

Quarterly Report

March 31, 2014
(Unaudited)



**Funds Under Management
of
MCB-Arif Habib Savings and Investments Limited**
(formerly: Arif Habib Investments Ltd.)

MCB
ISLAMIC INCOME FUND

CONTENTS

Fund's Information	250
Report of the Directors of the Management Company	251
Condensed Interim Statement of Assets and Liabilities	253
Condensed Interim Income Statement (Un-audited)	254
Condensed Interim Distribution Statement (Un-audited)	255
Condensed Interim Statement of Movement in Unit Holders' Funds (Un-audited)	256
Condensed Interim Cash Flow Statement (Un-audited)	257
Notes to and forming part of the Condensed Interim Financial Statements (Un-audited)	258

FUND'S INFORMATION

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

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2014

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 2014.

ECONOMY AND MONEY MARKET OVERVIEW

Despite implementation of fiscal reforms, inflation managed to remain in the single digit with CPI averaging around 8.64% during the first nine months of current fiscal year. The Current Account balance remained in pressure posting a deficit of \$2.02 billion during the 8MFY14 as opposed to deficit of USD \$0.83 billion reported in corresponding period last year. Last year's saving grace came in the form of proceeds under Coalition Support Funds (CSF) where the country received \$1.806bn in 1HFY13 as opposed to inflows of \$675 million received during the first nine months of the current fiscal year.

During the year, the country successfully managed to enter into a three-year \$6.6 billion loan program with IMF. Out of total financing of around \$2.2 billion scheduled for FY14 under IMF Extended Fund Facility (EFF), the country received three tranches of around \$540 million each during 9MFY14. While out of total \$3 billion repayments to IMF due in FY14, the government repaid around \$2.52 billion to IMF during 9MFY14.

The reserves remained under pressure given that the country was scheduled to repay \$4.524 billion to foreign donors during 9MFY14. However, generosity on the part of multilateral agencies and close allies helped improve reserve balance to \$9.86 billion as on 28-March-2014 from the nine-month low of \$7.59 billion touched on 7-February-2014. Not to mention, the country received \$1.5 billion from a friendly country in March 2014. Hence, the local currency managed to appreciate to Rs98 against dollar towards the end of the 3QFY14 after touching a record low of Rs108.6 against dollar on 5-December-2013.

Although the government had twice announced 50 bps hikes in the discount rate in the monetary policy held in September and November, decrease in inflationary pressures and improvement in foreign reserve balance during 3QFY14 point towards monetary easing down the line.

The Money Market was moderately short of liquidity during FY14 where on numerous occasions financial institutions utilized ceiling in order to manage liquidity efficiently. The yield curve adjusted significantly upwards during the ongoing fiscal year, with 6-month PKRV at around 10% as on 31- March 2014 as opposed to 8.92% as on 30-June- 2013.

PKRV for PIBs remained volatile during the year. Despite stable to declining interest rate outlook on account of increase in foreign reserves balance, which resulted in Rupee appreciation and appeased inflationary pressures, interest rate on PIB increased towards the end of the 3QFY14 on the back of the government's growing appetite to raise money through longer tenure papers. This can be gauged from the fact that the Government managed to raise a total of Rs 974bn through PIB auction in 3QFY14 as opposed to the target of Rs 180 billion.

M2 has expanded by 5.14% during the 9MFY14 (till 28th March) as opposed to expansion of 8.83% during the same period last year. At the same time, the net borrowing from the banking system increased by Rs 502.7 billion as opposed to Rs 856.5 billion raised during the same period last year.

FUND PERFORMANCE

During the quarter under review, the fund generated an annualized return of 8.93% as against its benchmark return of 5.93%, a significant out performance by 3.0%.

During the period, the fund reduced its exposure towards GoP Ijarah Sukuk, which stood at around 68% at period end compared with 70.3% at June 30, 2013, on the back of decent yield as well as capital gains potential. The fund has kept its remaining exposure in cash and bank deposits at decent rates.

The Net Asset of the Fund as at March 31, 2014 stood at Rs.2.189 billion as compared to Rs.2.946 billion as at June 30, 2012 registering a decrease of 25.70%.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2014

The Net Asset Value (NAV) per unit as at March 31, 2014 was Rs. 100.0106 as compared to opening NAV of Rs.101.8947 per unit as at June 30, 2013 registering a decrease of Rs. 1.88 per unit.

