

Quarterly Report

March 31, 2014
(Unaudited)



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

PAKISTAN INCOME FUND

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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	Habib Metropolitan Bank Limited MCB Bank Limited Bank Al Falah Limited Faysal Bank Limited Allied Bank Limited Standard Chartered Bank (Pakistan) Limited Deutsche Bank AG	
Auditors	M. Yousuf Adil Saleem & Co. Chartered Accountants Cavish Court, A-35, Block 7 & 8, KCHSU, Sharae Faisal, Karachi-75350	
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 **Pakistan 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 period under review, the fund generated an annualized return of 7.87% as against its benchmark return of 9.67%. Despite the tightening interest rate scenario in the 1HFY14, the fund booked strong investment income from govt. securities by gradually building exposure towards T-Bills.

As the interest rate expectation shifted towards monetary easing by the end of 1HFY14, fund increased portfolio duration by increasing allocation in PIBs and long tenor T-Bills. At period-end, the fund was invested 35.4% in PIBs vis-à-vis 4.4% at the beginning, 24% in T-bills vis-à-vis 0% at the beginning and 36% in TFCs vis-à-vis beginning allocation of 37.7%.

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

The Net Asset of the Fund as at March 31, 2014 stood at Rs. 1,004.34 million as compared to Rs 1,091.89 million as at June 30 2013 registering a decrease of 8%.

The Net Asset Value (NAV) per unit as at March 31, 2014 was Rs. 52.04 as compared to opening NAV of Rs. 53.16 per unit as at June 30, 2013 registering an increase of Rs. 1.12 per unit.

Income Distribution

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

Date of distribution	Per unit distribution
September 27, 2013	0.86
December 27, 2013	1.00
March 28, 2013	1.11

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 MARCH 31, 2014

		(Unaudited) March 31, 2014	(Audited) June 30, 2013
	Note	----- (Rupees in '000) -----	
Assets			
Balances with banks		18,947	504,706
Investments	5	955,304	571,077
Advance against subscription of term finance certificates		33,583	-
Receivable against sale of investments		-	5,039
Profit receivable		15,458	17,057
Advances, deposits and prepayments		8,517	8,448
Total assets		<u>1,031,809</u>	<u>1,106,327</u>
Liabilities			
Payable to Management Company		1,528	1,810
Payable to Central Depository Company of Pakistan Limited - Trustee		141	155
Payable to Securities and Exchange Commission of Pakistan - annual fee		569	956
Payable on redemption of units		47	47
Accrued expenses and other liabilities	6	25,178	11,462
Total liabilities		<u>27,463</u>	<u>14,430</u>
Net assets		<u>1,004,346</u>	<u>1,091,897</u>
Unit holders' funds		<u>1,004,346</u>	<u>1,091,897</u>
Contingencies and commitments	7		
		(Number of units)	
Number of units in issue		<u>19,297,928</u>	<u>20,541,603</u>
		----- (Rupees) -----	
Net asset value per unit		<u>52.04</u>	<u>53.16</u>

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



Chief Executive Officer

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




Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)

FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2014

		Nine months ended March 31,		Quarter ended March 31,	
		2014	2013	2014	2013
Note		----- (Rupees in '000) -----			
Income					
		(1,045)	30,556	179	(2,779)
		36,126	40,758	12,445	13,622
		40,037	59,074	13,013	18,083
		-	2,237	-	940
		5,694	3,614	2,088	1,449
		80,812	136,239	27,725	31,315
				</	

