



Bachat ka Doosra Naam

Asset Manager Rating (By PACRA): **AM2+** (AM Two Plus)

Quarterly Report March 31, 2015 (Unaudited)



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

Vision

To become synonymous with Savings.

Mission

To become a preferred Savings and Investment Manager in the domestic and regional markets, while maximizing stakeholder's value.

Core Values

The Company takes pride in its orientation towards client service. It believes that its key success factors include continuous investment in staff, systems and capacity building, and its insistence on universal best practices at all times.

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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 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 Financial Officer	Mr. Muhammad Saqib Saleem	
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 Habib Bank Limited	
Auditors	KPMG Taseer Hadi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Building No. 2, Beaumont Road, Karachi-75530.	
Legal Advisor	Akhund Forbes D-21, Block-4, Scheme-5, Clifton, Karachi. 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+" (PACRA) Entity Ratings : "AA-" (PACRA)	

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2015

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **MCB Islamic Income Fund's** accounts review for the nine months ended March 31st 2015.

ECONOMY AND MONEY MARKET OVERVIEW

In the wake of lower oil prices, macro-environment has stabilized with strengthening outlook. With oil prices hovering around \$55 per barrels at the end of March, 2015 in the international market, the crude has fallen by more than 50% from its peak level of around \$114 per barrel touched in June, 2014, largely benefiting the country in the shape of soft inflation and lower oil import bill.

Hence, on the heels of stable food prices and cut in fuel prices in the domestic market, Consumer Price Inflation averaged around 5.14% during the first nine months of the current fiscal year. If oil prices stabilize below \$60 per barrel, CPI is expected to persist in lower range during the last quarter of the current fiscal year.

While the country's current account deficit summed to \$1.64 billion during the first eight months of the current fiscal year (as per latest available data) as opposed to deficit of \$ 2.4 billion during the corresponding period last year. With trade deficit largely unchanged compared to the previous year, improvement in the current account balance came from larger Collation Support Fund proceeds and higher remittances.

Import bill remained close to the last year's level, as benefit of lower oil bill was eroded by volumetric increase in imports of other segments. Whereas exports have slightly weakened in consideration of lower cotton prices, disruptive power supplies and the loss of competitiveness due to real exchange rate appreciation. With oil imports accounting for one-third of the country's total import bill, trade deficit is forecasted to narrow down in the coming months reflecting significant drop in oil prices.

Workers' Remittances summed to \$ 13.33 billion during the nine months period, marking a growth of 15 percent as compared to the corresponding period last year.

At the same time, financial account registered a surplus of \$ 2.5 billion as compared to a surplus of \$ 0.61 billion recorded during the same period last year. This is mainly due to increase in portfolio investments after the government successfully raised \$ 1 billion through Sukuk auction.

The country's FX reserves got an impetus from multilateral and bilateral disbursements, privatization proceeds, \$ 1 billion Sukuk auction, lower oil bill and SBP interventions. The reserves stood at around \$ 16 billion at the end of March, higher by around \$2 billion since the start of the current fiscal year. Out of total financing of around \$ 2.2 billion scheduled for FY15 under IMF Extended Fund Facility (EFF), the country has received two tranches of around \$ 540 million each during 9MFY15.

Keeping in view lower inflationary pressure along with improving outlook on the balance of payment, the government had announced cut in the discount rate in the monetary policy held in November, January and March, bringing the discount rate to 8 percent from 10 percent at the start of the year.

M2 has expanded by 4.87 percent during the 9MFY15 (till 27th March) as opposed to expansion of 5.21 percent during the same period last year. At the same time, the net borrowing from the banking system increased by Rs 521.62 billion as opposed to Rs 505.86 billion raised during the same period last year.

Money market remained quite active during the 9MFY15, largely due to declining interest rate scenario stemming from sharp decline in oil prices. Participation largely remained concentrated in longer tenure paper causing strain on short term liquidity as the government sold a total of Rs 850 billion worth of PIBs against a target of Rs 600 billion during the first three quarters.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 6.45% as against its benchmark return of 6.38%, an outperformance of 7bps.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2015

During the period, the fund reduced its exposure towards GoP Ijarah Sukuk, which stood at around 63.5% at period end compared with 63.8% at June 30, 2014, on the back of decent yield as well as capital gains potential. Around 8.3% of the fund was invested in Corporate Sukuk while the fund has kept its remaining exposure in cash and bank deposits at decent rates.

