

Quarterly Report

September 30, 2014
(Unaudited)



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

**PAKISTAN
INTERNATIONAL ELEMENT
ISLAMIC ASSET ALLOCATION FUND**

CONTENTS

Fund's Information	191
Report of the Directors of the Management Company	192
Condensed Interim Statement of Assets and Liabilities	194
Condensed Interim Income Statement (Un-audited)	195
Condensed Interim Distribution Statement (Un-audited)	196
Condensed Interim Statement of Movement in Unit Holders' Funds (Un-audited)	197
Condensed Interim Cash Flow Statement (Un-audited)	198
Notes to and forming part of the Condensed Interim Financial Statements (Un-audited)	199

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 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 Limited CDC House, 990B Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
Bankers	MCB Bank Limited Deutsche Bank Limited Meezan Bank Limited Dubai Islamic Bank Limited Standard Chartered Bank (Pakistan) Limited Habib Metropolitan Bank Limited United Bank 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	Asset Manager 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 Pakistan International Element Islamic Asset Allocation 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.

EQUITIES MARKET OVERVIEW

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

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

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

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

cumulative net inflow of US\$ 165.77 million during the period under review.

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

FUND PERFORMANCE

During the period under review, the fund delivered a return of 2.74% as against its benchmark return of 1.51%. On the equities front, the overall allocation increased to 74.1% as at quarter-end. The fund decreased its exposure significantly in Electricity sector, while increasing its exposure towards Oil & Gas and Construction & Materials sectors during the quarter.

On the fixed income side, the fund allocation towards corporate Sukuk increased to around 8.3%. The exposure towards GoP Ijarah Sukuk, remained nil.

The Net Asset of the Fund as at September 30, 2014 stood at Rs. 412 million as compared to Rs. 411 million as at June 30 2014.

The Net Asset Value (NAV) per unit as at September 30, 2014 was Rs. 50.65 as compared to opening NAV of Rs. 49.30 per unit as at June 30, 2014 registering an increase of Re. 1.35 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
October 20, 2014

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES

AS AT SEPTEMBER 30, 2014

	Unaudited September 30 2014	Audited June 30 2014
<i>Note</i>		
	(Rupees in '000)	
Assets		
Balances with Banks	65,728	128,167
Receivable against sale of investments	-	7,445
Investments	312,692	284,615
Advance against investments	-	4,824
Dividend and profit receivable	5,293	531
Advance against IPO subscription of debt security	35,000	-
Advances and deposits	3,260	3,196
Total assets	421,973	428,778
Liabilities		
Payable to Management Company	1,054	1,322
Payable to Central depository company Limited- Trustee	68	63
Payable to Securities and Exchange Commission of Pakistan	99	259
Payable against purchase of investments	-	7,993
Accrued expenses and other liabilities	8,507	8,121
Total liabilities	9,728	17,758
Net assets	412,245	411,020
Unit holders' funds	412,245	411,020
	(Number of units)	
Number of units in issue	8,138,421	8,336,993
	(Rupees)	
Net asset value per unit	50.65	49.30

The annexed notes from an integral part of these condensed financial statements.


 Chief Executive Officer

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


 Director

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2014

	September 30 2014	September 30 2013
	(Rupees in '000)	
Income		
Capital gain on sale of investments - net	2,251	3,346
Income from investment in GOP Ijara sukuk	-	1,100
Income from investment in Sukuk certificates	1,231	181
Dividend income	4,107	3,789
Profit on bank deposits	975	715
	<u>8,564</u>	<u>9,131</u>
Provision against debt securities	(77)	(77)
Unrealised appreciation / (diminution) on investments at fair through profit or loss - net	5,935	(2,123)
	<u>14,422</u>	<u>6,931</u>
Expenses		
Remuneration of Management Company	2,008	1,570
Sale tax and Fedral Excise Duty on remuneration of Management Company	672	
Remuneration of Trustee	208	171
Annual fee - Securities and Exchange Commission of Pakistan	99	55
Securities transaction cost	299	337
Settlement and bank charges	91	66
Other expenses	280	307
	<u>3,657</u>	<u>2,506</u>
Net income from operating activities	<u>10,765</u>	<u>4,425</u>
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed	(368)	2,313
Provison for Workers' Welfare Fund	5.2 (208)	(137)
Net income for the period before taxation	<u>10,189</u>	<u>6,601</u>
Taxation	7 -	-
Net income for the period after taxation	<u>10,189</u>	<u>6,601</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'	676	-
Total comprehensive income for the period	<u>10,865</u>	<u>6,601</u>
Earning per Unit (EPU)	8	