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Chief Executive Officer

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


Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2014

	Nine months ended March 31,		Quarter ended March 31,	
	2014	2013	2014	2013
	(Rupees in '000)			
Undistributed income brought forward	64,923	51,172	36,339	51,652
Distributions to the unit holders of the Fund:				
Final bonus distribution for the year ended June 30, 2013 at Rs. 1.16 per unit (Date of distribution July 4, 2013)	(23,828)	-	-	-
Interim distribution of bonus units for the quarter ended September 30, 2013 at Rs 0.86 per unit (Date of distribution September 27, 2013)	(16,635)	(25,995)	-	-
Interim distribution of bonus units for the half year ended December 31, 2013 at Rs 1.9286 per unit (Date of distribution December 26, 2013)	(18,827)	(18,112)	-	-
Interim distribution of bonus units for the nine months ended March 31, 2013 at Rs 1.11 per unit (Date of distribution March 27, 2014)	(21,006)	(16,893)	(21,006)	(16,893)
	(80,296)	(61,000)	(21,006)	(16,893)
Net element of loss and capital losses included in the prices of units issued less those in units redeemed	(2,490)	(1,827)	363	(746)
Net income for the period	57,418	62,704	23,859	17,036
Undistributed income carried forward	39,555	51,050	39,555	51,050

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Chief Executive Officer

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


Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UN-AUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2014**

	Nine months ended March 31,		Quarter ended March 31,	
	2014	2013	2014	2013
----- (Rupees in '000) -----				
Net assets at beginning of the period	1,091,897	1,300,756	991,995	1,274,726
Issue of 2,866,230 units (2013: 1,512,515 units) and 1,136,582 units (2013: 433,761 units) for the half year and quarter ended respectively	150,723	79,208	59,965	22,663
Redemption of 5,655,111 units (2013: 3,580,235 units) and 1,357,882 units (2013: 1,691,000 units) for the half year and quarter ended respectively	(296,053)	(187,398)	(71,033)	(58,761)
Issue of 1,172,226 (2013: 672,707) bonus units and 403,976 (2013: 324,617 units) during the half year and quarter respectively	80,296	61,000	21,006	16,893
	(65,034)	(47,190)	9,938	(19,205)
Element of loss and capital losses included in prices of units issued less those in units redeemed				
- amount representing loss transferred to - income statement	361	582	(440)	188
- amount representing loss that forms part of unit holders' fund transferred to distribution statement	2,490	1,827	(363)	746
	2,851	2,409	(803)	934
Net unrealised gain / (loss) during the period in the market value of investments classified as available-for-sale	31	-	31	-
Element of loss and capital losses included in prices of units issued less those in units redeemed - amount representing unrealised income	(2,490)	(1,827)	363	(746)
Net income for the period transferred from the distribution statement				
Capital gain/(loss) on sale of investments - net	(1,045)	30,556	179	(2,779)
Net unrealised appreciation in fair value of investments classified investments classified as 'at fair value through profit or loss'	6,955	153	7,383	402
Other net income for the period	51,477	31,996	16,266	19,414
Distributions made during the period (Refer distribution statement)	(80,296)	(61,000)	(21,006)	(16,893)
	(22,909)	1,705	2,822	144
Net assets as at end of the period	1,004,346	1,255,853	1,004,346	1,255,853

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



Chief Executive Officer

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




Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2014

	Nine months ended March 31,		Quarter ended March 31,	
	2014	2013	2014	2013
	----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period before taxation	57,387	62,704	23,828	17,036
<i>Adjustments</i>				
Net unrealised appreciation in fair value of investments classified value through profit or loss'	(6,955)	(153)	(7,383)	(402)
Net element of loss and capital losses prices of units issued less those in units redeemed	361	582	(440)	188
Charge / (reversal) of provision against non-performing debt securities	(41)	52,477	-	7,963
	50,752	115,611	16,005	24,785
Working capital changes				
<i>(Increase) / decrease in assets</i>				
Investments	(377,199)	34,008	(179,401)	57,787
Advance against subscription of term finance certificates	(33,583)	-	(6,500)	-
Receivable against sale of investments	5,039	-	1	50,000
Profit receivable	1,599	10,443	1,232	6,025
Advances, deposits and prepayments	(69)	(65)	(151)	(126)
	(404,213)	44,386	(184,819)	113,686
<i>Increase /(decrease) in liabilities</i>				
Payable to Management Company	(282)	35	(1,460)	13
Payable to Central Depository Company of Pakistan Limited - Trustee	(14)	3	(4)	(2)
Payable against sale of investments	-	-	-	-
Payable to Securities and Exchange Commission of Pakistan - Annual fee	(387)	(469)	181	233
Accrued expenses and other liabilities	13,715	(359)	7,974	(365)
	13,032	(790)	6,691	(121)
Net cash (used in) / generated from operating activities	(340,429)	159,207	(162,123)	138,350
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from issuance of units	150,723	81,153	59,965	22,663
Payments on redemption of units	(296,053)	(187,350)	(71,033)	(58,713)
Net cash used in financing activities	(145,330)	(106,197)	(11,068)	(36,050)
Net decrease/ increase in cash and cash equivalents during the period	(485,759)	53,010	(173,191)	102,300
Cash and cash equivalents at beginning of the period	504,706	568,844	192,138	519,554
Cash and cash equivalents at end of the period	18,947	621,854	18,947	621,854