The Net Assets of the Fund as at March 31, 2015 stood at Rs.1.396 billion as compared to Rs.2.055 billion as at June 30, 2014 registering a decrease of 32.1%.

The Net Asset Value (NAV) per unit as at March 31, 2015 was Rs. 104.8728 as compared to opening NAV of Rs.100.0326 per unit as at June 30, 2014 registering an increase of Rs. 4.84 per unit.

FUTURE OUTLOOK

The government expects reserve position to improve further towards the end of the ongoing fiscal year on the back of significant improvement in foreign direct investments and pledges made by multilateral agencies. The government is eyeing to raise foreign inflows through offloading its stake in HBL and the country is also expected to receive next tranche of US\$ 550 million from IMF in April. Remittances are expected to grow further, however, political distraction in the Middle Eastern region and lower oil prices pose risk to the ongoing northward trend.

Due to subsiding cost pressure, we expect manufacturing sectors, primarily, Auto, Cement and Consumer sectors to outperform the broader market. Moreover, continuation of expansionary environment suggests high-dividend yield companies to stay in the limelight.

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,



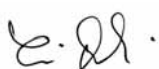
Yasir Qadri
Chief Executive Officer
April 24, 2015

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED)

AS AT 31 MARCH 2015

	Note	(Unaudited) 31 March 2015 (Rupees in '000)	(Audited) 30 June 2014
Assets			
Balances with banks	6	388,716	597,684
Investments	7	1,020,537	1,451,550
Income and profit receivable		11,536	28,151
Deposit and prepayments		109	100
Preliminary expenses and floatation costs		243	392
Total Assets		<u>1,421,141</u>	<u>2,077,877</u>
Liabilities			
Payable to Management Company		1,305	4,463
Payable to Central Depository Company of Pakistan Limited - Trustee		174	226
Payable to Securities and Exchange Commission of Pakistan - Annual fee		958	1,817
Dividend payable		-	31
Accrued expenses and other liabilities	8	22,326	16,777
Total Liabilities		<u>24,763</u>	<u>23,314</u>
Net Assets		<u>1,396,378</u>	<u>2,054,563</u>
Unit holders' fund		<u>1,396,378</u>	<u>2,054,563</u>
		(Number of units)	
Number of units in issue		<u>13,314,961</u>	<u>20,538,940</u>
		(Rupees)	
Net assets value per unit		<u>104.87</u>	<u>100.03</u>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.



Chief Executive Officer

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



Director

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2015

	Note	Nine months ended 31 March		Quarter ended 31 March	
		2015	2014	2015	2014
		(Rupees in '000)			
Income					
Capital (loss) / gain on sale of investment - net		(9,855)	8,044	(3,127)	5,913
Income from government securities		79,475	113,376	21,954	29,801
Income from sukuk		10,056	-	3,288	-
Profit on bank deposits		26,925	52,468	6,827	21,208
Back end load		1	-	-	-
Net unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss'		(6,719)	19,120	8,820	5,127
Total income		99,883	193,008	37,762	62,049
Expenses					
Remuneration of Management Company		11,430	19,042	3,712	6,144
Sales tax and federal excise duty on remuneration of Management Company		3,817	6,580	1,239	2,039
Remuneration of Central Depository Company of Pakistan Limited - Trustee		1,723	2,217	514	688
Annual fee - Securities and Exchange Commission of Pakistan		958	1,393	269	422
Provision for Workers' Welfare Fund		1,315	3,083	504	991
Settlement and bank charges		317	243	132	69
Fees and subscription		179	179	59	61
Auditors' remuneration		431	407	136	123
Amortisation of preliminary expenses and floatation costs		150	150	49	49
Printing and related charges		127	295	40	119
Total expenses		20,447	33,589	6,654	10,705
		79,436	159,419	31,108	51,344
Net element of (loss) and capital (losses) included in prices of units issued less those in units redeemed		(14,989)	(8,368)	(6,391)	(2,780)
Net income for the period before taxation		64,447	151,051	24,717	48,564
Taxation	10	-	-	-	-
Net income for the period after taxation		64,447	151,051	24,717	48,564
Earnings per unit	11				

