

# Quarterly Report

September 30, 2015  
(Unaudited)



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

AM2 Plus by PACRA

**MCB PAKISTAN  
ISLAMIC STOCK FUND  
(Formerly: Pakistan Strategic Allocation Fund)**

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## FUND'S INFORMATION

<b>Management Company</b>	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Board of Directors</b>	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
<b>Audit Committee</b>	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib	Chairman Member Member
<b>Human Resource &amp; Remuneration Committee</b>	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Yasir Qadri	Chairman Member Member Member Member
<b>Company Secretary &amp; Chief Financial Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Trustee</b>	Central Depository Company of Pakistan Limited CDC House, 99-B Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400	
<b>Bankers</b>	MCB Bank Limited Summit Bank Limited Habib Metropolitan Bank Limited United Bank Limited Standard Chartered Bank (Pakistan) Limited Habib Bank Limited	
<b>Auditors</b>	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants Progressive Plaza, Beaumont Road, P.O. Box 15541, Karachi, Sindh-75530, Pakistan.	
<b>Legal Advisor</b>	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area, Phase VI, DHA, Karachi.	
<b>Transfer Agent</b>	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Rating</b>	Asset Manager AM2 + Management quality rating assigned by PACRA	

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

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Dear Investor,

On behalf of the Board of Directors, I am pleased to present **MCB Pakistan Islamic Stock Fund** (Formerly: Pakistan Strategic Allocation Fund) accounts review for the first quarter ended September 30th, 2015.

### Economy and Money Market Overview

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 (September 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 September) 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 Overview

The bourse underperformed during the quarter with KSE 100 Index & KMI 30 Index closing about 6.1% & 5.56% lower respectively 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

During the period, MCB-PISF delivered a negative return of 8.37% against its benchmark return of -5.56%. Overall equity exposure of the fund was increased from 34.9% to 84.0% at the end of the quarter. The fund changed its investment strategy several times during the quarter to cope with various sector and company level fundamental developments. During the quarter fund realigned its sector exposure by increasing allocation in Oil & Gas Exploration, Oil & Gas Marketing, Power Generation & Distribution and Fertilizer sectors amongst others.

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

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The Net Assets of the Fund as at September 30, 2015 stood at Rs. 725 million as compared to Rs 666 million as at June 30, 2015 registering an increase of 8.9%.

The Net Asset Value (NAV) per unit as at September 30, 2015 was Rs. 9.41 as compared to opening NAV of Rs. 10.27 per unit as at June 30, 2015 registering a decrease of Rs. 0.86 per unit.

### 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.

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
ASSETS	Note	(Rupees in '000)	
Balances with banks		106,684	433,252
Investments	6	639,475	250,274
Receivable against sale of investments		-	29,706
Dividend and profit receivable		11,837	1,209
Security deposit and Advances		3,084	3,084
<b>Total Assets</b>		<b>761,080</b>	<b>717,526</b>
LIABILITIES			
Payable to Management Company		1,698	900
Payable to Central Depository Company of Pakistan Limited - Trustee		139	64
Payable to Securities and Exchange Commision of pakistan		177	352
Payable against purchase of investments		-	11,198
Unclaimed dividend		12,400	12,400
Accrued expenses and other liabilities	7	21,875	26,719
<b>Total Liabilities</b>		<b>36,289</b>	<b>51,633</b>
<b>NET ASSETS</b>		<b>724,791</b>	<b>665,893</b>
<b>Unit holders' fund</b>		<b>724,791</b>	<b>665,893</b>
(Number of Units)			
Number of units		77,011,262	64,830,781
.....(Rupees ).....			
Net assets value per unit (Face Value per unit Rs 10/- each)		9.41	10.27

