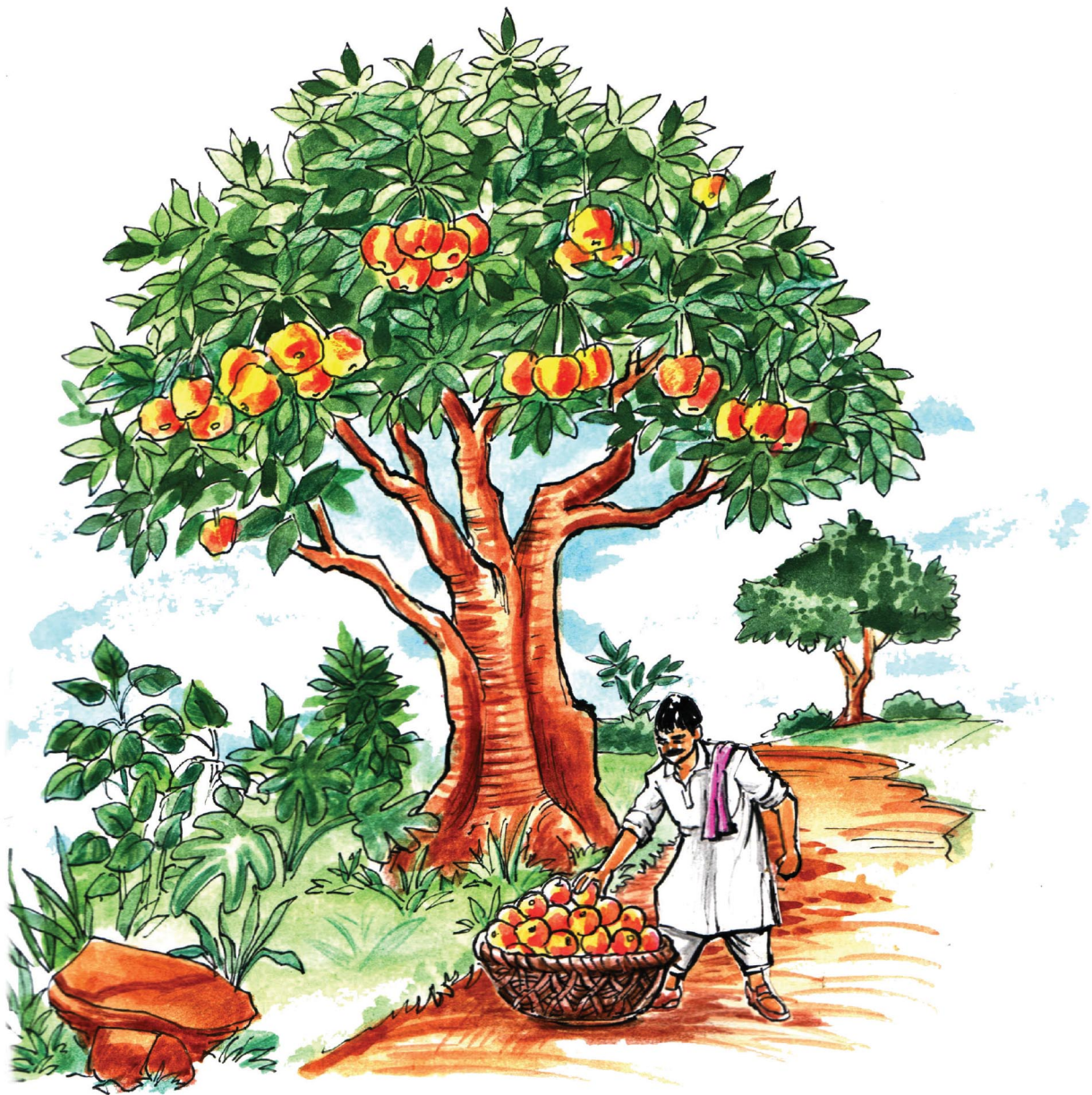


Quarterly Report
March 31, 2016
(Unaudited)



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

MCB
ISLAMIC INCOME FUND

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FUND'S INFORMATION

Management Company MCB-Arif Habib Savings and Investments Limited
24th Floor, Centrepont, Off Shaheed-e-Millat Expressway,
Near K.P.T. Interchange, Karachi.