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

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


Chief Executive Officer


Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2015

	Nine months ended 31 March		Quarter ended 31 March	
	2015	2014	2015	2014
	----- (Rupees in '000) -----			
Undistributed income brought forward	670	54,792	40,223	2,338
Total Comprehensive Income for the Period	64,447	151,051	24,717	48,564
Net element of (loss) / income and capital gains / (losses) included in the prices of units issued less those in units redeemed - transferred to Distribution Statement	(235)	-	(58)	-

Distributions to the unit holders of the Fund

Final distribution:

Final distribution at the rate of Rs. 1.8948 per unit for the year ended 30 June 2013 [Date of Distribution: 05 July 2013]

- Cash distribution
- Issue of 547,189 bonus units

Interim distribution at the rate of Rs. 1.8266 per unit for the quarter ended 30 September 2013 [Date of Distribution: 27 September 2013]

- Cash distribution
- Issue of 455,060 bonus units

Interim distribution at the rate of Rs. 2.3551 per unit for the quarter ended 31 December 2013 [Date of Distribution: 30 December 2013]

- Cash distribution
- Issue of 545,263 bonus units

Interim distribution at the rate of Rs. 2.3654 per unit for the quarter ended 31 March 2014 [Date of Distribution: 27 March 2014]

- Cash distribution
- Issue of 506,214 bonus units

-	(73)	-	-
-	(54,719)	-	-
-	(71)	-	-
-	(45,506)	-	-
-	(46)	-	-
-	(54,526)	-	-
-	(47)	-	(47)
-	(50,621)	-	(50,621)
-	(205,609)	-	(50,668)

Undistributed income carried forward

64,882	234	64,882	234
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The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

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


Chief Executive Officer


Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2015

	Nine months ended 31 March		Quarter ended 31 March	
	2015	2014	2015	2014
	(Rupees in '000)			
Net assets at the beginning of the period	2,054,563	2,946,490	1,550,166	2,357,667
Issue of 5,126,137 units (2014: 12,096,179 units) and 1,419,022 units (2014: 2,998,542 units) for the nine months and quarter ended respectively	523,216	1,189,561	146,682	302,647
Issue of Nil bonus units for the quarter ended (2014: 506,215 units)	-	-	-	50,621
Issue of Nil bonus units for the nine months ended (2014: 2,053,727 units)		205,372		
Redemption of 341,571,075 units (2014: 21,175,635 units) and 332,424,443 units (2014: 5,166,801 units) for the nine months and quarter ended respectively	(1,260,837)	(2,105,874)	(331,578)	(522,252)
	(737,621)	(710,941)	(184,896)	(168,984)
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed				
- amount representing loss / (income) and realised capital losses / (gains) - transferred to the Income Statement	14,989	8,368	6,391	2,780
- amount representing unrealised capital (losses) / gains - transferred to the Distribution Statement	235	-	58	-
	15,224	8,368	6,449	2,780
Net element of (loss) / income and capital gains / (losses) included in prices of units issued less those in units redeemed - transferred to Distribution Statement	(235)	-	(58)	-
Net income for the period (excluding net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss' and capital gain on sale of investments)	81,021	123,887	19,024	37,524
Capital (loss) / gain on sale of investments	(9,855)	8,044	(3,127)	5,913
Distributions made during the period (refer distribution statement)		(205,609)		(50,668)
Net unrealised (diminution) / appreciation in value of investments classified as 'at fair value through profit or loss'	(6,719)	19,120	8,820	5,127
	64,447	(54,558)	24,717	(2,104)
Distributions to the unit holders of the Fund				
Net assets as at the end of the period	1,396,378	2,189,359	1,396,378	2,189,359
Net assets value per unit as at beginning of the period	100.03	101.89	101.44	100.08
Net assets value per unit as at end of the period	104.87	100.10	104.87	100.10

