

Quarterly Report

September 30, 2015
(Unaudited)



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

AM2 Plus by PACRA

PAKISTAN SARMAYA MEHFOOZ FUND

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Board of Directors of the Management Company	Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman 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	Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Yasir Qadri	Chairman Member Member Member Member
Company Secretary & Chief Financial Officer	Mr. Muhammad Saqib Saleem	
Trustee	Central Depository Company of Pakistan Limited CDC House, 99-B Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
Bankers	Habib Metropolitan Bank Limited MCB Bank Limited Bank Alfalah Limited	
Auditors	Deloitte Yousuf Adil Chartered Accountants Cavish Court, A-35, Block 7 & 8, KCHSU, Sharae Faisal, Karachi-75350	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area, Phase VI, DHA, Karachi.	
Transfer Agent	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Rating	AM2 + Management Quality Rating assigned by PACRA	

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

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **Pakistan Sarmaya Mehfooz Fund's** accounts review for the nine months ended September 30th, 2015.

Economy & Money Market Review

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

Equities Market Review

The bourse underperformed during the quarter with KSE 100 Index closing about 6.1% lower at the end of first quarter. The quarter began with the overall positive momentum carried forward through FY-15 on the back of positive macroeconomic direction and stable valuations at KSE. However after crossing 36,000 in early August, the index could not sustain the momentum initially due to political noise while later after showing some recovery, the negative spell that started in global emerging market struck harder at the local bourse. Despite a growing stable macro environment and another 50 basis points cut in policy rate, concerns of foreign selling coupled with speculation and fears of a fall out of wider scope investigations into corruption cases from politicians to defaulted stock market brokers stalled the buying activity from investors. During the quarter, the participation at KSE remained commensurate KSE100 Index direction as the volumes that averaged above 400 million till early August, dropped to below 250 million shares during remaining quarter which fell further to 183 million in September, worst month during the quarter in which KSE 100 index shed more than 7%. Foreign investors withdrew more than USD 105 million during the quarter, about USD 82 million were withdrawn in the first two months while September remained relatively calm mainly due to lack of liquidity and a bigger correction at the local bourse. Oil & Gas, Banks and Telecom with high concentration of foreign investors remained among the key laggards.

Fund Performance

The fund posted a return of -2.75% against its benchmark return of -3.35%. The fund was 31.0% allocated in equity investments, 29.9% in PIBs and 23.1% in Term Deposits.

The Net Assets of the Fund as at September 30, 2015 stood at Rs.686 million.

The Net Asset Value (NAV) per unit as at September 30, 2015 was Rs.104.6695.

Future Outlook

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

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

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

With Policy Rate at 6% and SBP committed to contain the money market volatility and liquidity through continuous OMO support, we expect stable environment for short term papers and medium term bonds while longer dated bonds would respond to further confirmations on external account including trade account and exchange rate which in turn would remain dependent on commodity prices and multilateral flows. Volatility in global markets particularly emerging equity markets and commodities may affect the short term returns however direct affect remains muted for Pakistan. Global slowdown poses a challenge for exports particularly textiles while significantly lower oil prices can affect the worker remittances from Middle East in particular. Given the steep drop in crude oil prices, the risks remain manageable however sustained degradation shall be a bigger challenge. A disconnect in current improvement in macro economic variables and KSE performance offers an opportunity for investors to add equities which offer higher return potential on risk adjusted basis for long term investors. Improved outlook on GDP growth, Current Account and controlled fiscal balance in a low inflationary environment supports the case for equities where a PE of 9x prospective earnings along with a dividend yield of 6% with a regional valuation discount in excess of 32% affirms case for higher return potential. We expect infrastructure linked sectors including Cements, Steel, Power and Consumption driven sectors to drive returns while Oil & Gas and Banking Sectors remain attractive on long term valuations.

Acknowledgment

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

On behalf of Directors,



Yasir Qadri
Chief Executive Officer
Dated: October 16, 2015

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES

AS AT SEPTEMBER 30, 2015

		(Un-audited) September 30, 2015	(Audited) June 30, 2015
	Note	(Rupees in '000)	
ASSETS			
Bank balances		72,454	90,942
Investments	6	582,022	639,121
Receivable against sale of investments		14,354	-
Dividend and profit receivable		18,850	19,058
Advance, deposits and prepayments		2,827	2,801
Preliminary expenses and floatation costs		2,636	3,182
Total assets		693,143	755,104
LIABILITIES			
Payable to the Management Company		941	5,379
Payable to the Central Depository Company of Pakistan Limited - Trustee		84	79
Payable to the Securities and Exchange Commission of Pakistan		137	283
Accrued expenses and other liabilities	7	6,439	8,387
Total liabilities		7,601	14,128
NET ASSETS		685,542	740,976
Unit holders' fund		685,542	740,976
Contingencies and commitments		8	
		Number of units	Number of units
NUMBER OF UNITS IN ISSUE		6,549,599	6,884,713
		(Rupees)	(Rupees)
NET ASSET VALUE PER UNIT		104.67	107.63

The annexed notes from 1 to 13 form an integral part of these financial statements.