Board of Directors

Mian Muhammad Mansha	Chairman
Mr. Nasim Beg	Vice Chairman
Mr. Muhammad Saqib Saleem	Chief Executive Officer
Dr. Syed Salman Ali Shah	Director
Mr. Haroun Rashid	Director
Mr. Ahmed Jahangir	Director
Mr. Samad A. Habib	Director
Mr. Mirza Mahmood Ahmad	Director

Audit Committee

Mr. Haroun Rashid	Chairman
Mr. Ahmed Jahangir	Member
Mr. Samad A. Habib	Member

Human Resource & Remuneration Committee

Dr. Syed Salman Ali Shah	Chairman
Mr. Nasim Beg	Member
Mr. Haroun Rashid	Member
Mr. Ahmed Jahangir	Member

Company Secretary & Chief Executive Officer Mr. Muhammad Saqib Saleem

Chief Financial Officer Mr. Muhammad Asif Mehdi

Trustee Central Depository Company of Pakistan Limited
CDC House, 99-B Block 'B', S.M.C.H.S.,
Main Shahrah-e-Faisal, Karachi-74400

Bankers

MCB Bank Limited
Habib Bank Limited
United Bank Limited
Meezan Bank Limited
Dubai Islamic Bank Pakistan Limited

Auditors KPMG Taseer Haidi & Co.
Chartered Accountants
1st Floor, Sheikh Sultan Trust Building No. 2,
Beaumont Road, Karachi-75530.

Legal Advisor Bawaney & Partners
3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area,
Phase VI, DHA, Karachi.

Transfer Agent MCB-Arif Habib Savings and Investments Limited
24th Floor, Centrepont, Off Shaheed-e-Millat Expressway,
Near K.P.T. Interchange, Karachi.

Rating AM2 + Asset Manager Rating assigned by PACRA

REPORT OF THE DIRECTOR OF MANAGEMENT COMPANY FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2016

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, 2016.

ECONOMY AND MONEY MARKET OVERVIEW

Economic trajectory kept on improving with each passing month of this year. The blessing in disguise came from further plunge in oil prices, which succumbed to expanding supply glut lead by weaker global demand, increase inflows from Iran post removal of sanctions and resilience of shale producers. The lower oil prices helped curtail the inflationary pressures along with the import bill.

Inflation continued to remain on the lower side supported by a dip in transportation charges, with its trickledown effect on food inflation. However, it is pertinent to note that the inflation has started to increase largely induced by withering of low base effect evident from 3QFY16 average of 3.76%, against 1HFY16 average of 2.06%. As the outlook of crude oil prices remains bearish, the inflation is expected to average below 3% for the year.

External account continued to show stability triggered by narrower current account and stable financial flows. Petroleum Group Imports during the 8MFY16 reduced by approximately \$3.5 billion (down 40%) compared to 8mFY15. However, the savings in oil weren't visible in the current account position as it reduced by meager 4.5%. Lower commodity prices induced by weak global demand, slowdown in target markets and relatively unfavorable rupee-dollar parity vs competitors pushed exports down by 9.9% in 8MFY16. On the other hand, import bill worsened due to higher import of machinery for power and infrastructure while significantly lower cotton production also had to be filled with imports. Remittances remained resilient to weak economic outlook of gulf economies posting an increase of ~6%. Overall Balance of payment account however remained in surplus of near USD 1.04 billion due to improved multilateral flows.

Positive balance of foreign flows, improved external account outlook and strong foreign exchange reserves balance of near USD 20.5 billion along with strict vigilance of SBP kept the rupee relatively stable.

M2 growth gained traction with FY16TD growth of 5.27%. Net Domestic Assets, supported by continual net government borrowing, increased by PKR 472 billion whereas Net Foreign Assets contributed PKR 114 billion.

State Bank of Pakistan conducted Ijara Sukuk auction based on fixed rate rental arrangement providing yields of 6.10% and 5.59% in the successive auctions allowing comparatively lucrative avenue for Islamic financial industry.

Yield Curve shifted downward further which remains more influenced by outlook for improved fiscal deficit, better foreign inflows, issuance of Ijara Sukuk (near Rs. 300 Billion) and potential rollover risk on upcoming maturity of PIBs worth PKR 1.4 trillion.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 5.33% as against its benchmark return of 4.39%.