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


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 (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2014

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Pakistan Income Fund ("the Fund") was established under a Trust Deed executed between Arif Habib Investments Limited (Management Company) and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 23 October 2001 and was approved by the Security and Exchange Commission of Pakistan (SECP) on 28 February 2002 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).
- 1.2** Pursuant to the merger of MCB Asset Management Company Limited with and into Arif Habib Investments Limited (AHIL), the name of AHIL has been changed to MCB-Arif Habib Savings and Investments Limited effective from 27 June 2011.
- 1.3** The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.
- 1.4** The Fund is an open-ended mutual fund and is listed on the Karachi Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund has been categorized as a "Income Scheme" by the Board of Directors of Asset Management Company in pursuant to Circular 7 of 2009 dated March 6, 2009 issued by the SECP.
- 1.5** The Fund primarily invests in money market and other short-term instruments which includes short-term corporate debt and government securities, repurchase agreements and spread transactions. The Fund may also invest a portion of the fund in medium term assets in order to provide higher return to the unit holders.
- 1.6** The Pakistan Credit Rating Agency (PACRA) Limited has assigned Management quality rating of AM2 dated March 21, 2013 to the Management Company and "A+(f)" as stability rating dated January 08, 2013 to the Fund.
- 1.7** Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2. STATEMENT OF COMPLIANCE

- 2.1** This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP) shall prevail.
- 2.2** This condensed interim financial information comprise of condensed interim statement of assets and liabilities, condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement together with the notes forming part thereof. The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34, 'Interim Financial Reporting'. It does not include all the information and disclosures made in the annual published financial statement and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2013. Comparative information of the condensed interim income statement, condensed interim cash flow statement, condensed interim distribution statement and condensed interim statement of movement in unit holders' fund for the quarters ended March 31, 2014 and March 31, 2013 are un-audited and have been included to facilitate comparison.
- 2.3** This condensed interim financial information is Un-audited.
- 2.4** This condensed interim financial information 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, unless otherwise specified.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2014

2.5 The directors of the asset management company declare that this condensed interim financial information give a true and fair view of the Fund.

3. SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

3.1 The accounting policies and methods of computation adopted in preparation of this condensed interim financial information are same as those applied in preparation of financial statements of the Fund for the year ended June 30, 2013.

3.2 The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, significant judgments made by management in applying accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the financial statements as at and for the year ended June 30, 2013.

3.3 Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Fund's operations and did not have any impact on the accounting policies of the Fund and therefore not stated in this condensed interim financial information.

4. FINANCIAL RISK MANAGEMENT

The Fund's risk management policies are consistent with that disclosed in the financial statements of the Fund as at and for the year ended March 31, 2014.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2014

5. INVESTMENTS

'At fair value through profit or loss'

Government securities
Investment in debt securities
- Listed
- Unlisted

Unaudited) March 31, 2014 ---- (Rupees in '000) ----	(Audited) June 30, 2013 ---- (Rupees in '000) ----
Note	
5.1	153,998
5.2	279,243
5.2	137,836
	417,079
5.4	-
	61,593
	955,304
	571,077

'At fair value through profit or loss'