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

# CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)

## FOR THE QUARTER ENDED SEPTEMBER 30, 2015

	September 30, 2015	September 30, 2014
Note	(Rupees in '000)	
<b>Income</b>		
Capital (loss)/gain on sale of investments - net	(1,087)	7,388
Income from government securities		293
Dividend income	11,521	3,006
Profit on bank deposits	2,123	2,053
	<u>12,557</u>	<u>12,740</u>
Unrealised (diminution) / appreciation on revaluation of investments classified as 'held-for-trading' - net	(13,724)	1,294
<b>Total income</b>	<u>(1,167)</u>	<u>14,034</u>
<b>Operating expenses</b>		
Remuneration of the Management Company	3,735	1,859
Sales tax and Federal Excise Duty on Remuneration of Management Company	1,206	620
Remuneration of Central Depository Company of Pakistan Limited - Trustee	427	186
Annual fee - Securities and Exchange Commission of Pakistan	177	88
Securities transaction cost	228	485
Custody, settlement and bank charges	157	93
Fees and subscription	49	51
Printing and related cost	53	22
Donation	153	-
Auditors' remuneration	142	111
<b>Total operating expenses</b>	<u>6,327</u>	<u>3,515</u>
<b>Net loss from operating activities</b>	<u>(7,494)</u>	<u>10,519</u>
Element of (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed		
from realized / unrealized capital gain	(109)	(559)
from other Income	(39)	26
	<u>(148)</u>	<u>(533)</u>
Provision for Workers' Welfare Fund	7.1	(200)
<b>Net income for the period before taxation</b>	<u>(7,642)</u>	<u>9,786</u>
Taxation	8	-
<b>Net income for the period after taxation</b>	<u>(7,642)</u>	<u>9,786</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>		
Unrealised (diminution)/appreciation in value of investments Classified as "availalabe for sale"	(58,290)	18
<b>Total comprehensive (loss) / income for the period</b>	<u>(65,932)</u>	<u>9,804</u>
<b>Earning per unit</b>	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 (UNAUDITED)**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

	September 30, 2015	September 30, 2014
	(Rupees in '000)	
<b>Undistributed Accumulated Income / (loss) brought forward</b>	<b>10,285</b>	<b>(13,245)</b>
Element of income and capital gains included in the prices of units issued less those in units redeemed - amount representing unrealised income	<b>3,025</b>	270
Total comprehensive (loss) / income for the period	<b>(65,932)</b>	9,804
<b>Accumulated (loss) carried forward</b>	<b>(52,622)</b>	<b>(3,171)</b>

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 (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

	September 30, 2015	September 30, 2014
	(Rupees in '000)	
<b>Net assets at beginning of the period</b>	<b>665,893</b>	<b>357,941</b>
Issue of 16,130,393 units ( 2014 : 3,233,915 units)	<b>164,581</b>	31,548
Redemption of 3,949,912 units ( 2014: 3,460,957 units)	<b>(39,899)</b>	(34,195)
	<b>124,682</b>	(2,647)
	<b>790,575</b>	<b>355,294</b>
Element of income/(loss) and capital gains/(losses) included in in prices of units issued less those in units redeemed :		
- amount representing unrealised loss and capital losses - transferred to income statement	<b>148</b>	533
- amount representing unrealised capital (gains) / losses and capital (gains) / losses transferred to distribution statement	<b>(3,025)</b>	(270)
	<b>(2,877)</b>	<b>263</b>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised capital gains / (losses) and capital gains transferred to distribution statement	<b>3,025</b>	<b>270</b>
Capital (loss)/gain on sale of investments	<b>(1,087)</b>	<b>7,388</b>
Unrealised (diminution)/appreciation in value of investments at fair value through profit or loss - net	<b>(13,724)</b>	<b>1,294</b>
Other net (loss)/income for the period	<b>(51,121)</b>	<b>1,122</b>
	<b>(65,932)</b>	<b>9,804</b>
<b>Net assets at end of the period</b>	<b>724,791</b>	<b>365,631</b>

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 (UNAUDITED)**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

