipts are recognised on an accrual basis.
- Dividend income on equity securities is recognised when the right to receive dividend is established.

	Note	(Un-audited) December 31, 2014 (Rupees in '000)
5. INVESTMENTS		
<i>Available for sale</i>		
Listed equity securities	5.1	155,794
Government securities	5.2	205,086
		360,880
<i>Loans and receivables</i>	5.3	160,000
		520,880

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE PERIOD FROM DECEMBER 22, 2014 TO DECEMBER 31, 2014

5.1 Listed equity securities - available for sale

Name of the investee company	Number of shares			As at December 31, 2014			Market value as percentage of net assets	Market value as percentage of total investments	Market value as percentage of total paid up capital of the investee company
	Purchases during the period	Sales during the period	As at December 31, 2014	Carrying Value	Market value	Appreciation			
									-----Rupees in '000'----- % -----
CHEMICALS									
Engro Corporation Limited	158,000	-	158,000	34,891	34,999	108	5.10	6.72	0.03
Engro Fertilizers Limited	100,000	-	100,000	7,030	7,810	780	1.14	1.50	0.01
* Fatima Fertilizer Company Limited	50,000	-	50,000	1,688	1,788	100	0.26	0.34	0.00
Fauji Fertilizer Bin Qasim Limited	40,000	40,000	-	-	-	-	-	-	-
				43,609	44,597	988	6.50	8.56	
CONSTRUCTION AND MATERIALS (CEMENT)									
Lucky Cement Limited	30,000	-	30,000	14,868	15,008	140	2.19	2.88	0.01
Maple Leaf Cement Factory Limited	275,000	-	275,000	12,109	12,169	60	1.77	2.34	0.05
				26,977	27,177	200	3.96	5.22	
ELECTRICITY									
Hub Power Company Limited	438,000	-	438,000	34,245	34,322	77	5.00	6.59	0.04
Kot Addu Power Company Limited	444,500	-	444,500	35,087	35,089	2	5.11	6.74	0.05
				69,332	69,411	79	10.11	13.33	
GENERAL INDUSTRY									
Ghani Glass Limited	94,500	-	94,500	6,406	6,423	17	0.94	1.23	0.08
				6,406	6,423	17	0.94	1.23	
HOUSEHOLD GOODS									
Pak Elektron Limited	200,000	-	200,000	7,708	8,186	478	1.19	1.57	0.05
				7,708	8,186	478	1.19	1.57	
Total - December 31, 2014				154,032	155,794	1,762			

* This represent transactions with related party

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE PERIOD FROM DECEMBER 22, 2014 TO DECEMBER 31, 2014**

5.2 Government securities – available for sale

Name of investee company	Face value			As at December 31, 2014		Market value as a percentage of net assets	Market value as a percentage of total investment
	Purchased during the period	Disposed off during the period	Matured during the year	As at December 31, 2014	Appreciation		
Pakistan Investment Bonds -03 years	200,000	-	-	200,000	1,100	29.88	39.37
Total - December 31, 2014	200,000	-	-	200,000	1,100	29.88	39.37

5.3 Loans and receivables

Particulars	Profit / mark-up rate	Maturity date	As at December 31, 2014	Value as a percentage of net assets	Value as a percentage of investment
Term deposit receipts	9.50%	December 19, 2016	160,000	23.31	30.72
Total - December 31, 2014			160,000	23.31	30.72

5.4 Unrealised appreciation on re-measurement of investments classified as 'available for sale'

Carrying value of investments	5.1 & 5.2	358,018
Market value of investments	5.1 & 5.2	360,880
		2,862

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE PERIOD FROM DECEMBER 22, 2014 TO DECEMBER 31, 2014**

	(Un-audited) December 31, 2014 (Rupees in '000)
6. ACCRUED EXPENSES AND OTHER LIABILITIES	
Sales load	16,469
Brokerage payable	275
Provision for Workers' Welfare Fund	6.1 63
Auditors' remuneration	40
Provision for Federal Excise Duty and related tax on management fee	6.2 34
Printing and related expenditure	28
	16,909

- 6.1** The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance), whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, all Collective Investment Schemes (CISs) / mutual funds 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 Sindh High Court (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

In 2011, a single judge of the Lahore High Court (LHC) issued a judgment in response to a petition in similar case whereby the amendments introduced in WWF Ordinance through Finance Acts, 2006 and 2008 have been declared unconstitutional and therefore struck down.