During the period, the fund had been decreasing its exposure from GoP Ijarah Sukuk, which stood at around 53.5% at period-end. The fund was 10.9% invested in Corporate Sukuk while most of the remaining exposure was in cash and bank deposits at relatively attractive rates.

The Net Assets of the Fund as at March 31, 2016 stood at Rs. 1,020 million as compared to Rs. 1,261 million as at June 30, 2015 registering a decrease of 19.11%.

The Net Asset Value (NAV) per unit as at March 31, 2016 was Rs. 104.2127 as compared to opening NAV of Rs. 100.1908 per unit as at June 30, 2015 registering an increase of Rs.4.0219 per unit.

FUTURE OUTLOOK

Given current global economic environment, the local economic scorecard is expected to remain stable. The oil prices are expected to remain range bound with Iran having ample ability to pump more crude, along with low probability of major oil producers reaching any agreement to curtail supply. The weak global outlook evident from slow down in China, Bank of Japan and European Central Bank adopting negative interest rates is also a concern for the commodities market. The weak global commodity outlook would keep import bill on the lower end, but as a result recovery in exports may also be delayed.

REPORT OF THE DIRECTOR OF MANAGEMENT COMPANY FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2016

The average Consumer Price Index is expected to remain below 3% for the year. Whereas, stability in oil prices & exchange rate would allow inflation over the next few quarters to remain well anchored in the range of 4.5%-5.0% thus a stable monetary policy environment with potential for slight easing subject to stability in external flows looks likely.

Fiscal deficit is expected to remain within target and economic growth seems achievable with enough room for the government to bring required structural changes in the economy.

The Pakistani rupee is expected to show further resilience backed by strong foreign inflows lined up for next year.

Although, remittances have shown resilience but potential threat is present if any trouble of gulf economies is passed on to labor markets. Similarly, the incumbent government's aggressive plans for power sector would also weigh on the import bill with extensive import of power machinery keeping current account in check.

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,



Muhammad Saqib Saleem
Chief Executive Officer
April 18, 2016

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2016

	Note	(Unaudited) 31 March 2016 (Rupees in '000)	(Audited) 30 June 2015
Assets			
Balances with banks	6	261,535	517,006
Investments	7	772,664	754,410
Income and profit receivable		11,060	20,907
Deposit and prepayments		315	229
Preliminary expenses and floatation costs		42	192
Total assets		1,045,616	1,292,744
Liabilities			
Payable to Management Company		1,014	1,365
Payable to Central Depository Company of Pakistan Limited - Trustee		166	153
Payable to Securities and Exchange Commission of Pakistan - annual fee		648	1,198
Accrued expenses and other liabilities	8	23,828	28,968
Total liabilities		25,656	31,684
Net assets		1,019,959	1,261,060
Unit holders' fund		1,019,959	1,261,060
		(Number of units)	
Number of units in issue		9,787,282	12,586,594
		(Rupees)	
Net assets value per unit		104.21	100.19

The annexed notes 1 to 14 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 AND QUARTER ENDED MARCH 31, 2016

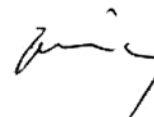
	Note	Nine months ended March 31, 2016	Nine months ended March 31, 2015	Quarter ended March 31, 2016	Quarter ended March 31, 2015
		----- (Rupees in '000) -----			
Income					
Capital Gain/(loss) on sale of investment - net		495	(9,855)	2,847	(3,127)
Income from government securities		27,346	79,475	8,205	21,954
Income from unlisted debt securities - term finance certificates		6,985	10,056	2,191	3,288
Profit on bank deposits		20,100	26,925	4,377	6,827
Back end load		-	1	-	-
Net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss'		1,697	(6,719)	(3,387)	8,820
Total income		56,623	99,883	14,233	37,762
Expenses					
Remuneration of Management Company		5,575	11,430	1,617	3,712
Sales tax and federal excise duty on remuneration of Management Company		1,798	3,817	522	1,239
Remuneration of Central Depository Company of Pakistan Limited - Trustee		1,413	1,723	427	514
Sindh Sales tax on remuneration of trustee	9	153	-	60	-
Annual fee - Securities and Exchange Commission of Pakistan		648	958	191	269
Provision for Workers' Welfare Fund		-	1,315	-	504
Amortisation of preliminary expenses and floatation costs		151	150	50	49
Auditors' remuneration		498	431	150	136
Settlement and bank charges		200	317	106	132
Fees and subscription		230	179	83	59
Shariah advisory fee		415	-	308	-
Allocated expenses	10	413	-	289	-
Legal and professional charges		44	-	44	-
Printing and related charges		83	127	44	40
Total expenses		11,620	20,447	3,892	6,654
		45,003	79,436	10,342	31,108
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed:					
- arising from capital (loss) / gain and unrealised (loss) / gain		(217)	4,051	-	1,833
- arising from other income		(5,418)	(19,040)	(1,538)	(8,224)
		(5,635)	(14,989)	(1,538)	(6,391)
Net income for the period before taxation		39,368	64,447	8,804	24,717
Taxation	11	-	-	-	-
Net income for the period after taxation		39,368	64,447	8,804	24,717
Earnings per unit	12				

