



Bachat ka Doosra Naam

Quarterly Report
September 30, 2014
(Unaudited)



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

MCB
ISLAMIC INCOME 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	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
Audit Committee	Mr. Haroun Rashid	Chairman
	Mr. Ahmed Jahangir	Member
	Mr. Samad A. Habib	Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah	Chairman
	Mr. Nasim Beg	Member
	Mr. Haroun Rashid	Member
	Mr. Ahmed Jahangir	Member
	Mr. Yasir Qadri	Member
Company Secretary & Chief Operating Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer	Mr. Umair Ahmed	
Trustee	Central Depository Company of Pakistan Limited CDC House, 990B Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
Bankers	MCB Bank Limited Bank Al-Falah Limited Standard Chartered Bank Pakistan Limited	
Auditors	KPMG Taseer Haidi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Building No. 2, Beaumont Road, Karachi-75530.	
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
Transfer Agent	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Rating	AM2 - Management Quality Rating assigned by PACRA	

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

Dear Investor,

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

ECONOMY AND MONEY MARKET OVERVIEW

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

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

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

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

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

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

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

FUND PERFORMANCE

During the quarter under review, the fund generated an annualized return of 5.57% as against its benchmark return of 6.14%, depicting an underperformance of 0.57%.

During the period, the fund has gradually reduced its exposure towards GoP Ijarah Sukuk, which stood at around 58.8% at quarter-end. The fund has kept its remaining exposure in corporate Sukuk, cash and bank deposits at decent rates.

The Net Asset of the Fund as at September 30, 2014 stood at Rs. 1,842 million as compared to Rs. 2,055 million as at June 30 2014 registering a decrease of 10.36%

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

The Net Asset Value (NAV) per unit as at September 30, 2014 was Rs. 101.4373 as compared to opening NAV of Rs. 100.0326 per unit as at June 30, 2014 registering an increase of Rs. 1.40 per unit

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.

ACKNOWLEDGMENT

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

On behalf of Directors,



Yasir Qadri

Chief Executive Officer

Dated: October 20, 2014

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT 30 SEPTEMBER 2014**

	<i>Note</i>	(Un-Audited) September 30, 2014	(Audited) June 30, 2014
(Rupees in '000)			
Assets			
Balances with banks		631,685	597,684
Investments	5.	1,097,045	1,451,550
Advance against subscription of Corporate Sukuk	6.	118,000	-
Profit and income receivable		17,965	28,151
Security Deposit and Prepayments		180	100
Preliminary expenses and floatation costs		342	392
Total assets		1,865,217	2,077,877
Liabilities			
Payable to Management Company		4,024	4,463
Payable to Central Depository Company of Pakistan Limited - Trustee		204	226
Payable to Securities and Exchange Commission of Pakistan		373	1,817
Dividend payable		-	31
Accrued expenses and other liabilities	7.	18,261	16,777
Total liabilities		22,862	23,314
Net assets		1,842,355	2,054,563
Unit holders' fund		1,842,355	2,054,563
(Number of units)			
Number of units in issue		18,162,493	20,538,940
(Rupees)			
Net assets value per unit		101.44	100.03

The annexed notes from 1 to 11 form an integral part of these financial statements.



Chief Executive Officer

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



Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2014

	<i>Note</i>	September 30, 2014	September 30, 2013
		(Rupees in '000)	
Income			
Profit on bank deposits		13,652	16,657
Capital (loss) / gain on sale of investments - net		(675)	178
Income from Corporate Sukuk		3,240	-
Income from government securities		27,690	44,864
		43,907	61,699
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'at fair value through profit or loss'		(8,568)	1,466
Total income		35,339	63,165
Expenses			
Remuneration of Management Company		4,005	7,327
Federal excise duty and Sindh sales tax on remuneration of Management Company		1,338	1,172
Remuneration of Central Depository Company of Pakistan Limited -Trustee		637	803
Annual fee - Securities and Exchange Commission of Pakistan		373	519
Amortisation of preliminary expenses and floatation costs		50	50
Auditors' remuneration		194	126
Brokerage and settlement charges		83	57
Other Expenses		145	184
Total expenses		6,825	10,239
Net element of (loss) and capital (losses) included in prices of units issued less those in units redeemed		(2,480)	(4,404)
Provision for Workers' Welfare Fund	7.2	(521)	(970)
Net income for the period before taxation		25,513	47,552
Taxation	8.	-	-
Net income for the period after taxation		25,513	47,552
<u>Other comprehensive income:</u>			
Net unrealised appreciation in investments classified as 'available for sale'		-	-
Total comprehensive income for the period		25,513	47,552
Earnings per unit	9.		