The annexed notes from an integral part of these condensed financial statements.



Chief Executive Officer

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



Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2014

	September 30 2014	September 30 2013
	(Rupees in '000)	
Undistribute (loss) / Gain brought forward	(5,662)	4,346
Final distribution:		
- Issue of 463,778 bonus units for the year ended 30 th June 2013 @ Rs 5.3174 per unit, 04 July 2013	-	(21,203)
Element of income / (loss) and capital (losses) / gains included in the prices of units issued less those in units redeemed - amount that forms part of the unit holder's fund	330	(4,783)
Total comprehensive income for the period	10,865	6,601
	11,195	(19,385)
Undistributed Gain / (loss) carried forward	5,533	(15,039)

The annexed notes from an integral part of these condensed financial statements.


 Chief Executive Officer

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

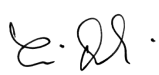

 Director

CONDENSED INTERIM MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2014

	September 30 2014	September 30 2013
	(Rupees in '000)	
Net assets at the beginning of the period	411,020	203,540
Issue of 1,432,117 units (2013: 980,335 units)	71,748	48,140
Issue of September 30, 2014 : NIL bonus units (2013: 463,778 Units)	-	21,203
Redemption of 1,630,689 units (2013: 326,648 units)	(81,756)	(15,941)
	(10,008)	53,402
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		
- amount representing loss / (income) and capital losses/ (gains) transferred to income statement	368	(2,313)
- amount representing (loss) / income that form part of unit holders' fund - transferred to distribution statement	(330)	4,783
	38	2,470
Element of income and capital gains included in prices of units issued less those in units redeemed - amount representing unrealised income	330	(4,783)
Capital gain on sale of investments - net	2,251	3,346
Unrealised appreciation / (diminution) on investments ' at fair through profit or loss - net	5,935	(2,123)
Other operating income for the period	2,003	5,378
	10,189	6,601
Final distribution:		
- Issue of 463,778 bonus units for the year ended 30 th June 2013 @ Rs 5.3174 per unit, 04 July 2013	-	(21,203)
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'	676	-
Net assets at the end of the period	412,245	240,027

The annexed notes from an integral part of these condensed financial statements.

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


 Chief Executive Officer


 Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2014

	September 30 2014	September 30 2013
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period	10,189	6,601
Adjustments		
Unrealised (appreciation) / diminution in the value of investments at fair value through profit or loss - net	(5,935)	2,123
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed	368	(2,313)
Amortisation of preliminary expenses and floatation costs	-	-
	<u>4,622</u>	<u>6,411</u>
(Increase) / decrease in assets		
Receivable against sale of investments	7,445	2,030
Investments	(21,466)	(3,472)
Advance against investments	4,824	
Advance against IPO subscription of debt security	(35,000)	
Dividend and profit receivable	(4,762)	(4,746)
Advances, deposits, prepayments and other receivables	(64)	-
	<u>(49,023)</u>	<u>(6,188)</u>
Increase / (decrease) in liabilities		
Payable to Management Company	(268)	(20)
Payable to Trustee	5	(7)
Payable to Securities and Exchange Commission of Pakistan - Annual Fee	(160)	(191)
Payable against purchase of Investments	(7,993)	-
Accrued expenses and other liabilities	386	850
	<u>(8,030)</u>	<u>632</u>
Net cash flow from operating activities	<u>(52,431)</u>	<u>855</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (payments) / receipts from net sales and redemption	<u>(10,008)</u>	<u>32,499</u>
Net (decrease)/ Increase in cash and cash equivalents during the period	(62,439)	33,354
Cash and cash equivalents at the beginning of the period	128,167	30,227
Cash and cash equivalents at the end of the period	<u>65,728</u>	<u>63,581</u>

The annexed notes form an integral part of these condensed financial statements.