Government securities

5.1 Government securities - 'at fair value through profit or loss'

Issue date	Face value				Balance at March 31, 2014		Appreciation/(depreciation)	Market value as a percentage of net assets		Market value as a percentage of total investments
	Balance at July 1, 2013	Purchases during the period	Disposed off during the period	Matured during the period	Balance at December 31, 2014	Carrying value		value	%	
Pakistan Investment Bond - 3 years	25,000	925,000	650,000	-	300,000	302,649	747	303,396	30.44	39.88
Government of Pakistan Ijara Sukuk (Sep 18, 2012)	105,000	-	105,000	-	-	-	-	-	-	-
Treasury bills - 12 months	-	1,103,000	680,000	423,000	-	-	-	-	-	-
Treasury bills - 6 months	-	164,500	-	164,500	-	-	-	-	-	-
Treasury bills - 3 months	-	1,730,000	975,000	500,000	255,000	252,008	(94)	251,914	25.28	33.11
Total as at March 31, 2014						554,657	653	555,310	56	73
Total as at June 30, 2013						153,578	420	153,998	14.10	26.97

Listed debt securities

Less: Provision as on July 1

Less: Provision as on July 1
Telecard Ltd
Pace (Pakistan) Ltd
Trust Investment Bank

Less: Provision charged during the period
Telecard Ltd
Pace (Pakistan) Ltd
Trust Investment Bank

March 31, 2014 ---- (Rupees in '000) ----	June 30, 2013 ---- (Rupees in '000) ----
208,486	361,346
28,589	24,068
36,348	7,490
17,166	-
82,103	31,558
1,244	4,521
1,699	28,858
-	17,166
2,943	50,545
123,440	279,243

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2014

Unlisted debt securities Less: Maple Leaf Sukuk On July 1 Charged during the period Reversal during the period*	126,893	138,911
	1,075	1,791
	-	2,884
	1,075	3,600
	1,075	1,075
	125,818	137,836

	2014	2013
	(Rupees in '000)	
	Listed debt securities	Unlisted debt securities
Total		
Opening balance	82,103	(1,075)
Add : Net charge for the year	2,943	-
Closing balance	85,046	83,971

5.2 Investment in debt securities - (Term Finance Certificates of Rs. 5000 each, unless otherwise specified)

Name of investee company	Number of Certificates				Balance as at March 31, 2014		Appreciation / (diminution)	Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2013	Purchased during the year	Matured during the year	Disposed during the year	As at March 31, 2013	Carrying value	Market value		
								%	%
Listed									
Commercial banks									
Askari Bank Limited (18-11-09)	11,000	-	-	-	11,000	55,425	55,543	118	5.64
Askari Bank Limited (23-12-11)*	52	-	-	10	42	44,723	44,180	(543)	4.49
Bank Al Falah Limited (20-02-13)	20,131	-	-	6,750	13,381	67,926	68,191	265	6.93
Bank Al-Habib Limited (07-02-07)	5,520	-	-	-	5,520	27,830	27,839	9	2.83
United Bank Limited (08-09-06)	14,612	-	-	-	14,612	12,397	12,180	(217)	1.24
						208,301	207,933	(368)	21.13
Financial services									
Escorts Investment Bank Limited (15-03-07)	3,016	-	-	-	3,016	147	553	406	0.06
Trust Investment Bank (04-07-08)	10,000	-	-	-	10,000	-	-	-	-
						147	553	406	0.06
Real state investment and services									
Pace (Pakistan) Limited (15-02-08)	10,000	-	-	-	10,000	-	-	-	-
Fixed line telecommunication									
Telecard Limited (27-05-05)	19,975	-	-	-	19,975	-	-	-	-
Total listed securities						208,448	208,486	38	21.19
									27.4