The annexed notes 1 to 14 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 DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2016**

	Nine months ended March 31,	Nine months ended March 31,	Quarter ended March 31,	Quarter ended March 31,
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
Undistributed income brought forward	2,919	670	33,048	40,223
Net income for the period	39,368	64,447	8,804	24,717
Net element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - transferred to Distribution Statement	(536)	(235)	(101)	(58)
Undistributed income carried forward	41,751	64,882	41,751	64,882

The annexed notes 1 to 14 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 STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2016

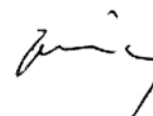
	Nine months ended March 31,	Nine months ended March 31,	Quarter ended March 31,	Quarter ended March 31,
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
Net assets at the beginning of the period	1,261,060	2,054,563	1,063,989	1,550,166
Issue of 5,065,917 units (2015: 5,126,137 units) and 1,956,386 units (2015: 1,419,022 units) for the Nine months and quarter ended respectively	505,011	523,216	202,503	146,682
Redemption of 7,865,229 units (2015: 341,571,075 units) and 2,483,703 units (2015: 332,424,443 units) for the nine months and quarter ended respectively	(791,115)	(1,260,837)	(256,874)	(331,578)
	(286,104)	(737,621)	(54,371)	(184,896)
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed				
- Amount representing (income) / loss and realised capital (gains) / losses transferred to the income statement:				
- arising from capital (loss) / gain and unrealised (loss) / gain	217	(4,051)	-	(1,833)
- arising from other income	5,418	19,040	1,538	8,224
- Amount representing unrealised capital (gains) / losses - transferred to the Distribution Statement	536	235	101	58
	6,171	15,224	1,639	6,449
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - transferred to Distribution Statement	(536)	(235)	(101)	(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 loss on sale of investments)	37,176	81,021	9,343	19,024
Capital loss on sale of investments	495	(9,855)	2,847	(3,127)
Net unrealised appreciation / (diminution) in value of investments classified as 'at fair value through profit or loss'	1,697	(6,719)	(3,386)	8,820
	39,368	64,447	8,804	24,717
Net assets as at the end of the period	1,019,959	1,396,378	1,019,959	1,396,378
Net assets value per unit as at beginning of the period	100.19	100.03	101.56	101.44
Net assets value per unit as at end of the period	104.21	104.87	104.21	104.87

The annexed notes 1 to 14 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 CASH FLOW STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2016