Chief Executive Officer

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



Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2014

1. LEGAL STATUS AND NATURE OF BUSINESS

The Pakistan International Element Islamic Asset Allocation Fund ("the Fund") was established under a Trust Deed executed between Arif Habib Investments Limited ("the Management Company", "AHIL") as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 14 December 2005 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules, 2003).

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.

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-ended mutual fund, listed on the Karachi, Lahore and Islamabad Stock Exchanges. The principal activity of the Fund is to make investment in shariah compliant investments in securities or instruments both inside and outside Pakistan. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund has been categorised as "Shariah compliant Asset Allocation" 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 Pakistan Credit Rating Agency Limited (PACRA) has assigned management quality rating of AM2' to the Management Company and 3-star short term and 3-star long term 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. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, 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, 2008) and directives issued by the SECP. Wherever, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations, 2008 and the said directives differ with the requirements of these standards, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations, 2008 and the said directives shall prevail.

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.

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

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 CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2014

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.

2.2 Basis of measurement

This condensed interim financial information have been prepared on the basis of historical cost convention except that investments have been included at fair value.

2.3 Functional and presentation currency

This condensed interim financial information is presented in Pak Rupees which is the functional and presentation currency of the Fund and rounded to the nearest thousand rupees.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the published financial statements of the Fund for the year ended 30th June 2014.

4 INVESTMENTS

	<i>Note</i>	Unaudited September 30, 2014	Audited June 30, 2014
		(Rupees '000)	
At fair value through profit or loss			
Listed Equity Securities	4.1	306,497	127,357
Unlisted Sukuk Bonds	4.2	-	-
		306,497	127,357
Available-for-sale			
Listed Equity Securities	4.3	6,195	5,520
		312,692	132,877

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2014

4.1 Listed equity securities - 'at fair value through profit or loss' - held for trading

Name of the Investee Company	Number of shares -----					Balance as at 30 September 2014			Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of investee company
	As at 1st July 2014	Purchases during the period	Bonus / Right issue	Sales during the period	As at 30 September 2014	Cost	Market Value	(Diminution) / Appreciation			
(Rupees in '000)											
SHARES OF LISTED COMPANIES - Fully paid ordinary shares of Rs. 10 each unless stated otherwise											
Oil and Gas											
Attock Petroleum Limited	16,500	33,000	-	-	49,500	28,165	26,860	(1,305)	6.52	8.59	0.06
National Refinery	33,000	-	-	10,100	22,900	4,932	4,444	(488)	1.08	1.42	0.03
Oil & Gas Development Co Ltd	500	-	-	-	500	131	124	(7)	0.03	0.04	-
Pakistan Oilfields Limited	42,611	14,000	-	10,000	46,611	26,696	24,771		6.01	7.92	0.02
Pakistan Petroleum Ltd	90,590	80,000	-	-	170,590	38,318	38,562	244	9.35	12.33	0.01
Pakistan State Oil Co Ltd.	78,340	-	-	78,340	-	-	-	-	-	-	-
Shell Pakistan	-	10,000	-	-	10,000	2,660	2,737	-	0.66	0.88	0.01
						100,902	97,498	(1,556)			
Chemicals											
Fauji Fertilizer Company Limited	-	-	-	-	-	-	-	-	-	-	-
						-	-	-			
Construction and Materials											
Attock Cement Pakistan Limited	54,020	-	-	4,300	49,720	7,841	8,801	960	2.13	2.81	0.04
Chera Cement	47,300	-	-	47,300	-	-	-	-	-	-	-
D.G. Khan Cement	-	175,000	-	25,000	150,000	12,270	11,955	(315)	2.90	3.82	0.03
Fauji Cement Co Ltd	75,000	-	-	-	75,000	1,443	1,462	19	0.35	0.47	-
Kohat Cement Ltd	44,300	-	-	25,000	19,300	2,467	2,333	(134)	0.57	0.75	0.01
Lafarge Pakistan Cement Ltd	-	368,500	-	-	368,500	5,588	6,084	496	1.48	1.95	0.03
Lucky Cement	73,000	-	-	-	73,000	29,952	29,316	(636)	7.11	9.38	-
Maple Leaf Cement Factory Ltd	436,000	225,000	-	169,000	492,000	15,054	13,377	(1,677)	3.24	4.28	0.09
Pioneer Cement Ltd	-	76,000	-	-	76,000	3,957	4,015	58	0.97	1.28	0.03
						78,572	77,343	(1,229)			
Industrial Transportation											
P.N.S.C.	-	122,000	-	-	122,000	9,083	9,931	848	2.41	3.18	0.09
						9,083	9,931	848			
Electronic and Electrical Goods											
Pakistan Cable	66,000	-	-	-	66,000	6,584	7,161	577	1.74	2.29	0.23
						6,584	7,161	577			