	September 30, 2015	September 30, 2014
	(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation	(7,642)	9,786
<b>Adjustments for:</b>		
Element of loss and capital gains / (losses) included in prices of units issued less those in units redeemed	148	533
Unrealised appreciation/diminution in value of investments	13,724	(1,294)
	6,230	9,025
<b>(Increase) / decrease in assets</b>		
Receivable against sale of investments	29,706	(2,162)
Advance against IPO subscription of Equity security	-	(15,295)
Investments - net	(461,215)	(10,231)
Dividend and profit receivable	(10,628)	(2,253)
	(442,137)	(29,941)
<b>Increase / (decrease) in liabilities</b>		
Payable against purchase of investments	(11,198)	3,106
Payable to Management Company	798	72
Payable to Central Depository Company of Pakistan Limited - Trustee	75	3
Payable to Securities and Exchange Commission of Pakistan	(175)	(242)
Accrued expenses and other liabilities	(4,844)	(2,098)
	(15,344)	841
<b>Net cash used in operating activities</b>	(451,250)	(20,075)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Cash received from units sold	164,581	31,548
Cash paid on units redeemed	(39,899)	(34,195)
<b>Net cash used in financing activities</b>	124,682	(2,647)
<b>Net (decrease)/increase in cash and cash equivalent</b>	(326,568)	(22,722)
Cash and cash equivalent at beginning of the period	433,252	99,647
<b>Cash and cash equivalent at end of the period</b>	106,684	76,925

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

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

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### **1 LEGAL STATUS AND NATURE OF BUSINESS**

MCB Pakistan Islamic Stock Fund (Formerly: Pakistan Strategic Allocation Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (now MCB-Arif Habib Savings and Investment Limited) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee on May 26, 2004.

Pursuant to the merger of MCB Asset Management Company Limited with and into Arif Habib Investments Limited (AHIL), the name of AHIL has been changed to MCB-Arif Habib Savings and Investments Limited.

Formation of the Fund as a closed-end fund was authorized by SECP on May 13, 2004, however with effect from November 11, 2010 the Fund was converted into open-end fund. The Management Company of the Fund obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake asset management services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned asset manager rating of 'AM2+' dated April 07, 2015 to the Management Company and 3-Star Short-term and 3-Star Long-Term to the Fund dated August 13, 2015.

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) 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 2015.

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 financial information are unaudited. The Directors of the asset management company declare that this condensed.

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 2015 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2015, 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 2014.

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

**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 this condensed interim financial information are the same as those applied in the preparation of financial statements for the year ended 30 June 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 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.

		<b>Un-Audited September 2015</b>	<b>Audited June 2015</b>
	<i>Note</i>	<b>(Rupees in '000)</b>	
<b>6 INVESTMENTS</b>			
<b>At fair value through profit or loss</b>			
Listed equity securities	6.1	<u>52,882</u>	<u>66,630</u>
		<b>52,882</b>	<b>66,630</b>
<b>Available for Sale</b>			
Listed equity securities	6.2	<b>586,593</b>	183,644
		<u><b>639,475</b></u>	<u><b>250,274</b></u>

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

**6.1 Listed equity securities 'at fair value through profit or loss'**

Name of the Investee Company	Number of shares		Balance as at September 30, 2015							Paid up value of shares as % of total paid up capital of the investee company	
	As at July 1, 2015	Purchases during the period	Bonus/Right issue	Sales during the period	As at September 30, 2015	Carrying Value	Market Value	Appreciation / (Diminution)	Market value as % of net assets		Market value as % of total investments
-----Rupees in '000'-----											
SHARES OF LISTED COMPANIES - Fully paid ordinary shares of Rs. 10 each unless stated otherwise											
AUTOMOBILE ASSEMBLER											
Indus Motors Company Limited	50	-	-	-	50	62	50	(12)	0.01	0.01	0.00
Millat Tractors Limited	10,000	-	-	-	10,000	6,858	6,247	(611)	0.86	0.98	0.02
Pak Suzuki Motor Company Limited	100	-	-	-	100	44	41	(3)	0.01	0.01	0.00
						6,964	6,338	(626)			
CEMENT											
Attock Cement Pakistan Limited	28,100	-	-	-	28,100	5,355	4,912	-	0.68	0.77	0.02
Cherat Cement Limited	1	-	-	-	1	-	-	-	0.00	0.00	0.00
Kohat Cement Limited	188	-	-	-	188	38	36	(2)	0.00	0.01	0.00
Lucky Cement Limited	5,419	-	-	-	5,419	2,816	2,854	38	0.39	0.45	0.00
Maple Leaf Cement Factory Limited	100	-	-	-	100	8	7	(1)	0.00	0.00	0.00
						8,217	7,809	35			
COMMERCIAL BANKS											
Faysal Bank Limited (Note 10)	1,560	-	-	-	1,560	25	24	(1)	0.00	0.00	0.00
						25	24	139			
FERTILIZER											
Engro Fertilizer Limited	550	-	-	-	550	49	49	-	0.01	0.00	0.00
Fatima Fertilizer Company Limited	58	-	-	-	58	2	3	1	0.00	0.00	0.00
						51	52	1			
FOOD & PERSONAL CARE PRODUCTS											
Engro Foods Limited	100	-	-	-	100	15	15	-	0.00	0.00	0.00
						15	15	-	0.00	0.00	
OIL & GAS EXPLOURATION COMPANIES											
Pakistan Oilfields Limited	41,403	-	-	-	41,403	16,718	12,170	(4,548)	1.68	0.00	0.02
Pakistan Petroleum Limited	158,157	-	-	-	158,157	25,979	18,843	(7,136)	2.60	2.95	0.01
						42,697	31,013	(11,582)			
OIL AND GAS MARKETING COMPANIES											
Attock Petroleum Limited	13,797	-	-	-	13,797	7,826	6,902	(924)	0.95	0.00	0.02
Pakistan State Oil Company Limited	43	-	-	-	43	17	12	(5)	0.00	0.00	0.00
						7,843	6,914	(929)			
PAPER AND BOARD											
Packages Limited	1,050	-	-	-	1,050	624	560	(64)	0.08	0.09	0.00
						624	560	(64)			
POWER GENERATION & DISTRIBUTION											
Hub Power Company Limited	32	-	-	-	32	3	3	-	0.00	0.00	0.00
Pakgen Power Limited	5,000	-	-	-	5,000	150	140	(10)	0.02	0.00	0.00
						153	143	(10)			