Chief Executive Officer


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


Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015

	Note	Quarter ended September 30, 2015 (Rupees in '000)
INCOME		
Capital gain on sale of investments - net		5,525
Income from government securities		5,659
Profit on bank deposits and term deposit receipts		4,945
Dividend Income		2,323
Other Income		1,122
Total income		19,574
EXPENSES		
Remuneration of Management Company		1,824
Sales tax and Federal Excise Duty on remuneration of Management Company		588
Remuneration of Central Depository Company of Pakistan Limited - Trustee		271
Securities and Exchange Commission of Pakistan - annual fee		137
Settlement and bank charges		161
Fees and subscriptions		90
Zakat		508
Amortisation of preliminary expenses and floatation costs		545
Printing and related costs		22
Auditors' remuneration		137
Total expenses		4,283
Net income from operating activities		15,291
Element of (loss)/ income and capital (losses)/ gains included in the prices of units issued less those in units redeemed		
Arising from capital gain and unrealised gain		(51)
Arising from other income		(163)
Provision for Workers' Welfare Fund	7.1	-
Net income for the period before taxation		15,077
Taxation	9	-
Net income for the period after taxation		15,077
Other comprehensive income for the period		
<i>Items that may be reclassified to profit and loss account</i>		
Unrealised diminishing on re-measurement of investments classified as 'available for sale' - net		(34,010)
Total comprehensive income for the period		(18,933)

The annexed notes from 1 to 13 form an integral part of these financial statements.


 Chief Executive Officer

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


 Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015

Quarter ended
September 30,
2015

(Rupees in '000)

Undistributed income brought forward	52,504
Net element of income and capital gains included in the price of units issued less those in units redeemed - amount representing unrealised income	2,990
Total comprehensive income for the period	(18,933)
	(15,943)
Undistributed income carried forward	36,561

The annexed notes from 1 to 13 form an integral part of these financial statements.


 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 QUARTER ENDED SEPTEMBER 30, 2015

	Quarter ended September 30, 2015
Note	(Rupees in '000)
Net assets at the beginning of the period	740,976
Issue of 6,518 Units	707
Redemption of 341,632 units	(37,422)
	(36,715)
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed	
- amount representing loss / (income) and capital losses / (gains) arising from capital gain (loss) and unrealised gain / (loss) on investments - transferred to income statement	51
- amount representing loss / (income) and capital losses / (gains) arising from other income - transferred to income statement	163
- amount representing (income) / loss and capital losses / (gains) transferred to distribution statement	2,990
	3,204
Element of (loss) / income and capital (losses) / gain that forms part of unit holders' fund transferred to distribution statement	(2,990)
Capital gain on sale of investments	5,525
Unrealised appreciation on re-measurement of investments classified as 'available for sale'	(34,010)
Other net income for the period	9,552
	(18,933)
Net assets at end of the period	685,542


 Chief Executive Officer


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


 Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015

	Quarter ended September 30, 2015
Note	(Rupees in '000)
CASH FLOWS FROM OPERATING ACTIVITIES	
Net income for the period	15,077
Adjustments for	
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	
- arising from Capital gain / (loss) and unrealised gain / (loss) on investments	51
- arising from other income	163
Amortisation of preliminary expenses and floatation costs	545
	15,836
(Increase) / Decrease in assets	
Investments	23,089
Receivable against sale of investments	(14,354)
Profit and other receivables	208
Advance, deposits & prepayments	(26)
Preliminary expenses and floatation costs	1
	8,918
(Decrease) / Increase in liabilities	
Payable to the Management Company	(4,438)
Payable to Central Depository Company of Pakistan Limited - Trustee	5
Payable to the Securities and Exchange Commission of Pakistan - fee	(146)
Accrued expenses and other liabilities	(1,948)
	(6,527)
Net cash generated from operating activities	18,227
CASH FLOWS FROM FINANCING ACTIVITIES	
Cash received from units sold	8 707
Cash paid on units redeemed	(37,422)
Net cash (used in) financing activities	(36,715)
Net decrease in cash and cash equivalents	(18,488)
Cash and cash equivalents at beginning of the period	90,942
Cash and cash equivalents at end of the period	72,454

The annexed notes from 1 to 13 form an integral part of these financial statements.