Income Distribution

During the period The Management Company has announced the following interim distribution:

Date of distribution	Per unit distribution
	Rs.
September 27, 2013	1.8266
December 27, 2013	2.3551
March 27, 2014	2.3654

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 country is scheduled to pay more than \$1.2 billion to external official creditors in the last quarter, while the government is eyeing to raise foreign inflows through Euro bonds, 3G auction, and outstanding payments from Etisalat.

Earnings growth is expected to continue in E&P, Power and Cement sector, while the rupee appreciation bodes well for pharmaceutical and chemical companies. Rupee strengthening after a long slide has contributed towards a change in the outlook. The budgeted implications of a stronger rupee will unfold in the next few months. Going forward, fixed income funds are expected to strengthen on the back of widening gaps between short and mid-term yields.

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.

For and on behalf of the board



Yasir Qadri

Chief Executive Officer

Karachi: April 21, 2014

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES

AS AT 31 MARCH 2014

	(Unaudited) 31 March 2014	(Audited) 30 June 2013
<i>Note</i>		
	(Rupees in '000)	
Assets		
Balances with bank	1,054,330	831,571
Investments	1,128,355	2,092,681
Profit receivable	28,301	50,418
Prepayments	162	102
Preliminary expenses and floatation costs	443	592
Total assets	2,211,591	2,975,364
Liabilities		
Payable against redemption of units	-	13,253
Payable to Management Company	5,171	4,807
Payable to Central Depository Company of Pakistan Limited - Trustee	233	276
Payable to Securities and Exchange Commission of Pakistan - Annual fee	1,393	1,931
Accrued expenses and other liabilities	15,435	8,607
Total liabilities	22,232	28,874
Contingencies		
Net assets	2,189,359	2,946,490
Unit holders' fund	2,189,359	2,946,490
	(Number of units)	
Number of units in issue	21,891,267	28,916,996
	(Rupees)	
Net asset value per unit	100.0106	101.8947

The annexed notes 1 to 12 form an integral part of this condensed interim financial statements.


Chief Executive Officer

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


Director

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH 2014

	Note	Nine months ended		Quarter ended	
		31 March		31 March	
		2014	2013	2014	2013
		----- (Rupees in '000) -----			
Income					
Capital gain on sale of investment - net		8,044	4,527	5,913	88
Income from government securities		113,376	131,370	29,801	53,007
Profit on bank deposits		52,468	49,523	21,208	19,159
Net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss'		19,120	(3,161)	5,127	(10,687)
Total income		193,008	182,259	62,049	61,567
Expenses					
Remuneration of Management Company		19,042	18,500	6,144	6,935
Sales tax and Federal Excise Duty on remuneration of Management Company		6,580	2,960	2,039	1,110
Remuneration of Central Depository Company of Pakistan Limited - Trustee		2,217	2,173	688	875
Annual Fee - Securities and Exchange Commission of Pakistan		1,393	1,351	422	586
Settlement and bank charges		243	151	69	35
Fees and subscription		179	180	61	59
Auditors remuneration		407	495	123	180
Amortisation of preliminary expenses and floatation costs		150	150	49	49
Printing and related charges		295	157	119	49
Total expenses		30,506	26,117	9,714	9,878
Net operating income for the period		162,502	156,142	52,335	51,689
Net element of income and capital (losses) / gains included in prices of units issued less those in units redeemed		(8,368)	15,370	(2,780)	3,107
Provision for Workers' Welfare Fund		(3,083)	-	(991)	-
Net income for the period before taxation		151,051	171,512	48,564	54,796
Taxation	8	-	-	-	-
Net income for the period after taxation		151,051	171,512	48,564	54,796
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		151,051	171,512	48,564	54,796
Earning per unit	9				

The annexed notes 1 to 12 form an integral part of this condensed interim financial statements.