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

Name of the Investee Company	Number of shares					Balance as at September 30, 2015						Paid up value of shares as % of total paid up capital of the investee company
	As at July 1, 2015	Purchases during the period	Bonus/Right issue	Sales during the period	As at September 30, 2015	Carrying Value	Market Value	Appreciation / (Diminution)	Market value as % of net assets	Market value as % of total investments		
-----Rupees in '000'-----												
REFINERY												
National Refinery Limited	100	-	-	100	-	-	-	-	-	-	-	-
TECHNOLOGY & COMMUNICATIONS												
P.T.C.L "A"	817	-	-	-	817	17	14	(3)	0.00	0.00	0.00	0.00
						17	14	(3)				
Total as at September 30, 2014						66,606	52,882	13,724				
Total as at June 30, 2015						75,795	66,630	(9,165)				
Investments as at 30 September 2015 include shares with market value of Rs. 28,153 million (2015: Rs. 10,677 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.												
Listed equity securities at 'Available for Sale'												
Automobile Assembler												
Indus Motors Company Limited	8,500	700	-	-	9,200	11,929	9,213	(2,716)	1.27	1.44	0.01	0.01
						11,929	9,213	(2,716)				
Automobile Parts & Accessories												
Thal Limited*	-	60,300	-	-	60,300	18,274	15,256	(3,018)	2.10	2.39	0.07	0.07
						18,274	15,256	(3,018)				
Cable & Electrical Goods												
Pak Elektron Limited	147,000	165,000	-	-	312,000	24,302	22,492	(1,810)	3.10	3.52	0.08	0.08
						24,302	22,492	(1,810)				
Cement												
Chent Cement Limited	-	50,000	-	-	50,000	4,454	4,311	(143)	0.59	0.67	0.03	0.03
Fauji Cement Company Limited	400	590,000	-	312,000	278,400	10,751	9,321	(1,430)	1.29	1.46	0.02	0.02
Kohat Cement Limited	-	21,200	-	-	21,200	4,733	4,048	(685)	0.56	0.63	0.01	0.01
Lucky Cement Limited	28,600	10,400	-	-	39,000	19,021	20,541	1,520	2.83	3.21	0.01	0.01
Maple Leaf Cement Factory Limited	-	535,000	-	535,000	-	-	-	-	-	0.00	0.00	0.00
						38,959	38,221	(738)				
Chemicals												
ICI Pakistan Limited	-	30,000	-	-	30,000	14,369	14,439	70	1.99	2.26	0.03	0.03
						14,369	14,439	70				