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

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


Chief Executive Officer


Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2015

	Nine months ended 31 March		Quarter ended 31 March	
	2015	2014	2015	2014
	----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period before taxation	64,447	151,051	24,717	50,656
<i>Adjustments for non-cash charges and other items:</i>				
Net unrealised diminution / (appreciation) in fair value of investments classified as 'at fair value through profit or loss'	6,719	(19,120)	(8,820)	(5,127)
Amortisation of preliminary expenses and floatation costs	150	150	49	49
Net element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed	14,989	8,368	6,391	2,780
Provision for Workers' Welfare Fund	1,315	-	504	-
	87,620	140,449	22,841	48,358
Decrease / (increase) in assets				
Investments	424,293	983,446	189,797	406,330
Advance against subscription of Corporate Sukuk	-	-	-	-
Income and profit receivable	16,615	22,117	17,730	7,236
Deposit and prepayments	(9)	(60)	11	(140)
	440,899	1,005,503	207,538	413,426
Increase / (decrease) in liabilities				
Payable to Management Company	(3,158)	364	(3,536)	(1,337)
Payable to the Central Depository Company of Pakistan Limited - Trustee	(52)	(43)	(10)	(7)
Payable to Securities and Exchange Commission of Pakistan - Annual fee	(859)	(538)	269	422
Dividend payable	(31)	-	-	-
Accrued expenses and other liabilities	4,234	6,826	(2,148)	259
	134	6,609	(5,425)	(663)
Net cash generated from operating activities	528,653	1,152,561	224,954	461,121
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	-	(237)	-	(47)
Receipts from issuance of units	523,216	1,189,561	146,682	302,647
Payments on redemption of units	(1,260,837)	(2,119,126)	(331,578)	(522,251)
Net cash used in financing activities	(737,621)	(929,802)	(184,896)	(219,651)
Net (decrease) / increase in cash and cash equivalents during the period	(208,968)	222,759	40,058	241,470
Cash and cash equivalents at beginning of the period	597,684	831,571	348,658	812,860
Cash and cash equivalents at end of the period	388,716	1,054,330	388,716	1,054,330

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

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


Chief Executive Officer


Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2015

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. BASIS OF PREPARATION

2.1 Statement of compliance

2.1.1 This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 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 NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). In case where requirements differ, the provisions of / or directives issued under the Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations have been followed.

2.1.2 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.

2.1.3 This condensed interim financial information is unaudited. The Board of Directors of the Management Company declare that this condensed interim financial information gives a true and fair view of the state of affairs of the Fund.

2.1.4 The comparatives in the condensed interim statement of assets and liabilities presented in the condensed interim financial information as at 31 March 2015 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 31 March 2014.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2015

2.1.5 Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies and methods of computation adopted for the preparation of this condensed interim financial information are same as those applied in the preparation of the financial statements of the Fund for the year ended 30 June 2014. At present the Fund has no item to be reported in other comprehensive income; hence net income for the period equals to total comprehensive income for the period.

3.2 Amendments to certain existing standards and interpretations on approved accounting standards which were effective during the period were not relevant to the Fund's operations and did not have any impact on the accounting policies of the Fund.

4. ESTIMATES AND JUDGMENTS

4.1 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.

4.2 In preparing this condensed interim financial information, significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 30 June 2014.

5. FINANCIAL RISK MANAGEMENT

The Fund's risk management objectives and policies are consistent with those objectives and policies which were disclosed in the financial statements of the Fund as at and for the year ended 30 June 2014.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2015

6. BALANCES WITH BANKS	31 March 2015	30 June 2014
Balances with bank	(Rupees in '000)	
- Current account	26,589	10,239
- Savings account	362,127	587,445
	<u>388,716</u>	<u>597,684</u>

7. INVESTMENTS	(Unaudited) 31 March 2015	(Audited) 30 June 2014
'At fair value through profit and loss'	(Rupees in '000)	
Government securities	7.1 902,171	1,451,550
Unlisted debt securities - term finance certificates	7.2 118,366	-
	<u>1,020,537</u>	<u>1,451,550</u>