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2014

Name of the Investee Company	Number of shares					Balance as at 30 September 2014			Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of investee company
						Cost	Market Value	(Diminution) / Appreciation			
	As at 1st July 2014	Purchases during the period	Bonus / Right issue	Sales during the period	As at 30 September 2014						
(Rupees in '000)											
Industrial Engineering											
Al-ghazi Tractors	-	47,400	-	-	47,400	13,934	13,817	(117)	3.35	4.42	0.16
Millar Tractors Limited	10,905	15,000	-	-	25,905	13,279	14,330	1,051	3.48	4.58	0.06
						27,213	28,147	934			
Automobile and Parts											
Indus Motors Company Limited.	-	15,200	-	-	15,200	9,011	11,190	2,179	2.71	3.58	0.02
Pak Suzuki Motors Co	49,000	-	-	30,400	18,600	5,094	5,288	194	1.28	1.69	0.02
						14,105	16,478	2,373			
General Industries											
Packages Limited	25,000	-	-	15,000	10,000	5,016	6,145	1,129	1.49	1.97	0.01
Thal Limited	34,000	18,800	-	-	52,800	11,000	12,725	1,725	3.09	4.07	0.07
						16,016	18,870	1,129			
Personal Goods											
Bata Pakistan Limited	2,980	640	-	-	3,620	11,691	11,231	(460)	2.72	3.59	0.05
Nishat Mills Ltd	100	-	-	-	100	11	12	1	0.00	0.00	0.00
						11,702	11,243	(459)			
Pharma And Bio Tech											
Abbott Laboratories Pakistan)	15,000	-	-	-	15,000	8,585	9,096	511	2.21	2.91	0.02
Ferozsons Laboratories Ltd	13,500	-	-	9,800	3,700	853	1,503	650	0.36	0.48	0.01
						9,438	10,599	1,161			
Electricity											
Hub Power Company Limited.	471,744	-	-	348,000	123,744	7,269	7,915	646	1.92	2.53	0.01
Kot Addu Power Company Limited.	525,000	43,500	-	237,000	331,500	19,680	21,312	1,632	5.17	6.82	0.04
						26,949	29,227	2,278			
						300,564	306,497	3,961			
						249,624	279,095	29,471			
TOTAL - September 30, 2014											
June 30, 2014											

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2014

4.1.1 Investments as at 30 September 2014 include shares with market value of Rs. 20.81 million (2014: Rs. 13.21 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular no. 11 dated 23 October 2007 issued by the Securities and Exchange Commission of Pakistan.