The annexed notes from 1 to 11 form an integral part of these financial statements.



Chief Executive Officer

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



Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

	September 30, 2014	September 30, 2013
	(Rupees in '000)	
Undistributed income brought forward	670	54,792
Total comprehensive income for the period	25,513	47,552
Net element of (loss) / income and capital (losses) / gains for the year included in prices of units issued less those in units redeemed - transferred to Distribution Statement	(77)	-
<i>Distributions:</i>		
Final distribution for the year ended 30 June 2013 at the rate of Rs. 1.8948 per unit [Date of distribution: 4 July 2013]		
- Issue of bonus units	-	(54,719)
- Cash distribution	-	(73)
Interim distribution for the quarter ended September 30, 2013 at Rs 1.8266 per unit [Date of distribution: 27 September 2013]		
- Issue of bonus units	-	(45,506)
- Cash distribution	-	(71)
	-	(100,369)
Undistributed income carried forward	26,106	1,975

The annexed notes from 1 to 11 form an integral part of these financial statements.



Chief Executive Officer

For 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, 2014**

	September 30, 2014	September 30, 2013
	(Rupees in '000)	
Net assets at beginning of the period	2,054,563	2,946,490
Issue of 1,862,565 units (2013: 4,594,601 units)	188,060	430,848
Issue of Nil bonus unit (2013: 1,002,248 bonus units)	-	100,225
Redemption of 4,239,012 units (2013: 9,106,867 units)	(428,261)	(886,477)
	(240,201)	(355,404)
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed:		
- amount representing accrued loss / (income) and realised capital losses / (gains) transferred to the Income Statement	2,480	4,404
- amount representing unrealised capital losses / (gains) transferred to the Distribution Statement	77	-
	2,557	4,404
Net income for the period (excluding net unrealised appreciation / diminution on re-measurement of investments classified as 'at fair value through profit or loss' and capital gain on sale of investments)	34,756	45,908
Capital (losses) / gains on sale of investments	(675)	178
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'at fair value through profit or loss'	(8,568)	1,466
	25,513	47,552
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - transferred to Distribution Statement	(77)	-
Final distribution for the year ended 30 June 2013 at the rate of Rs. 1.8948 per unit [Date of distribution: 4 July 2013]		
- Cash distribution	-	(73)
- Issue of bonus units	-	(54,719)
Interim distribution for the quarter ended September 30, 2013 at Rs 1.8266 per unit [Date of distribution: 27 Spetember 2013]		
- Cash distribution	-	(71)
- Issue of bonus units	-	(45,506)
	-	(100,369)
Net assets at end of the period	1,842,355	2,542,673

The annexed notes from 1 to 11 form an integral part of these financial statements.



Chief Executive Officer

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



Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

	September 30, 2014	September 30, 2013
(Rupees in '000)		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	25,513	47,552
Adjustments for non-cash and other items:		
Net unrealised diminution / (appreciation) on re-measurement of investments classified as 'at fair value through profit or loss'	8,568	(1,466)
Amortisation of preliminary expenses and floatation costs	50	50
Provision for Workers' Welfare Fund	521	970
Net element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed	2,480	4,404
	37,132	51,510
Decrease / (increase) in assets		
Investments	345,937	247,512
Advance against subscription of Corporate Sukuk	(118,000)	-
Profit and income receivable	10,187	16,962
Prepayments	(80)	18
	238,043	264,492
Increase / (decrease) in liabilities		
Payable against redemption of units	-	(13,253)
Payable to Management Company	(439)	(728)
Payable to Central Depository Company of Pakistan Limited - Trustee	(22)	(24)
Payable to Securities and Exchange Commission of Pakistan	(1,444)	(1,412)
Dividend payable	(31)	-
Accrued expenses and other liabilities	963	1,657
	(973)	(13,760)
Net cash generated from operating activities	274,202	302,242
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (payments) from redemption of units	(240,201)	(455,629)
Dividend paid	-	(144)
Net cash (used in) from financing activities	(240,201)	(455,773)
Net increase / (decrease) in cash and cash equivalents during the period	34,001	(153,531)
Cash and cash equivalents at the beginning of the period	597,684	831,571
Cash and cash equivalents at the end of the period	631,685	678,040

The annexed notes from 1 to 11 form an integral part of these financial statements.