7.1 Government securities - Government of Pakistan Ijara Sukuk

Issue date	Profit rate (%)	Tenor	Face value				Balance as at 31 March 2015			Market value as a percentage of net assets	Market value as a percentage of total investments
			As at 1 July 2014	Purchased during the period	Disposed / Matured during the period	As at 31 March 2015	Carrying Value	Market value	Appreciation / (diminution)		
----- (Rupees in '000) -----											
Government of Pakistan Ijara Sukuk											
26 December 2011	9.82%	3 years	-	600,000	260,000	340,000	40,128	40,264	136	2.88	3.95
2-Mar-12	9.98%	3 years	-	325,000		325,000	327,145	327,145	-	23.43	32.06
28 June 2012	9.97%	3 years	8,000	58,500	55,500	11,000	11,055	11,097	42	0.79	1.09
18 September 2012	9.73%	3 years	665,200	295,000	525,000	435,200	448,038	438,638	(9,400)	31.41	42.98
28 March 2013	9.70%	3 years	-	34,800	14,500	20,300	20,405	20,444	39	1.46	2.00
25 June 2014	7.95%	3 years	758,500	132,000	825,000	65,500	65,435	64,583	(852)	4.63	6.33
31 December 2014							912,206	902,171	(10,035)		
30 June 2014							1,431,682	1,451,550	19,868		

7.2 Unlisted debt securities - term finance certificates

Certificates have a face value of Rs 5,000 each unless stated otherwise

Issue date	Profit rate (%)	Number of Certificates				Balance as at 31 March 2015			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at 1 July 2014	Purchased during the period	Disposed / Matured during the period	As at 31 March 2015	Carrying Value	Market value	Appreciation / (diminution)		
Rupees in '000										
Engro Fertilizers Limited	11.93%	-	23,600	-	23,600	115,050	118,366	3,316	8.48	11.60
31 December 2014						<u>115,050</u>	<u>118,366</u>	<u>3,316</u>		
30 June 2014						<u>-</u>	<u>-</u>	<u>-</u>		

8. ACCRUED EXPENSES AND OTHER LIABILITIES	(Unaudited) 31 March 2015	(Audited) 30 June 2014
Federal exercise duty payable and other related taxes	8.1 6,814	4,711
Provision for Workers' Welfare Fund	9 11,504	10,189
Zakat payable	339	1,300
Auditors' remuneration	414	390
Printing charges payable	90	120
Capital gain tax payable	138	63
Others	3,027	4
	<u>22,326</u>	<u>16,777</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2015

- 8.1** 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 company, as a matter of abundant caution, has decided to retain and continue with the provision of FED in this condensed interim financial information aggregating to Rs. 6.814 million as at 31 March 2015 (30 June 2014: Rs. 4.711 million). 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 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. 0.51 per unit as at 31 March 2015 (30 June 2014: Re. 0.497 per unit).

9. PROVISION FOR WORKERS' 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 on 15 July 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.

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 view of the afore mentioned developments and uncertainties created by the recent decision of SHC, the Management Company, as a matter of abundant precautions, has charged provision for WWF amounting to Rs. 11.504 million (30 June 2014: Rs. 10.189 million). Had the said provision of WWF 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. 0.86 per unit as at 31 March 2015 (30 June 2014: Re. 0.5 per unit).

10. 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.

11. EARNINGS PER UNIT

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

12. TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES

Related parties / connected persons of the Fund include the Management Company, its related entities, Central Depository Company of Pakistan Limited (being the Trustee of the Fund), other Funds managed by the Management Company and Directors, Key Management Personnel and Officers of the Management Company, and Unit Holders having more than 10% holding in the Fund.

Transactions with related parties / 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 Trustee is determined in accordance with the provisions of NBFC Regulations, 2008 and the Trust Deed respectively.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2015