Chief Executive Officer

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


Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH 2014

	Nine months ended 31 March		Quarter ended 31 March	
	2014	2013	2014	2013
	----- (Rupees in '000) -----			
Undistributed income brought forward	54,792	1,491	2,338	6,297
Total comprehensive income for the period	151,051	171,512	48,564	54,796
Net element of income and capital gains included in the prices of units issued less those in units redeemed	-	1,829	-	439
Final Distributions to the unit holders of the Fund:				
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	(73)			
- Issue of 547,189 bonus units	(54,719)			
Interim Distributions to the unit holders of the Fund:				
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	(71)	(125)		
- Issue of 455,060 bonus units	(45,506)	(57,022)		
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	(46)	(86)		
- Issue of 545,263 bonus units	(54,526)	(56,067)		
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	(47)	(63)	(47)	(63)
- Issue of 506,214 bonus units	(50,621)	(52,064)	(50,621)	(52,064)
	(205,609)	(165,427)	(50,668)	(52,127)
Undistributed income carried forward	234	9,405	234	9,405

The annexed notes 1 to 12 form an integral part of this condensed interim financial statements.


Chief Executive Officer

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


Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH 2014

	Nine months ended 31 March		Quarter ended 31 March	
	2014	2013	2014	2013
	----- (Rupees in '000) -----			
Net assets at the beginning of the period	2,946,490	1,506,772	2,357,667	2,915,501
Issue of 12,096,179 units (2013: 34,453,764 units) and 2,998,542 units (2013: 11,738,581 units) for the nine months and quarter ended respectively	1,189,561	3,485,758	302,647	1,184,763
Issue of 2,053,727 (2013: 1,649,900) bonus units and 506,215 (2013: 520,127) for the nine months and quarter ended respectively	205,372	165,153	50,621	52,064
Redemption of 21,175,635 units (2013: 17,628,296 units) and 5,166,801 units (2013: 6,901,967 units) for the nine months and quarter ended respectively	(2,105,874)	(1,786,094)	(522,252)	(789,586)
	(710,941)	1,864,817	(168,984)	447,241
Net element of (income) and capital (gains) included in prices of units issued less those in units redeemed				
- amount representing (income) and realised capital (gains) transferred to the Income Statement	8,368	(15,370)	2,780	(3,107)
- amount representing unrealized capital (gains) - transferred to the Distributed Statement	-	(1,829)	-	(439)
	8,368	(17,199)	2,780	(3,546)
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - transferred to Distribution Statement	-	1,829	-	439
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 / (loss) on sale of investments)	123,887	170,146	37,524	65,395
Capital gain on sale of investments	8,044	4,527	5,913	88
Net unrealised appreciation / (diminution) in value of investments classified as 'at fair value through profit or loss'	19,120	(3,161)	5,127	(10,687)
Distributions made during the period (Refer distribution statement)	(205,609)	(165,427)	(50,668)	(52,127)
	(54,558)	6,085	(2,104)	2,669
Net assets as at the end of the period	2,189,359	3,362,304	2,189,359	3,362,304

The annexed notes 1 to 12 form an integral part of this condensed interim financial statements.


Chief Executive Officer

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


Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH 2014

	Nine months ended 31 March		Quarter ended 31 March	
	2014	2013	2014	2013
	----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES				
Total comprehensive income for the period	151,051	171,512	50,656	54,796
Adjustments for non-cash charges and other items:				
Net unrealised (appreciation) / diminution in fair value of investments classified as 'at fair value through profit or loss'	(19,120)	3,161	(5,127)	10,687
Amortisation of preliminary expenses and floatation costs	150	150	49	49
Net element of (income) and capital (gains) included in prices of units issued less those in units redeemed	8,368	(15,370)	2,780	(3,107)
	140,449	159,453	48,358	62,425
(Decrease) / Increase in assets				
Investments	983,446	(1,270,539)	406,330	(415,530)
Profit receivable	22,117	(27,134)	7,236	8,774
Prepayments	(60)	(60)	(140)	(141)
	1,005,503	(1,297,733)	413,426	(406,897)
Decrease / (increase) in liabilities				
Payable to the Management Company	364	1,668	(1,337)	1,423
Payable against redemption of units	(13,253)	-	(13,253)	-
Payable to the Central Depository Company of Pakistan Limited - Trustee	(43)	144	(7)	49
Accrued expenses and other liabilities	6,826	932	259	(1,777)
Advance against issue of units	-	-	-	-
Payable to Securities and Exchange Commission of Pakistan - Annual fee	(538)	817	422	586
	(6,643)	3,561	(13,915)	281
Net cash used in operating activities	1,139,309	(1,134,719)	447,869	(344,191)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	(237)	(274)	(47)	(63)
Receipts from issuance of units	1,189,561	3,485,758	302,647	1,184,763
Payments on redemption of units	(2,105,874)	(1,786,094)	(508,999)	(812,007)
Net cash from financing activities	(916,550)	1,699,390	(206,399)	372,693
Net increase in cash and cash equivalents during the period	222,759	564,671	241,470	28,502
Cash and cash equivalents at beginning of the period	831,571	464,118	812,860	1,000,287
Cash and cash equivalents at end of the period	1,054,330	1,028,789	1,054,330	1,028,789