 Chief Executive Officer

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


 Director

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

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** This is the first year of operations of the Fund and PACRA has been appointed as the rating company. The rating company has assigned an asset manager rating of AM2+, dated April 07, 2015 to the Management Company. The Management Company has initiated the process for seeking rating of the Fund which is expected to be received shortly.
- 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.

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. The condensed interim financial information is presented in Pak Rupees, which is the functional and presentation currency of the fund has been rounded off to the nearest thousand rupees, unless otherwise specified.
- 2.4** The Directors of the asset management company declare the condensed interim financial information give true and fair view of the fund .
- 2.5** The comparative in the statement of assets and liabilities presented in the condensed interim financial information as at 30 September 2015 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2015, where as the comparatives in the condensed interim income statement, condensed interim cash flow statement, condensed interim distribution statement and condensed interim statement of movement in unit holders' funds are stated from unaudited condensed interim financial information for the quarter ended 30 September 2014.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of annual published financial statements of the fund for the period ended June 30, 2015

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

4. ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to financial statements as at and for the year ended 30 June 2015.

5. FINANCIAL RISK MANAGEMENT

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

		(Un-audited) September 30, 2015 (Rupees in '000)	(Audited) June 30, 2015 (Rupees in '000)
6	INVESTMENTS		
6.1	<i>Available for sale investments</i>		
	Listed equity securities	214,851	270,659
	Government securities	207,171	208,462
		422,022	479,121
6.2	<i>Loans and receivables</i>		
	Term deposit receipts	160,000	160,000
		582,022	639,121

6.1.1.1 Listed equity securities - available for sale

6.1.1

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

Name of the investee company	Opening 1-Jul-15	Number of shares			As at September 30, 2015	As at September 30, 2015		Market value as percentage of total investments	Market value as percentage of up capital of the investee company
		Purchases during the period	Sales during the period	As at September 30, 2015		Carrying Value	Market value		
-----Rupees in '000'----- % -----									
CABLE AND ELECTRICAL GOODS									
PAK ELEKTRON LIMITED	150000	-	-	150,000	9,179	10,814	1,635	1.58	1.86
					9,179	10,814	1,635	1.58	1.86
TECHNOLOGY & COMMUNICATIONS									
HUM NETWORK **	-	653,000	-	653,000	11,761	10,657	(1,104)	1.55	1.83
					11,761	10,657	(1,104)	1.55	1.83
OIL AND GAS EXPLORATION COMPANIES									
PAKISTAN OILFIELDS LIMITED	40,000	-	-	40,000	14,134	11,757	(2,377)	1.71	2.02
PAKISTAN PETROLEUM LIMITED	87,000	-	50,000	37,000	6,116	4,408	(1,708)	0.64	0.76
OIL & GAS DEVELOPMENT CO LIMITED	170,000	-	-	170,000	31,331	21,194	(10,137)	3.09	3.64
					51,581	37,359	(14,222)	5.45	6.42
OIL AND GAS MARKETING COMPANIES									
PAKISTAN STATE OIL CO LIMITED	26,000	-	12,000	14,000	5,275	4,037	(1,238)	0.59	0.69
SUI NORTHERN GAS	-	196,000	150,000	46,000	1,637	1,446	(191)	0.21	0.25
					6,912	5,483	(1,429)	0.80	0.94
FOOD & PERSONAL CARE PRODUCTS									
AL-SHAHEER CORPORATION	40,000	-	23,000	17,000	1,537	1,396	(141)	0.20	0.24
					1,537	1,396	(141)	0.20	0.24
AUTOMOBILE ASSEMBLER									
INDUS MOTORS COMPANY LIMITED	12,500	-	2,000	10,500	12,184	10,515	(1,669)	1.53	1.81
					12,184	10,515	(1,669)	1.53	1.81
COMMERCIAL BANKS									
HABIB BANK LIMITED	679	-	-	679	114	134	20	0.02	0.00%
JS BANK LIMITED	500,000	-	-	500,000	3,654	3,460	(194)	0.50	5.00%
UNITED BANK LIMITED	-	50,000	50,000	-	-	-	-	-	0.00%
					3,768	3,594	(174)	0.52	
Total - September 30, 2015									
					236,013	214,851	(21,162)		
Total - June 30, 2015									
					259,101	270,659	11,558		

* Par value at Rs. 5 each

** Par value at Rs. 1 each

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

6.1.2 Government securities - available for sale

Name of investee company	As at July 01, 2015	Face value			As at September 30, 2015		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 Sep 30, 2015	Carrying value		
Pakistan Investment Bonds -03 years	200,000	-	-	-	200,000	203,986	207,171	35.60
Total - September 30, 2015		-	-	-	200,000	203,986	207,171	35.60
Total - June 30, 2015								33
								28