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

Name of the Investee Company	Number of shares		Balance as at September 30, 2015									
	As at July 1, 2015	Purchases during the period	Bonus/Right issue	Sales during the period	As at September 30, 2015	Carrying Value	Market Value	Appreciation / (Diminution)	Market value as % of net assets	Market value as % of total investments	Paid up value of shares as % of total paid up capital of the investee company	
-----Rupees in '000'-----												
<b>Fertilizer</b>												
Dawood Hercules Corporation Limited	-	165,000	-	-	165,000	19,671	17,384	(2,287)	2.40	2.72	0.03	
Engro Fertilizer Limited	223,000	374,000	-	-	597,000	55,933	53,611	(2,322)	7.40	8.38	0.04	
Engro Corporation Limited	80,900	103,000	-	92,000	91,900	27,070	27,421	351	3.78	4.29	0.02	
Fatima Fertilizer Company Limited	48,000	550,000	-	-	598,000	29,003	27,675	(1,328)	3.82	4.33	0.03	
Fauji Fertilizer Bin Qasim Limited	-	749,000	-	500,000	249,000	15,183	14,977	(206)	2.07	2.34	0.03	
Fauji Fertilizer Company Limited	99,600	252,600	-	-	352,200	52,050	43,479	(4,609)	6.00	6.80	0.03	
						<b>198,910</b>	<b>184,547</b>	<b>(10,401)</b>				
<b>Food &amp; Personal Care Products</b>												
Engro Foods Limited	-	187,000	-	-	187,000	30,372	27,556	(2,816)	3.80	4.31	0.02	
						<b>30,372</b>	<b>27,556</b>	<b>(2,816)</b>				
<b>Glass &amp; Ceramics</b>												
Tariq Glass Industries Limited	184,000	5,000	-	-	189,000	11,396	13,693	2,297	1.89	2.14	0.26	
						<b>11,396</b>	<b>13,693</b>	<b>2,297</b>	1.89			
<b>Miscellaneous</b>												
Shifa International Hospitals	-	58,000	-	-	58,000	16,436	15,377	(1,059)	2.12	2.40	0.11	
						<b>16,436</b>	<b>15,377</b>	<b>(1,059)</b>				
<b>Oil &amp; Gas Exploration Companies</b>												
Oil & Gas Development Company Limited	-	50,000	-	-	50,000	8,839	6,234	(2,605)	0.86	0.97	0.00	
Pakistan Oilfields Limited	24,000	104,100	-	72,500	55,600	17,511	16,343	(1,168)	2.25	2.56	0.02	
Pakistan Petroleum Limited	40,300	23,000	-	5,000	58,300	9,312	6,946	(2,366)	0.96	1.09	0.00	
						<b>35,662</b>	<b>29,523</b>	<b>(6,139)</b>				
<b>Oil And Gas Marketing Companies</b>												
Attock Petroleum Limited	-	25,000	-	-	25,000	14,633	12,506	(2,127)	1.73	1.96	0.00	
Hascol Petroleum Limited	-	214,000	27,800	75,000	166,800	16,650	19,948	3,298	2.75	3.12	0.00	
Pakistan State Oil Company Limited	48,500	22,000	-	-	70,500	25,017	20,331	(4,686)	2.81	3.18	0.00	
						<b>56,300</b>	<b>52,785</b>	<b>(3,515)</b>				
<b>Paper And Board</b>												
Packages Limited	23,150	56,300	-	-	79,450	46,256	42,387	(3,869)	5.85	6.63	0.09	
						<b>46,256</b>	<b>42,387</b>	<b>(3,869)</b>				



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

Name of the Investee Company	Number of shares		Balance as at September 30, 2015								
	As at July 1, 2015	Purchases during the period	Bonus/Right issue	Sales during the period	As at September 30, 2015	Carrying Value	Market Value	Appreciation / (Diminution)	Market value as % of net assets	Market value as % of total investments	Paid up value of shares as % of total paid up capital of the investee company
-----Rupees in '000'-----											
Power Generation & Distribution											
Hub Power Company Limited	11,500	47,4500	-	-	486,000	49,141	47,745	(1,396)	6.59	7.47	0.04
K-Electric Limited	-	4,600,500	-	-	4,600,500	37,889	32,480	(5,409)	0.00	0.00	0.02
Lalpir Power Limited	-	759,000	-	-	759,000	24,572	22,140	(2,432)	3.05	3.46	0.2
Pakgen Power Limited	379,500	222,500	-	-	602,000	18,462	16,826	(1,636)	2.32	2.63	0.16
						130,064	119,191	(10,873)			
Refinery											
National Refinery Limited	48,200	25,000	-	73,200	-	-	-	-	-	0.00	-
						-	-	-	-	-	-
Technology & Communications											
P.T.C.L "A"	110,000	-	-	-	110,000	2,245	1,913	(332)	0.26	0.30	0.00
						2,245	1,913	(332)			
Total as at September 30, 2015						635,474	586,593	(48,881)			
Total as at June 30, 2015						174,237	183,644	9,407			