12.1 Details of the transactions with connected persons are as follows:

	Nine months ended 31 March		Quarter ended 31 March	
	2015	2014	2015	2014
	(Rupees in '000)			
Management Company				
Remuneration (including indirect taxes)	15,247	25,622	4,951	8,183
MCB Bank Limited				
Profit on bank deposits	573	1,235	149	930
Bank Charges	65	58	38	7
Central Depository Company of Pakistan Limited - Trustee				
Remuneration	1,723	2,217	514	688
Next Capital				
Brokerage Paid	8	-	-	-
<i>Other Related Parties:</i>				
Directors and Executives of the Management Company				
Issue of 116,172 units (2014: 80,972 units) and 49,013 units (2014: 24,319 units) for the nine months and quarter ended respectively	5,362	8,179	(1,474)	2,454
Issue of Nil bonus units (2014: 4,319 bonus units) and bonus Nil units (2014: 1,285 units) for the nine months and quarter ended respectively	-	432	-	129
Redemption of 139,674 units (2014: 60,527 units) and 60,749 units (2014: 37,310 units) for the nine months and quarter ended respectively	7,752	6,117	(270)	3,766
Adamjee Life Assurance Company Limited (Amaanat Fund)				
Issue of 283,512 units (2014: 719,995 units) and 233,802 units (2014: 24,456 units) for the nine months and quarter ended respectively	29,000	7,800	-	(62,500)
Issue of Nil bonus units (2014: 31,295 bonus units) and bonus Nil units (2014: 12,512 units) for the nine months and quarter ended respectively	-	3,129	-	1,251
Redemption of Nil units (2014: 249,771 units) and Nil units (2014: 251,786 units) for the nine months and quarter ended respectively	-	25,350	-	21,000
Adamjee Life Assurance Company Limited (Investment Secure Fund- I)				
Issue of Nil units (2014: 269,352 units) and Nil units (2014: Nil units) for the nine months and quarter ended respectively	-	27,000	-	-

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2015

	Nine months ended 31 March		Quarter ended 31 March	
	2015	2014	2015	2014
	----- (Rupees in '000) -----			
Issue of Nil bonus units (2014: 12 bonus units) and bonus Nil units (2014: 5 units) for the nine months and quarter ended respectively	-	1	-	-
Redemption of Nil units (2014: 269,179 units) and Nil units (2014: Nil units) for the nine months and quarter ended respectively	-	27,000	-	-
Adamjee Life Assurance Company Limited (Investment Secure Fund- II)				
Issue of Nil units (2014: 119,712 units) and Nil units (2014: Nil units) for the nine months and quarter ended respectively	-	12,000	-	-
Issue of Nil bonus units (2014: 5 bonus units) and bonus Nil units (2014: 2 units) for the nine months and quarter ended respectively	-	1	-	-
Redemption of Nil units (2014: 119,635 units) and Nil units (2014: Nil units) for the nine months and quarter ended respectively	-	12,000	-	-
Mandate under Discretionary Portfolio Services*				
Issue of Nil units (2014: 363,041 units) and Nil units (2014: Nil units) for the nine months and quarter ended respectively	-	37,000	-	-
Issue of Nil bonus units (2014: 19,548) and Nil units (2014: Nil) for the nine months and quarter ended respectively	-	1,955	-	-
Redemption of Nil units (2014: 41,094 units) and Nil units (2014: Nil units) for the nine months and quarter ended respectively	-	4,200	-	-

* This represents investment portfolio of gratuity and pension funds managed by the fund on behalf of its related parties.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2015

12.2 Amounts outstanding as at period / year end:

	(Unaudited) 31 March 2015 (Rupees in '000)	(Audited) June 30 2014
MCB Bank Limited		
Balance with bank	40,253	16,293
Profit receivable on bank deposits	<u>68</u>	<u>2,311</u>
Management Company		
Management fee payable	1,134	1,264
Sindh sales tax payable on management fee	<u>170</u>	<u>202</u>
Front-end load payable	<u>2,897</u>	<u>2,997</u>
Central Depository Company of Pakistan Limited-Trustee		
Remuneration payable	<u>174</u>	<u>226</u>
Directors and executives of the Management Company		
Units held 39,101 units (June 2014: 62,615 units)	<u>4,101</u>	<u>6,263</u>
Adamjee Life Assurance Company Limited (Amaanat Fund)		
Units held: 777,986 (June 2014: 494,473 units)	<u>81,590</u>	<u>49,462</u>
Adamjee Life Assurance Company Limited (Investment Secure Fund - I)		
Units held: 188 units (June 2014: 188 units)	<u>20</u>	<u>19</u>
Adamjee Life Assurance Company Limited (Investment Secure Fund- II)		
Units held: 83 units (June 2014: 83 units)	<u>9</u>	<u>8</u>

13. DATE OF AUTHORISATION

This condensed interim financial information has been authorised for issue in the meeting of the Board of Directors of the Management Company held on April 24, 2015.



Chief Executive Officer

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



Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

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