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



Chief Executive Officer



Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2014

1. LEGAL STATUS AND NATURE OF BUSINESS

MCB Islamic Income Fund ("the Fund") was established under a trust deed executed between MCB Asset Management Company Limited as the Management Company, a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on 25 January 2011 and was executed on 7 March 2011.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules 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.

Pursuant to the merger of MCB-Asset Management Company and Arif Habib Investments Limited, the name of the Management Company (Arif Habib Investments Limited being the surviving entity) has been changed from Arif Habib Investments Limited to MCB-Arif Habib Savings and Investments Limited.

The Fund is an open-end mutual fund and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering them to the Fund.

The Fund is listed on the Lahore Stock Exchange. According to paragraph 19.3 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. 1 May 2011. The Fund has been categorised as "Shariah Compliant (Islamic) Income" scheme by the Board of Directors of the Asset Management Company in pursuant to Circular 7 of 2009 dated 6 March 2009 issued by the SECP.

The objective of the Fund is to seek to generate superior risk adjusted returns by investing in short, medium and long-term high quality Shariah Compliant fixed income instruments.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned management quality rating of 'AM2' to the Management Company and 'AA-(f)' as stability rating to the Fund.

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

This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP).

In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP) have been followed.

This condensed interim financial information does not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the financial statements for the year ended 30 June 2014.

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

The comparatives in the condensed interim statement of assets and liabilities presented in the condensed interim financial information as at 30 September 2014 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2014, where as the comparative in condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement are extracted from unaudited condensed interim financial information for the period ended 30 September 2013.

NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2014

3. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the Fund and rounded to the nearest thousand rupees.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5. INVESTMENTS

(Un-Audited) (Audited)
September June 30,
30, 2014 2014

(Rupees in '000)

'At fair value through profit or loss'

- GoP Ijara Sukuk

5.1 1,097,045 1,451,550

5.1 GoP Ijara Sukuk - 'at fair value through profit or loss' - held for trading

Issue date	Face value				Balance as at 30 September 2014			Market value	
	As at 1 July 2014	Purchases during the period	Sales / Matedured during the period	As at 30 Sept 2014	Cost	Market value	Appreciation/ (diminution)	as a percentage of net assets	as a percentage of total investments
----- (Rupees in '000) -----									
3 years (Tenor)									
26 December 2011	-	100,000	-	100,000	100,320	100,270	(50)	5.44	9.14
28 June 2012	8,000	47,500	-	55,500	56,305	56,227	(78)	3.05	5.13
18 September 2012	665,200	250,000	150,000	765,200	783,523	775,148	(8,376)	42.07	70.66
25 June 2014	758,500	7,000	600,000	165,500	165,465	165,401	(64)	8.98	15.08
Totals - September 30, 2014					<u>1,105,614</u>	<u>1,097,045</u>	<u>(8,568)</u>		
Totals - June 30, 2014					<u>1,431,682</u>	<u>1,451,550</u>	<u>19,868</u>		

6. Advance against subscription of Corporate Sakuk

This represents advance paid against purchase of term finance certificates of Engro Fertilizers Limited. It carries markup at the rate of 6-monthly KIBOR plus 1.75% per annum.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

7. ACCRUED EXPENSES AND OTHER LIABILITIES	(Un-Audited) September 30, 2014	(Audited) June 30, 2014
	(Rupees in '000)	
Federal excise duty payable	7.1 5,448	4,711
Provision for Workers' Welfare Fund	7.2 10,710	10,189
Zakat payable	1,628	1,300
Auditors' remuneration	176	390
Printing charges payable	170	120
Capital gain tax payable	79	63
Others	50	4
	18,261	16,777