4.2 Sukuk Certificates -Unlisted

Note	Unaudited 30 th September 2014	Audited 30 th June 2014
	(Rupees '000)	
4.2.1	6,119	6,042
Less: Opening	6,042	6,042
Provision charged during the period	77	-
Charges during the year	6,119	6,042
	-	-

4.2.1 Investment in unlisted sukuk bonds in Pakistan

Name of the Investee Company	As at 30 July 01, 2014	Number of certificates			Balance as at 30 September 2014			Market value as percentage of net total investment	Outstanding principle value as a percentage of issued debt capital
		Purchases during the period	Sales during the period	As at 30 September 2014	Cost	Appreciation / (diminution)	Market value as percentage of net assets		

(Rupees in '000)

Unlisted Sukuk bonds of Rs 5,000 unless stated otherwise

Pak Elektron Limited (28 September 2007) (a)	3,000	-	-	3,000	6,119	-	1.48	4.80	1.25
TOTAL - September 30, 2014		6,119	6,119	-					
June 30, 2014		6,042	6,042	-					

4.3 Listed equity securities - 'available-for-sale'

Name of the Investee Company	Number of shares					Balance as at 30 September 2014			Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of investee company
	As at 1st July 2014	Purchases during the period	Bonus / Right issue	Sales during the period	As at 30 September 2014	Cost	Market Value	(Diminution) / Appreciation			
Attock Cement Pakistan Limited	35,000	-	-	-	35,000	5540	6195	655	1.50	1.98	0
TOTAL - September 30, 2014						5,540	6,195	655			
June 30, 2014						5,541	5,520	(21)			

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2014

		Unaudited September 30 2014	Audited June 30 2014
		(Rupees in '000)	
5	ACCRUED EXPENSES AND OTHER LIABILITIES		
	Federal Excise Duty on remuneration of Management Company	5.1 1,386	1,015
	Provision for Worker's Welfare Fund	5.2 5,999	5,791
	Charity / donation payable	161	117
	Auditors' remuneration	124	364
	Zakat payable	287	285
	Brokerage payable	178	226
	Capital gain tax payable	43	45
	Other payables	329	278
		8,507	8,121

5.1 FEDERAL EXCISE DUTY ON REMUNERATION OF MANAGEMENT COMPANY

The Finance Act, 2013 introduced an amendment to Federal Excise Act, 2005 where by Federal Excise Duty (FED) has been imposed at the rate of 16% of the services rendered by assets management companies. In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honourable Sindh High Court (SHC), challenging the levy of Federal Excise Duty on Asset Management Company services after the eighteenth amendment. The SHC in its short order dated 4 September 2013 directed the FBR not to take any coercive action against the petitioners pursuant to impugned notices till next date of hearing. In view of uncertainty regarding the applicability of FED on asset management services, the management, as a matter of abundant caution, has decided to retain and continue with the provision of FED and related taxes in this financial information aggregating to Rs. 1.386 million as at 30 September 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 Re. 0.17 per unit as at 30 September 2014.

5.2 PROVISION TO WORKER WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971(WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (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 council who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

Subsequent to the year ended 30 June 2011, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 has declared the said amendments as unlawful and unconstitutional and struck them down. In March 2013 a larger bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity.

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

In the view of the afore mentioned developments and uncertainties created by the recent decision by Honourable Sindh High Court,

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2014

the Management company, as a matter of abundant precaution, has decided to retain the entire provision for WWF. The aggregate amount of WWF charged as on September 30, 2014 is Rs.5.999m. If the same were not made the NAV of the fund would have been higher by Re.0.74 per unit

6 DETAILS OF NON- COMPLIANT INVESTMENT WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

The Securities and Exchange Commission of Pakistan (SECP) vide circular no. 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. MCB Arif Habib Savings and Investments Limited the Management Company has classified the Fund as ' Shariah compliant Asset Allocation Scheme ' in accordance with the said circular. As at June 30, 2013, the Fund is compliant with all the requirements of the said circular except for clause 5 (ii) which requires that the rating of any security in the portfolio shall not be lower than the investment grade, The following investments were held by the Fund which were in non - investment grade:

Category of non-compliant investment	Name of Company	Value of investment before provision	Provision Held	Value of investment after provision	Percentage of net assets	Percentage of gross assets
Unlisted debt securities	Pak Elektron Limited	6,119	6,119	-	0.00%	0.00%

At the time of purchase, the above mentioned securities were in compliance of the aforementioned circular (i.e the investment grade) and were subsequently downgraded to non-investment grade by MUFAP.