	Nine months ended March 31, 2016	Nine months ended March 31, 2015	Quarter ended March 31, 2016	Quarter ended March 31, 2015
	(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period before taxation	39,368	64,447	8,804	24,717
<i>Adjustments for non-cash charges and other items:</i>				
Net unrealised (appreciation) / diminution in fair value of investments classified as 'at fair value through profit or loss'	(1,697)	6,719	3,388	(8,820)
Amortisation of preliminary expenses and floatation costs	151	150	51	49
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed:				
- arising from capital (loss) / gain and unrealised (loss) / gain	217	(4,051)	-	(1,833)
- arising from other income	5,418	19,040	1,538	8,224
	5,635	14,989	1,538	6,391
Provision for Workers' Welfare Fund	-	1,315	-	504
	43,457	87,620	13,781	22,841
Decrease / (increase) in assets				
Investments	(16,557)	424,293	63,012	189,797
Advance against subscription of Corporate Sukuk	-	-	-	-
Income and profit receivable	9,847	16,615	(1,734)	17,730
Deposit and prepayments	(86)	(9)	(194)	11
	(6,796)	440,899	61,084	207,538
Increase / (decrease) in liabilities				
Payable to Management Company	(351)	(3,158)	(80)	(3,536)
Payable to the Central Depository Company of Pakistan Limited - Trustee	13	(52)	(8)	(10)
Payable to Securities and Exchange Commission of Pakistan - Annual fee	(550)	(859)	191	269
Dividend payable	-	(31)	-	-
Accrued expenses and other liabilities	(5,140)	4,234	411	(2,148)
	(6,028)	134	514	(5,425)
Net cash (used in) / generated from operating activities	30,633	528,653	75,379	224,954
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from issuance of units	505,011	523,216	202,502	146,682
Payments on redemption of units	(791,115)	(1,260,837)	(256,875)	(331,578)
Net cash used in financing activities	(286,104)	(737,621)	(54,373)	(184,896)
Net decrease in cash and cash equivalents during the period	(255,471)	(208,968)	21,006	40,058
Cash and cash equivalents at beginning of the period	517,006	597,684	240,529	348,658
Cash and cash equivalents at end of the period	261,535	388,716	261,535	388,716

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.



Chief Executive Officer

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



Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2016

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 currently situated at 24th Floor, Centre Point, Off. Shaheed-e-Millat Expressway, near KPT interchange, 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-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 Pakistan Stock Exchange limited (formerly listed on 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 2015.

2.1.3 The comparatives in the condensed interim statement of assets and liabilities presented in the condensed interim financial information as at 31 March 2016 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 31 March 2015.

2.1.4 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

The accounting policies and methods of computation adopted in preparation of this financial information are same as those applied in preparation of financial statements of the Fund for the period ended December 31, 2015.

**NOTES TO AND FORMING PART OF THE CONDESED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2016**

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 2015.

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 2015.

6. BALANCES WITH BANKS

	(Unaudited) 31 March 2016	(Audited) 30 June 2015
	(Rupees in '000)	
Balances with bank		
- Current account	6,969	22,558
- Savings account	254,566	494,448
	<u>261,535</u>	<u>517,006</u>

7. INVESTMENTS

'At fair value through profit and loss'-held for trading

Government securities	7.1	559,149	635,190
Unlisted debt securities - term finance certificates	7.2	113,515	119,220
		672,664	754,410

Loans and receivables

Term Deposit Receipts	7.3	100,000	-
		<u>772,664</u>	<u>754,410</u>

**NOTES TO AND FORMING PART OF THE CONDESED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2016**

7.1 Government securities - Government of Pakistan Ijara Sukuk

Issue date	Profit rate (%)	Tenor	Face value			Balance as at 31 March 2016			Market value as a percentage of net assets	Market value as a percentage of total investments
			As at 1 July 2015	Purchased during the period	Disposed / matured during the period	As at 31 March 2016	Carrying value	Market value / (diminution)		
(Rupees in '000)										
<i>Government of Pakistan</i>										
<i>Ijara Sukuk</i>										
26 December 2011	6.94%	3 years	-	100,000	100,000	-	-	-	-	-
28 June 2012	6.94%	3 years	11,000	-	11,000	-	-	-	-	-
18 September 2012	7.87%	3 years	435,200	-	435,200	-	-	-	-	-
02 March 2012	8.34%	3 years	100,000	-	100,000	-	-	-	-	-
28 March 2013	6.15%	3 years	20,300	10,500	30,800	-	-	-	-	-
25 June 2014	4.39%	3 years	65,500	310,000	78,000	297,500	295,360	294,525	28.88	38.12
18 December 2015	5.89%	3 years	-	665,000	452,500	212,500	212,500	214,094	20.99	27.71
15 February 2016	6.10%	3 years	-	250,000	200,000	50,000	50,000	50,530	4.95	6.54
31 March 2016							557,860	559,149	1,289	
30 June 2015							645,592	635,190	(10,402)	