However in 2013, the Larger Bench of the Sindh High Court (SHC) issued a judgment in response to a petition in another similar case in which it was held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

However, as per advice of legal council the stay granted to CISs remains intact and constitution petitions filed by CISs to challenge the WWF contribution have not been affected by the SHC judgement. In view of the aforementioned developments and uncertainties created by decision of SHC, the management company, as a matter of prudence, has charged provision for WWF amounting to Rs. 0.063 million till December 31, 2014. Had the said provision of WWF not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 0.01 per unit.

- 6.2** 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 Collective Investment Schemes through their trustees in the Honourable Sindh High Court (SHC), challenging the levy of FED on Asset Management services after the eighteenth amendment. The SHC in its short order of 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 prudence, has decided to retain and continue with the provision of FED and related taxes in financial information aggregating to Rs. 0.034 million as at December 31, 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. 0.005 per unit as at December 31, 2014.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE PERIOD FROM DECEMBER 22, 2014 TO DECEMBER 31, 2014**

7. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at December 31, 2014.

8. TAXATION

The Fund's income is exempt from Income Tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 (the Ordinance) 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. 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 Ordinance. As the management intends to distribute at least 90% of income earned during current period to the unit holders, therefore no provision for taxation has been made in this condensed interim financial information.

**(Un-audited)
December
31, 2014
(Rupees in '000)**

9. EARNINGS PER UNIT

Net income for the period after taxation	3,067
	Number of units
Weighted average number of units outstanding	6,805,240
Earnings per unit (basic and diluted)	0.45

10. TRANSACTIONS WITH CONNECTED PERSONS /OTHER RELATED PARTIES

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

The transactions with connected persons are in normal course of business and at contracted rates.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of the Non-Banking Finance Companies & Notified Entities Regulations, 2008 and the Trust Deed respectively.

**For the period
from
December 22,
2014 to
December 31,
2014
(Rupees in '000)**

10.1 Details of transactions with related parties /connected persons are as follows:

MCB-Arif Habib Savings and Investments Limited - Management Company	
Remuneration including indirect taxes	247
Central Depository Company of Pakistan Limited - Trustee	
Remuneration	24
MCB Bank Limited	
Profit on bank deposits and term deposit receipts	3,066
Bank charges	20
Arif Habib Limited	
Brokerage *	54

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE PERIOD FROM DECEMBER 22, 2014 TO DECEMBER 31, 2014**

**For the period
from
December 22,
2014 to
December 31,
2014
(Rupees in '000)**

MCB Employees Pension Fund

Issue of 500,000 units

50,000

Adamjee Insurance Company Limited Employees Provident Fund

Issue of 100,000 units

10,000

* The amount disclosed represents the amount of brokerage paid to connected persons and not the purchase or sale value of securities transacted through them. The purchase or sale value has not been treated as transactions with connected persons as the ultimate counter parties are not the connected persons.

**(Un-audited)
December
31, 2014
(Rupees in '000)**

10.2 Amount outstanding at period end

MCB-Arif Habib Savings and Investments Limited - Management Company

Remuneration payable

185

Sales tax payable on management fee

28

Sales load payable

16,469

Other payable

6,924

Central Depository Company of Pakistan Limited - Trustee

Remuneration payable

24

MCB Bank Limited

Bank deposits

200,186

Term deposit receipts

160,000

Profit receivable

3,066

Fatima Fertilizer Company Limited

50,000 shares held

1,788

Arif Habib Limited

Brokerage payable

54

MCB Employees Pension Fund

Units held 500,000

50,436

Adamjee Insurance Company Limited Employees Provident Fund

Units held 100,000

10,087

11. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on 02 February, 2015 by the Board of Directors of the Management Company.


Chief Executive Officer

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


Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

MCB-Arif Habib Savings and Investments Limited

8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.

UAN: (+92-21) 11-11-622-24 (11-11-MCB-AH), 111-468378 (111-INVEST)

Bachat Center: 0800-622-24 (0800-MCB-AH), Fax: (+92-21) 32276898, 32276908

URL: www.mcbah.com, Email: info@mcbah.com