Total as at June 30, 2015

\*Par Value Rs. 5/- each

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

		Unaudited September 30, 2015	Audited June 30, 2014
		(Rupees in '000)	
<b>7</b>	<b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
	Provision for Workers' Welfare Fund	7.1 <b>15,754</b>	15,754
	Federal excise duty payable on management fee	7.2 <b>3,392</b>	2,710
	Federal excise duty payable on sales load	<b>166</b>	95
	Auditors' remuneration	<b>163</b>	341
	Brokerage	<b>870</b>	486
	Conversion cost payable	<b>563</b>	2,083
	Withholding tax payable	<b>75</b>	4,919
	Others	<b>892</b>	331
		<b>21,875</b>	26,719

**7.1 Provision for workers' welfare fund**

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance), whereby the definition of 'Industrial Establishment' had 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 had 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 Collective Investment Schemes (CISs) through their trustees in the Honorable 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 SHC issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity. In 2014, the Peshawar High Court (PHC) has also held these amendments to be ultra vires as they lacked the essential mandate to be introduced and passed through the Money Bill under the Constitution.

The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding Collective Investment Schemes (CIS) from the definition of Industrial Establishment, and consequently CIS are no more liable to pay contribution to WWF with effect from July 01, 2015. Owing to the fact that the decision of SHC on the applicability of WWF (till June 30 2015) to the CISs is currently pending for adjudication, the Management Company has decided to make and retain provision of WWF in its books of account and financial statements till September 30, 2015 which aggregates to Rs. 15.75 million. 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. 0.20 per unit. However, with effect from July 01, 2015, the Fund stopped making further provision of WWF in pursuance to the said amendment of the Finance Act 2015.

**7.2 Federal Excise Duty on remuneration of Management Company**

The Finance Act 2013 introduced an amendment to Federal Excise Act 2005 whereby Federal Excise Duty (FED) has been imposed at the rate of 16% of the services rendered by asset 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 services after the eighteenth amendment. The SHC in its short order dated September 04, 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 these financial statements aggregating to Rs.3.39 million as at September 30, 2015 (2015: Rs.2.71 million). 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

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

provision of FED and related taxes not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Re.0.04 per unit as at September 30, 2015 (2014: Re.0.04 per unit).

**8 TAXATION**

The income of the Fund is exempt from income tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realized or unrealized, is distributed amongst the unit holders. The management intends to distribute at least 90% of the income earned during the current year to the unit holders therefore, no provision for taxation has been recorded in these financial statements.

**9 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.

**10 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 Equity Scheme ' in accordance with the said circular. As at September 30, 2015, the Fund is compliant with all the requirements of the said circular except for clause 5 (i) which requires that such scheme shall invested its only in shariah compliant assets, The following investments were held by the Fund which were in non - Shariah Compliant investment:

Category of non-Shariah 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
--	-----------------	--------------------------------------	----------------	-------------------------------------	--------------------------	----------------------------

Listed Equity securities	Faysal Bank Limited	24	24	0.00%	0.00%	0.00%
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These shares represent the Bonus shares issued by Faysal Bank Limited during Financial year 2015 before the fund was converted to Islamic Equity Scheme. These shares are currently withheld by the FBR as a result of withholding tax imposed on bonus share in Finance Act 2014. The fund has obtained stay order in this regard and the decision is pending in the Sindh High Court.

**11 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 and other associated undertaking

Remuneration to the Management Company and Trustee are determined in accordance with the provisions of the NBFC Regulations and the Trust Deed of the Fund. All other transactions with connected persons are in the normal course of business and are carried out on agreed terms.