7 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.

8 EARNINGS PER UNIT

Earnings / (Loss) per unit has not been disclosed as in the opinion of the management determination of cumulative weighted average number of outstanding units for calculating earnings / (loss) per unit is not practicable

9 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons of the Fund include the Management Company, other collective investment, schemes being 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 undertaking and investors holding 10% or more of units of the Fund.

The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

Remuneration payable to the Management Company and the fee payable to the Trustee are determined in accordance with the provisions of the NBFC Rules 2003, the NBFC Regulations 2008 and Trust Deed respectively

Details of transactions and balances at year end with related parties / connected persons, other than those which have been disclosed elsewhere in these financial statements, are as follows:

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2014

		Unaudited September 30 2014	September 30 2013
		(Rupees in '000)	
9.1	Amount of transactions during the period		
	MCB - Arif Habib Savings & Investments Limited		
	Remuneration of management company including indirect taxes	2,680	1,570
	Arif Habib Limited - Brokerage House		
	Brokerage*	21	9
	Central Depository Company Limited - Trustee		
	Remuneration for the period	208	171
	CDS Charges	11	2
	Key management personnel		
	22,642 units (2013: 24,651 units) issued during the period	1,104	1,202
	Nil bonus units (2013: 6,837 units) issued during the period	-	321
	5,264 units (2013: 31,359 units) redeemed during the period	254	1,547
	D.G Khan Cement Company Limited		
	Nil bonus units (2013: 8,536 units) issued during the period	-	390
	Adamjee Life Assurance Company Limited		
	Nil bonus units (2013: 2,617 units) issued during the period	-	120
	Nil units (2013: 25,128 units) redeemed during the period	-	1,233
	Adamjee Life Assurance Company Limited - (Amanat Fund)		
	Redemption of 50,564 Units (2013: Nil Units)	2,500	-
		Unaudited September 30 2014	Audited June 30 2014
9.2	Amounts outstanding as at the period / year end	(Rupees '000)	
	MCB - Arif Habib Savings & Investments Limited		
	Remuneration payable to management company	661	615
	Sale tax payable on management fee	99	98
	Front-end load payable	294	609
	Central Depository Company of Pakistan Limited - Trustee		
	Remuneration payable	68	63
	Security deposit	200	200
	MCB Bank Limited		
	Bank balance	508	3,005
	Nishat Mills Limited		
	Shares held: 100 shares (2014: 100 shares)	12	11
	D.G Khan Cement Company of Pakistan Limited		
	Shares held: 150,000 shares (2014: Nil shares)	11,955	-
	Arif Habib Limited - Brokerage House		
	*Brokerage	3	-

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2014

	Unaudited September 30 2014	Audited June 30 2014
	(Rupees '000)	
Key management personnel		
40,823 units held (2014: 23,445)	2,068	1,156
Adamjee Life Assurance Company Limited - (Amanat Fund)		
Units held: 223,844 units (2014: 274,408 units)	11,338	13,528
D.G Khan Cement Company of Pakistan Limited Employees Provident Trust		
90,326 Units held (2014: 90,326)	4,575	4,453
Mandate under Discretionary Portfolio Services		
460,063 Units held as at September 30, 2014 (June 30, 2104 : 373,670)	23,302	18,422

* 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 connected persons.

10 DATE OF AUTHORISATION FOR ISSUE

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

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



Chief Executive Officer



Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

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