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 2016			Market value as a percentage of net assets	Market value as a percentage of total investments	
		As at 1 July 2015	Purchased during the period	Disposed / matured during the period	As at 31 March 2016	Carrying value	Market value / Appreciation/ (diminution)			
(Rupees in '000)										
Engro Fertilizers Limited 31 March 2016	8.21%	23,600	-	-	23,600	113,107	113,515	409	11.13	14.69
						113,107	113,515	409		
30 June 2015						115,050	119,220	4,170		

7.3 Term Deposit Receipts - Loans and receivables

Name of Financial institution	Profit / mark-up rate %	Maturity date	Carrying value as at March 31, 2016 (Rs. in '000)	Value as a percentage of net assets	Value as a percentage of investment
Habib bank Limited	6.00%	April 25, 2016	100,000	9.80	1.23
Total as at March 31, 2016			100,000		
Total as at June 30, 2015			-		

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2016**

8. ACCRUED EXPENSES AND OTHER LIABILITIES		(Unaudited)	(Audited)
		31 March	30 June
		2016	2015
		(Rupees in '000)	
Federal excise duty payable and other related taxes on management fee	8.1	8,373	7,285
Federal excise duty payable and other related taxes on sales load		2,989	2,855
Provision for Workers' Welfare Fund	8.2	11,490	11,490
Zakat payable		403	377
Auditors' remuneration		293	394
Printing charges payable		93	152
Capital gain tax payable		76	199
Withholding tax payable on dividend		-	6,201
Brokerage payable		61	15
Other liabilities		51	-
		<u>23,828</u>	<u>28,968</u>

- 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. 8.373 million and Rs. 2.98 million on account of management fee and sales load ,as at 31 March 2016. 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 Rs. 0.86 per unit as at 31 March 2016.

8.2 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.

NOTES TO AND FORMING PART OF THE CONDESED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2016

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

Furthermore, in the Finance Act 2015, the mutual funds have been excluded from the levy of WWF. As this change has been made in the definition of the term 'Industrial Establishment' as defined in the Workers' Welfare Fund Ordinance, 1971, the change may appear to apply prospectively. Accordingly, management is of the view that this change is applicable from 01 July 2015. Hence, the matter regarding previous years would either need to be clarified by FBR or would be resolved through courts. Management Company, as a matter of abundant precaution, has decided to retain the provision for WWF amounting to Rs. 11.490 million in these condensed interim financial information. During the nine months period ended 31 March 2016 the Fund charged Rs.Nil on account of WWF. Had the said provision of WWF not been recorded in the books of account of the Fund, the Net Asset Value (NAV) of the Fund would have been higher by Rs. 1.17 per unit as at 31 March 2016.

9 SINDH SALES TAX ON REMUNERATION OF THE TRUSTEE

The Sindh Revenue Board through Circular No. SRB 3-4/TP/01/2015/86554 dated 13 June 2015 has amended the definition of services of shares, securities and derivatives and included the custodianship services as well. Accordingly, sindh sales tax at the rate of 14% is also charged on trustee fee.

10 ALLOCATED EXPENSES

In the current period a statutory notification (S.R.O. No 1160 (1) /2015 dated 25 November 2015 was issued by the Securities and Exchange Commission of Pakistan (SECP), which introduced amendments in Non -Banking Finance Companies and Notified Entities Regulations, 2008. As a result of these amendments, the Management Company may charge fees and expenses related to registrar services, accounting, operations and valuation services related to Collective Investment Scheme (CIS) upto maximum of 0.1% of average annual net assets of the scheme. Accordingly, such expenses have been charged effective from 27 November 2015.

11 TAXATION

The Fund is exempt from taxation under clause 99 of the Part I of the 2nd Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The management intends to distribute at least 90% of the income earned during the year by the Fund to the unit holders. Accordingly, no provision has been made in this condensed interim financial statement.

12 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.