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2014

Unlisted										
Commercial banks										
Bank Al-Habib Limited (30-06-11) Fixed	1,000	-	-	-	1,000	5,636	5,557	(79)	0.56	0.73
Bank Alfalah Limited (02-12-09) Floating	4,500	-	-	-	4,500	23,612	24,131	519	2.45	3.17
						29,248	29,688	440	3.01	3.90
Chemicals and fertilizers										
Engro Fertilizer Limited - private placement (18-03-08)	23,100	-	3,000	-	20,100	94,219	100,043	5,824	10.16	13.15
Construction and materials										
Maple Leaf Cement Factory Limited - Sukuk (03-12-07)	500	-	-	-	500	184	184	-	0.02	0.02
Total unlisted securities						123,651	129,915	6,264	13.19	17.07
Total as at March 31, 2014						332,099	338,401	6,302	34.38	44.47
Total as at June 30, 2013						411,554	415,502	3,948	42.21	54.62

*Nominal value of these Term Finance Certificates is Rs. 100,000 per unit

5.3 Movement in provision against debt securities

	Rupees in '000	
Listed TFCs		
Pace (Pakistan) Limited (15-02-08)	36,348	-
Telecard Limited (27-05-05)	28,589	41
Trust Investment Bank (04-07-08)	18,743	-
Unlisted		
Maple Leaf Cement Factory Limited - Sukuk (03-12-07)	1,075	-
Total	84,755	41

5.4 Government securities - 'available for sale'

Issue date	Balance at July 1, 2013	Face value		Balance at December 31, 2014	Balance at March 31, 2014		Market value as a percentage of net assets	Market value as a percentage of total investments
		Purchases during the period	Disposed off during the period		Carrying value	Appreciation/(depreciation)		
							(Rupees in '000)	%
Pakistan Investment Bond - 3 years	-	62,500	-	62,500	61,562	31	61,593	6.18
Total as at March 31, 2014					61,562	31	61,593	6
Total as at June 30, 2013					-	-	-	-

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2014

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

In accordance with Clause (v) of the investment criteria laid down for 'Income Scheme' in Circular no. 7 of 2009, the Fund is required to invest in any security having rating not lower than the investment grade (credit rating of BBB and above). However, as at 31 March 2014, the Fund is non-compliant with the above mentioned requirement in respect of the following investments. The securities were in compliance of the circular (i.e. investment grade) at the time of purchase and were subsequently downgraded to non investment grade by MUFAP on default by respective issuer in repayment of coupon due on respective dates.

Name of non-compliant investment	Type of investment	Value of investment before provision (Rupees in '000)	Provision held, if any	Value of investment after provision	Percentage of net assets %	Percentage of gross assets %
Maple Leaf Cement Factory Limited -	Sukuk	1,259	(1,075)	184	0.02	0.02
Escorts Investment Bank Limited	Term Finance certificates	553	-	553	0.06	0.05
Pace Pakistan Limited	Term Finance Certificates	36,348	(36,348)	-	0.00	0.00
TeleCard Limited	Term Finance Certificates	28,548	(28,548)	-	0.00	0.00
Trust Investment Bank Limited	Term Finance certificates	18,743	(18,743)	-	0.00	0.00

	Note	(Un-Audited) 31-Mar 2014	(Audited) June 30 2013
5.6 Net unrealised appreciation in value of investments at fair value through profit or loss			
Market value of investments	5.1 & 5.2	893,711	569,500
Less: Cost of investments	5.1 & 5.2	886,756	565,132
		6,955	4,368

	Note	(Unaudited) March 31, 2014	(Audited) June 30, 2013
6 ACCRUED EXPENSES AND OTHER LIABILITIES			
		---- (Rupees in '000) ----	
Provision for Workers' Welfare Fund	6.2	21,577	9,866
FED payable on Management Company	6.1	2,273	162
Auditors' remuneration		204	370
Legal and professional charges		177	150
Brokerage payable		18	30
Zakat payable		155	147
Capital gain tax payable		7	1
Other payables		767	736
		25,178	11,462

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2014

6.1 FEDERAL EXCISE DUTY ON REMUNERATION OF MANAGEMENT COMPANY

The Finance Act 2013 introduced an amendment to Federal Excise Act 2005 whereby Federal Excise Duty (FED) has been imposed at the rate of 16% of the services rendered by assets management companies. However the fund has filed a petition in the Sindh High Court (SHC) challenging the levy of FED on assets management services. 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 in this condensed interim financial information which aggregates to Rs. 2.273 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 not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Re. 0.12 per unit.