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

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

**11.1 Transactions during the period with connected persons / related parties**

	<b>Un-Audited</b>	
	<b>September 30, 2015</b>	<b>September 30, 2014</b>
	<b>(Rupees in '000)</b>	
<b>MCB - Arif Habib Savings &amp; Investments Limited</b>		
Remuneration of management company including indirect taxes	4,941	2,479
Payment of Conversion Cost	1,520	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration for the period	427	186
CDC charges	38	21
<b>Arif Habib Limited</b>		
Brokerage Expense*	141	101
<b>Next Capital (Pvt) Ltd</b>		
Brokerage Expense*	47	-
<b>MCB Bank Limited</b>		
Profit on bank deposit accounts	-	1,746
Bank Charges	5	5
Dividend Income	-	186
<b>Directors and executives of the Management Company</b>		
Issue of 74,675 units (2014 : Nil units)	774	-
Redemption of 79,740 units (2014 : Nil units)	833	-
<b>Mandate under Discretionary Portfolio Services</b>		
Redemption of 242,718 units (2014 : Nil units)	2,500	-

**11.2 Balance outstanding as at the period end**

	<b>Un-Audited</b>	<b>Audited</b>
	<b>September 30, 2015</b>	<b>June 30, 2015</b>
	<b>(Rupees in '000)</b>	
<b>MCB - Arif Habib Savings &amp; Investments Limited</b>		
Remuneration payable	1,212	643
Sale tax payable on management fee	170	96
Sale Load payable	277	53
Conversion cost payable	563	2,083
Sales tax payable on sales load	39	8
Legal and professional charges	-	100

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

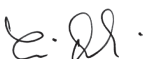
	Un-Audited September 30, 2015 (Rupees in '000)	Audited June 30, 2015
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	139	64
Security deposits	300	300
<b>Summit Bank Limited</b>		
Balances with bank	5,109	5,109
<b>Arif Habib Limited</b>		
Brokerage payable*	114	37
<b>Next Capital (Pvt) Limited</b>		
Brokerage payable*	24	48
<b>MCB Bank Limited</b>		
Balances with Bank	6,312	418,849
Accrued mark-up	48	343
Dividend Receivable	11,411	-
<b>Nishat Mills Limited</b>		
993,889 units held as at Sep 30, 2015 (June 30, 2015 : 993,889)	9,352	10,207
<b>Fatima Fertilizer Company Limited</b>		
58 shares held as at June 30, 2015 (2015: 58) - 'held-for-trading'	3	2
598,000 shares held as at June 30, 2015 (2014: Nil) - 'available-for-sale'	27,675	1,875
<b>Pakgen Power Limited</b>		
5,000 shares held as at June 30, 2015 (2015: 58) - 'held-for-trading'	140	-
602,000 shares held as at June 30, 2015 (2014: Nil) - 'available-for-sale'	16,826	-
<b>Lalpir Power Limited</b>		
759,000 shares held as at June 30, 2015 (2014: Nil) - 'available-for-sale'	22,140	-
<b>Directors and executives of the Management Company</b>		
10,058 units held as at Sep 30, 2015 (June 30, 2015 : 15,124)	95	155
<b>D.G Khan Cement Ltd Employees Provident Fund Trust</b>		
402,955 units held as at Sep 30, 2015 (June 30, 2015 : Nil Units)	3,792	-
<b>Adamjee Life Assurance Company Limited - Investment Multiplier Fund</b>		
24,414,062 units held as at Sep 30, 2015 (June 30, 2015 : Nil)	229,736	-
<b>Mandate under Discretionary Portfolio Services</b>		
3,450,187 units held as at Sep 30, 2015 (June 30, 2015 : Nil Units)	32,466	-

\* 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.

**12 DATE OF AUTHORIZATION OF ISSUE**

These financial statements were authorised for issue on **October 16, 2015** by the Board of Directors of the Management Company.

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

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

  
\_\_\_\_\_  
Director

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## **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.

**BACHAT CENTER:** 0800-622-24 (0800-MCB-AH), Fax: (+92-21) 32276898, 32276908

URL: [www.mcbah.com](http://www.mcbah.com), Email: [info@mcbah.com](mailto:info@mcbah.com)