7.1 The Finance Act, 2013 introduced an amendment to Federal Excise Act, 2005 where by Federal Excise Duty (FED) has been imposed at the rate of 16% on the services rendered by assets management companies. In this regard, a Constitutional Petition has been filed by certain Collective Investment Schemes (CISs) through their trustees in the Honourable Sindh High Court (SHC), challenging the levy of Federal Excise Duty on Asset Management Company services after the passage of eighteenth amendment. The SHC in its short order dated 4 September 2013 directed the Federal Board of Revenue (FBR) not to take any coercive action against the petitioners pursuant to impugned notices till next date of hearing. In view of uncertainty regarding the applicability of FED on asset management services, the management, as a matter of abundant caution, has decided to retain and continue with the provision of FED and related taxes in this condensed interim financial information aggregating to Rs. 5.448 million as at 30 September 2014. In case, the suit is decided against the Fund it would be paid to Management Company, who will be responsible for submitting the same to taxation authorities. Had the said provision of FED and related taxes not been recorded in the books of account of the Fund, the Net Assets Value (NAV) of the Fund would have been higher by Re. 0.30 per unit as at 30 September 2014.

7.2 The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year have been brought within the scope of the WWF Ordinance. Thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending for adjudication.

Subsequent to the year ended 30 June 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) on 8 July 2010 which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on 14 December 2010 the Ministry filed its response against the Constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the Court.

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

During the quarter the Fund charged Rs.0.521 million on account of WWF. The aggregate amount of WWF charged as on September 30, 2014 is Rs. 10.710 million. If the same were not made the NAV of the fund would have been higher by Rs. 0.59 per unit.

8. TAXATION

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

9. EARNINGS PER UNIT

Earnings per unit has not been disclosed as in the opinion of the management, determination of weighted average number of units for calculating earnings per unit is not practicable.

10. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

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

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

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed respectively.

Details of transactions with related parties / connected persons and balances with them at period end are as follows:

10.1 Details of the transactions with related parties / connected persons during the period:

	(Un-Audited)	
	September 30, 2014	September 30, 2013
	(Rupees in '000)	
MCB Arif Habib Savings and Investments Limited - Management Company		
Remuneration (including indirect taxes)	5,343	8,500
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	637	803
Adamjee Life Assurance Co. Limited (Amaanat Fund)		
Issue of 49,710 units (2013: 171,151 units)	5,000	17,300
Issue of Nil bonus units (2013: 2,992 units)	-	299
Redemption of Nil units (2013: 38,095 units)	-	3,850
Adamjee Life Assurance Co. Limited (Investment Secure Fund)		
Issue of Nil units (2013: 269,352 units)	-	27,000
Issue of Nil bonus units (2013: 3 units)	-	317
Redemption of Nil units (2013: 269,179 units)	-	27,000
Adamjee Life Assurance Co. Limited (Investment Secure Fund II)		
Issue of Nil units (2013: 119,712 units)	-	12,000
Issue of Nil bonus units (2013: 1 unit)	-	141
Redemption of Nil units (2013: 119,635 units)	-	12,000
Mandate under Discretionary Portfolio Services		
Issue of 246,972 units (2013: Nil units)	25,000	-
Issue of Nil bonus units (2013: Nil units)	-	-
Redemption of 246,972 units (2013: Nil units)	25,011	-
Directors and executives of the Management Company		
Issue of 23,964 units (2013: 33,956 units)	2,419	3,436
Issue of Nil bonus units (2013: 1,481 units)	-	148
Redemption of 42,192 units (2013: 16,686 units)	4,266	1,685
MCB Bank Limited		
Profit on bank deposits	290	171
Bank charges	23	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

10.2 Amounts outstanding as at period end	(Un-Audited) September 30, 2014	(Audited) June 30, 2014
	(Rupees in '000)	
MCB Arif Habib Savings and Investments Limited - Management Company		
Management fee payable	1,078	1,264
Sindh sales tax payable on management fee	162	202
Front-end load payable	2,785	2,997
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	204	226
Adamjee Life Assurance Co. Limited (Amaanat Fund)		
Units held: 544,183 (2014: 494,473 units)	55,202	49,462
Adamjee Life Assurance Co. Limited (Investment Secure Fund)		
Units held: 188 (2014: 188 units)	19	19
Adamjee Life Assurance Co. Limited (Investment Secure Fund II)		
Units held: 83 (2014: 83 units)	8	8
Mandate under Discretionary Portfolio Services		
Units held: Nil (2014: Nil units)	-	-
Directors and executives of the Management Company		
Units held: 44,387 (2014: 62,615 units)	4,503	6,263
MCB Bank Limited		
Balance in bank accounts	133,539	16,293
Profit receivable on bank deposits	70	2,311

11. DATE OF AUTHORISATION FOR ISSUE

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



 Chief Executive Officer

For 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

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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