The annexed notes 1 to 12 form an integral part of this condensed interim financial statements.


Chief Executive Officer

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


Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH 2014

1 LEGAL STATUS AND NATURE OF BUSINESS

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

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.

Pursuant to the merger of MCB-Asset Management Company and Arif Habib Investments Limited, approval of merger the name of the Management Company has been changed from Arif Habib the name of the Management Company (Arif Habib Investments Limited being the surviving entity) Investments Limited to MCB-Arif Habib Savings and Investments Limited. 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 2013.

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 2014 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2013, 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 2013.

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH 2014

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 2013. 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 2013.

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 2013.

6. INVESTMENTS

		(Unaudited) 31 March 2014	(Audited) 30 June 2013
		(Rupees in '000)	
<i>'At fair value through profit or loss' - held for trading</i>			
- Government securities	6.1	<u>1,128,355</u>	<u>2,092,681</u>

6.1 'At fair value through profit or loss' - held for trading - Investment in government securities

Issue date	Tenor	Face value				Balance as at 31 March 2014			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at 1 July 2013	Purchased during the period	Disposed / Matured during the period	As at 31 March 2014	Carrying Value	Market value	Appreciation / (diminution)		
-----Rupees in '000-----										
7 March 2011	3 years	3,000	100,000	103,000	-	-	-	-	-	-
16 May 2011	3 years	358,200	120,000	35,000	443,200	444,301	445,461	1,160	20.35	39.48
26 December 2011	3 years	135,000	-	135,000	-	-	-	-	-	-
28 June 2012	3 years	170,000	-	170,000	-	-	-	-	-	-
30 April 2012	3 years	26,500	-	26,500	-	-	-	-	-	-
18 September 2012	3 years	1,399,000	-	733,800	665,200	664,934	682,894	17,960	31.19	60.52
31 March 2014						1,109,235	1,128,355	19,120		
30 June 2013						2,100,244	2,092,681	(7,563)		

7. ACCRUED EXPENSES AND OTHER LIABILITIES

		(Unaudited) 31 March 2014	(Audited) 30 June 2013
	Notes	(Rupees in '000)	
Federal Exercise Duty Payable	7.1	3,796	262
Provision for Workers' Welfare Fund	7.2	9,543	6,460
Zakat payable		1,300	1,300
Auditors' remuneration		375	350
Printing charges payable		310	200
Capital gain tax payable		60	34
Others		51	1
		<u>15,435</u>	<u>8,607</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH 2014

7.1 FEDERAL EXCISE DUTY ON REMUNERATION OF MANAGEMENT COMPANY

"The Finance Act 2013 introduced an amendment to Federal Excise Act 2005 where by Federal Excise Duty (FED) has been imposed at the rate of 16% of the services rendered by assets management companies. In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the levy of Federal Excise Duty on Asset Management Company services after the eighteenth amendment. The SHC in its short order of September 2013 directed the FBR not to take any coercive action against the petitioners pursuant to impugned notices till next date of hearing. In view of uncertainty regarding the applicability of FED on asset management services, the management, as a matter of abundant caution, has decided to retain and continue with the provision of FED and related taxes in this condensed interim financial information aggregating to Rs. 3.796 million as at March 31, 2014. In case the suit is decided against the fund the same would be paid to management company, who will be responsible for submitting the same to authorities. Had the said provision of FED and related taxes were not recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Re. 0.17 per unit as at 31 March 2014.

7.2 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' has 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 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 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 2013.

Subsequent to the year ended June 30, 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 in 2013, the Larger Bench of the 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.

As the matter relating to levy of WWF on CISs is currently pending in the SHC, the Management Company has decided to retain and continue with the provision for WWF in its books of account and financial statements aggregating to Rs. 9.543 million as at March 31, 2014. 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. 0.44 per unit.

8. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to 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. 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 unrealised capital gains / loss to the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the management company intends to distribute at least 90 percent of the Fund's accounting income for the year ending 30 June 2014 as reduced by capital gains (whether realised or unrealised) to its unit holders.

9. 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.

10. 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH 2014

10.1 Transactions during the period with connected persons / related parties are as follows:

	Unaudited			
	Nine months ended		Quarter ended	
	31 March		31 March	
	2014	2013	2014	2013
	(Rupees in '000)			
MCB-Arif Habib Savings and Investments Limited (Formerly: Arif Habib Investments Limited)				
Remuneration to Management Company (including indirect taxes)	25,623	21,460	8,184	8,045
Central Depository Company of Pakistan Limited				
Remuneration for the period	2,217	2,173	688	875
MCB Bank Limited				
Profit on bank deposits	1,235	487	930	287

10.2 Balance outstanding as at the period / year end are as follows:

	31-Mar 2014 (Unaudited)	30 June 2013 (Audited)
	(Rupees in '000)	
MCB-Arif Habib Savings and Investments Limited (Formerly: Arif Habib Investments Limited)		
Management fee payable	2,730	2,820
Sales load payable	2,442	2,249
Central Depository Company of Pakistan Limited		
Remuneration payable	233	276
MCB Bank Limited		
Bank balances	11,542	12,561
Profit receivable	50	74

10.3 Transactions during the period with connected persons / related parties in the units of the Fund:

	Unaudited			
	Nine months ended		Nine months ended	
	31 March 2014		31 March 2013	
	Units	(Rupees in '000)	Units	(Rupees in '000)
Units sold to:				
*Adamjee Life Assurance Company Limited - Amaanat Fund	719,995	7,800	72,772	7,334
*Adamjee Life Assurance Company Limited - ISF	269,352	27,000		
*Adamjee Life Assurance Company Limited - ISF II	119,712	12,000		
Mandate Under Discretionary Portfolio Services	363,041	37,000		
Key management personnel	80,972	8,179	66,444	6,859
Bonus units issued to:				
*Adamjee Life Assurance Company Limited - Amaanat Fund	31,295	3,129	533	53
*Adamjee Life Assurance Company Limited - ISF	12	1		
*Adamjee Life Assurance Company Limited - ISF II	5	1		
Mandate Under Discretionary Portfolio Services	19,548	1,955		
Key management personnel	4,319	432	4,528	453

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH 2014

Units redeemed by:

MCB-Arif Habib Savings and Investments Limited
 *Adamjee Life Assurance Company Limited - Amaanat Fund
 *Adamjee Life Assurance Company Limited - ISF
 *Adamjee Life Assurance Company Limited - ISF II
 Mandate Under Discretionary Portfolio Services
 Key management personnel

-----Unaudited-----			
Nine months ended 31 March 2014		Nine months ended 31 March 2013	
Units	(Rupees in '000)	Units	(Rupees in '000)
		1,105,733	111,841
	249,771		
	269,179		
	119,635		
	41,094		
	60,527	94,821	9,587
31 March 2014 (Unaudited)	30 June 2013 (Audited)	31 March 2014 (Unaudited)	30 June 2013 (Audited)
	Units		(Rupees in '000)
	516,469	51,652	1,523
	185	19	-
	82	8	-
	379,971	2,959	3,921
	55,795	5,580	3,162

Units held by:

*Adamjee Life Assurance Company Limited - Amaanat Fund
 *Adamjee Life Assurance Company Limited - ISF
 *Adamjee Life Assurance Company Limited - ISF II
 Mandate Under Discretionary Portfolio Services
 Key management personnel

11. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on **April 21, 2014** by the Board of Directors of the Management Company.

12. GENERAL

Corresponding figures have been rearranged and reclassified wherever necessary, for the purposes of comparison and better presentation. No significant changes to corresponding figures have been made during the period.


 Chief Executive Officer

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


 Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Limited)

8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.
UAN: (+92-21) 11-11-622-24 (11-11-MCB-AH), 111-468378 (111-INVEST)
Bachat Center: 0800-622-24 (0800-MCB-AH), Fax: (+92-21)32276898, 32276908
URL: www.mcbah.com, Email: info@mcbah.com