13 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 AND FORMING PART OF THE CONDESED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2016**

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

	Nine months period ended 31 March		Quarter ended 31 March	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
MCB-Arif Habib Savings and Investments limited - Management Company				
Remuneration (including indirect taxes)	<u>7,373</u>	<u>15,247</u>	<u>2,139</u>	<u>4,951</u>
Allocated expenses (including indirect taxes)	<u>413</u>	<u>-</u>	<u>290</u>	<u>-</u>
Shariah advisory fee	<u>415</u>	<u>-</u>	<u>308</u>	<u>-</u>
MCB Bank Limited				
Profit on bank deposits	<u>460</u>	<u>573</u>	<u>18</u>	<u>149</u>
Bank Charges	<u>30</u>	<u>65</u>	<u>12</u>	<u>38</u>
Sale of Securities Face Value 200,000,000 (2015: Nil) and Face Value 200,000,000(2015: Nil) for the nine months and quarter ended respectively	<u>203,239</u>		<u>203,239</u>	
Purchase of Securities Face Value 100,000,000 (2015:Nil) and Face value 100,000,000 (2015: Nil) for the nine months and quarter ended respectively	<u>100,093</u>	<u>-</u>	<u>100,093</u>	<u>-</u>
Central Depository Company of Pakistan Limited - Trustee				
Remuneration (including indirect taxes)	<u>1,566</u>	<u>1,723</u>	<u>487</u>	<u>514</u>
CDC Charges	<u>5</u>	<u>1</u>	<u>2</u>	
Next Capital**				
Brokerage Paid	<u>3</u>	<u>8</u>		
<i>Other related parties:</i>				
Directors and Executives of the Management Company				
Issue of 78,046 units (2015: 116,172 units) and 18,517 units (2015: 49,013 units) for the nine months and quarter ended respectively	<u>7,925</u>	<u>5,362</u>	<u>1,910</u>	<u>(1,474)</u>
Redemption of 83,863units (2015: 139,674 units) and 18,210 units (2015: 60,749 units) for the nine months and quarter ended respectively	<u>8,515</u>	<u>7,752</u>	<u>1,885</u>	<u>(270)</u>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2016**

	Nine months period ended		Quarter ended	
	31 March		31 March	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
Adamjee Life Assurance Company Limited*				
(Amaanat Fund)				
Issue of 449,425 units (2015: 283,512 units) and 155,164 units (2015: 233,802 units) for the nine months and quarter ended respectively	46,000	29,000	16,000	-
Redemption of 1,274,940 units (2015: Nil units) and Nil units (2015: Nil units) for the nine months and quarter ended respectively	130,000	-	-	-
Trustee Ghani Gases Ltd. Employees Provident Fund*				
Issue of 9,635 units (2015: Nil units) and 9,635 units (2015: Nil units) for the nine months and quarter ended respectively	1,000	-	1,000	-
Redemption of 7,710 units (2015: Nil units) and 7,710 units (2015: Nil units) for the nine months and quarter ended respectively	801	-	801	-

* This represents mandate under Discretionary portfolio services.

** The amount disclosed represents the amount of brokerage paid to connected persons and not the purchase or sale value of securities transacted through them.

13.2 Amounts outstanding as at period / year end:

	(Unaudited)	(Audited)
	31 March	June 30
	2016	2015
	(Rupees in '000)	
MCB Bank Limited		
Balance with bank	7,404	47,732
Profit receivable on bank deposits	-	50
MCB-Arif Habib Savings and Investments limited - Management Company		
Management fee payable	624	718
Sindh sales tax payable on management fee	87	178
Front-end load payable	30	321
Sindh sales tax payable on front end load	4	48
Allocated expenses payable	167	-
Shariah Advisory fee payable	102	-
Legal and professional charges	-	100
Central Depository Company of Pakistan Limited-Trustee		
Remuneration payable	146	153
Sindh sales tax payable on trustee fee	20	-
Directors and executives of the Management Company		
Units held 49,545 units (June 2015: 55,362 units)	5,163	5,547

**NOTES TO AND FORMING PART OF THE CONDESED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2016**

	(Unaudited) 31 March 2016 (Rupees in '000)	(Audited) June 30 2015
Adamjee Life Assurance Company Limited (Amaanat Fund)* Units held: 523,218 (June 2015 1,348,733 units)	<u>54,526</u>	<u>135,131</u>
Trustee Ghani Gases Ltd. Employees Provident Fund* Units held: 1,926 (June 2015 Nil units)	<u>201</u>	<u>-</u>

* This represents mandate under Discretionary portfolio services.


14 General

- 14.1** 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 18, 2016.



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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