6.3 Loans and receivables

Particulars	Profit / mark-up rate	Maturity date	As at September 30, 2015	Value as a percentage of net assets	Value as a percentage of investment
Term deposit receipts	9.50%	December 19, 2016	160,000	23.34	27.49
Total - September 30, 2015			160,000	23.34	27.49
Total - June 30, 2015					
				160,000	25.03

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

		(Un-audited) September 30, 2015 (Rupees in '000)	(Audited) June 30, 2015 (Rupees in '000)
7. ACCRUED EXPENSES AND OTHER LIABILITIES	Note		
Brokerage payable		226	399
Provision for Workers' Welfare Fund	7.1	1,192	1,192
Auditors' remuneration		94	290
Provision for Federal Excise Duty on management fee	7.2	1,029	696
Provision for Federal Excise Duty on sales load		2,308	2,303
Printing and related expenditure		49	30
Withholding tax on dividend distribution		-	2,444
Zakat on encashment of term deposit receipts		1,541	1,033
		6,439	8,387

- 7.1** 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. 1.19 million till June 30, 2015. 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. 0.18 per unit.

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

Furthermore, in the Finance Act, 2015, the mutual funds have been excluded from the levy of WWF. As this change has been made in the definition of the term 'Industrial Establishment' as defined in the Workers' Welfare Fund Ordinance, 1971, the change may appear to apply prospectively. Accordingly, the management is of the view that this change is applicable from 01 July 2015. Hence, the matter regarding previous years would either need to be clarified by FBR or would be resolved through courts. The Management company, as a matter of abundant precaution, has decided to retain the provision for WWF in these financial statements.

- 7.2** 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. 3.38 million as at September 30, 2015. In case, the suit is decided against the fund the same would be paid to management company, who will be responsible for submitting the same to authorities. Had the said provision of FED and related taxes were not recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 0.51 per unit as at September 30, 2015.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

8. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at September 30, 2015 and June 30, 2015.

9. 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.

- 10.** This amount represents the reinvestment of tax erroneously deducted by the Management. Upon receiving of the tax exemption certificates by the unit holders, the withholding tax amount was reinvested in the fund, therefore resulting in issue of units. The units of the fund are currently not on offer for sale.

11. 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.

**September 30,
2015
(Rupees in '000)**

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

MCB-Arif Habib Savings and Investments Limited - Management Company	
Remuneration including indirect taxes	2,412
Central Depository Company of Pakistan Limited - Trustee	
Remuneration	271
MCB Bank Limited	
Profit on bank deposits and term deposit receipts	4,501
Bank charges	4
Arif Habib Limited - Brokerage house	
Brokerage expense	28
Next Capital Limited	
Brokerage expense	28

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

	(Un-audited) September 30, 2015	(Audited) June 30, 2015
11.2 Amount outstanding at period end		
	(Rupees in '000)	
MCB-Arif Habib Savings and Investments Limited - Management Company		
Remuneration payable	569	611
Sales tax payable on management fee	80	91
Sales load payable	292	305
Other payable	-	4,314
Legal and professional charges payable	-	100
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	84	79
MCB Bank Limited		
Bank deposits	2,091	88,005
Term deposit receipts	160,000	160,000
Profit receivable	57	8,028
Lalpir Power Limited		
620,000 shares held as at September 30, 2015 (June 2015: 620,000 shares)	18,085	18,910
D.G. Khan Cement Company Limited		
Nil shares held as at September 30, 2015 (June 2015: 100,000 shares)	-	14,277
Pakgen Power Limited		
537,000 shares held as at September 30, 2015 (June 2015: 537,000 shares)	15,009	16,115
MCB Employees Pension Fund		
515,450 Units held as at September 30, 2015 (June 2015: 515,450 units)	53,952	55,476
Adamjee Insurance Company Limited Employees Provident Fund		
103,090 Units held as at September 30, 2015 (June 2015: 103,090 units)	10,790	11,095
Adamjee life Assurance Company Limited Employees Gratuity Fund		
21,057 Units held as at September 30, 2015 (June 2015: 21,057 units)	2,204	2,226
Arif Habib Limited		
Brokerage Payable	28	27
Next Capital Limited		
Brokerage Payable	5	-

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

12 RECLASSIFICATION

Following reclassification have been made in this condensed interim financial information in order to give a better and more appropriate presentation:

	From	To	June 30, 2015 (Rupees in '000)
Sale Load Payable	Accrued expenses and other liabilities	Payable to Management Company	263
Provision for federal excise duty and related tax	Provision for Federal Excise Duty on management fee	Provision for Federal Excise Duty on sales load	2,261
Sale Load Payable	Sale Load Payable	Provision for Federal Excise Duty on sales load	42

13 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on **October 16, 2015** by the Board of Directors of the Management Company.



Chief Executive Officer

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



Director

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