6.2 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.

"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. 21.577 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. 1.12 per unit.

7 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at March 31, 2014.

8 TAXATION

The Fund's income is exempt from Income Tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 (the Ordinance) 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. 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 Ordinance. As the management intends to distribute at least 90% of income earned during current year to the unit holders, therefore, no provision for taxation has been recorded in this condensed interim financial information.

The income tax returns till the tax year 2013 have been filed under self assessment scheme and are deemed final under section 120 of the Income Tax Ordinance except for tax year 2008 and 2012 for which Orders under section 122(5A) of the Ordinance have been received and Management Company will be filing appeal with the appellate authorities against the orders. The Management is of the view that there is no need for any provisions for the same.

9 EARNINGS PER UNIT

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

10 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons / related parties of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, MCB Bank Limited being the holding company of the Management Company, the Trustee, directors and key management personnel and other associated undertakings.

Remuneration to the Management Company and the Trustee are determined in accordance with the provisions of the Non-Banking Finance Companies & Notified Entities Regulations, 2008 and the Trust Deed of the Fund. All other transactions with connected persons are in the normal course of business and are carried out on agreed terms.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2014

10.1 Details of transactions with connected persons are as follows:

	Nine months ended March 31,		Quarter ended March 31,	
	2014	2013	2014	2013
	----- (Rupees in '000) -----			
MCB-Arif Habib Savings and Investment Limited (formerly: Arif Habib Investments Limited)				
Remuneration for the period including indirect taxes	15,313	16,793	4,873	5,412
MCB Bank Limited				
Bank Charges	2	11	(1)	5
Profit on bank deposits	545	1,147	130	317
Summit Bank Limited				
Profit on bank deposits	-	43	-	26
Other related parties				
Directors and executives of the Management Company				
Issue of 195 units (2012: Nil units) and NIL units (2012: Nil units) for the six months and quarter ended respectively	10	169	-	169
Issue of 1058 bonus units (2012: 1272 bonus units) and bonus 16 units (2012: 599 units) for the six months and quarter ended respectively	55	80	1	14
Redemption of 27,877 units (2012: NIL units) and 24,559 units (2012: NIL units) for the six months and quarter ended respectively	1,461	554	1,288	554
	Nine months ended March 31,		Quarter ended March 31,	
	2013	2012	2013	2012
	----- (Rupees in '000) -----			
Central Depository Company of Pakistan Limited - Trustee				
Remuneration for the period	869	1,458	-	474
CDS charges	6	6	3	3
American Life Insurance Company (Pakistan) Limited				
Issue of 659258 units (2012: 360,627 units) and NIL units (2012: 171,895 units) for the six months and quarter ended respectively	35,000	26,827	-	7,685
Issue of 14,073 units (2012: 103,185 bonus units) and NIL units (2012: 448,225 units) for the six months and quarter ended respectively	732	7,708	-	2,338

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2014

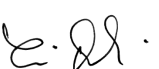
	(Unaudited)	(Audited)
	Marh 31	June 30
	2014	2013
	----(Rupees in '000)----	
10.2 Amounts outstanding as at period / year end:		
MCB-Arif Habib Savings and Investment Limited (formerly: Arif Habib Investments Limited)		
Management fee payable	1,248	1,497
Sindh sales tax payable on management fee	292	240
Front-end load payable	80	74
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	141	155
Security deposit	200	200
Summit Bank Limited		
Bank balance	-	8
MCB Bank Limited		
Bank balance	3,233	5,072
Profit receivable on bank accounts	57	47
Directors and executives of the Management Company		
Units held 837 (30 June 2013: 27,461)	44	1,460
American Life Insurance Company		
Units held 673,330 (30 June 2013: Nil)	35,040	-

11 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on 21 April 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**

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