

**Quarterly Report**  
**March 31, 2016**  
**(Unaudited)**



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

# **PAKISTAN INCOME ENHANCEMENT FUND**

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## FUND'S INFORMATION

<b>Management Company</b>	MCB-Arif Habib Savings and Investments Limited 24 <sup>th</sup> Floor, Centrepoint, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi.	
<b>Board of Directors</b>	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
<b>Audit Committee</b>	Mr. Haroun Rashid	Chairman
	Mr. Ahmed Jahangir	Member
	Mr. Samad A. Habib	Member
<b>Human Resource &amp; Remuneration Committee</b>	Dr. Syed Salman Ali Shah	Chairman
	Mr. Nasim Beg	Member
	Mr. Haroun Rashid	Member
	Mr. Ahmed Jahangir	Member
<b>Company Secretary &amp; Chief Executive Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Financial Officer</b>	Mr. Muhammad Asif Mehdi	
<b>Trustee</b>	Central Depository Company of Pakistan Limited CDC House, 99-B Block 'B' S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
<b>Bankers</b>	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited Faysal Bank Limited United Bank Limited NIB Bank Limited	
<b>Auditors</b>	Deloitte Yousuf Adil Chartered Accountants Cavish Court, A-35, Block 7 & 8, KCHSU, Shahrah-e-Faisal, Karachi-75350	
<b>Legal Advisor</b>	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area, Phase VI, DHA, Karachi.	
<b>Transfer Agent</b>	MCB-Arif Habib Savings and Investments Limited 24th Floor, Centrepoint, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi.	
<b>Rating</b>	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 Pakistan Income Enhancement 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 8.94% as against its benchmark return of 7.51%. Active trading strategies along with updated outlook on macro environment allowed the fund to outperform its benchmark.

At period-end, the fund was 5.7% invested in Treasury Bills, 9.3% in TFCs and 68.4% in PIBs.

The Net Assets of the Fund as at March 31, 2016 stood at Rs. 4258 million as compared to Rs. 969 million as at June 30, 2015 registering an increase of 339.42%.

The Net Asset Value (NAV) per unit as at March 31, 2016 was Rs. 56.57 as compared to opening NAV of Rs. 53.00 per unit as at June 30, 2015 registering an increase of Rs. 3.57 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

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

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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.

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 31ST MARCH 2016**

	Note	(Unaudited) March 31, 2016 ----- (Rupees in '000) -----	(Audited) June 30, 2015
<b>ASSETS</b>			
Balances with banks		570,275	114,375
Investments	5	3,702,854	873,759
Advance against purchase of Term Finance Certificates		45,000	-
Income and profit receivable		55,724	24,754
Deposits, prepayments and other receivables		596	637
<b>Total assets</b>		<b>4,374,449</b>	<b>1,013,525</b>
<b>LIABILITIES</b>			
Payable to the Management Company		8,899	2,021
Payable to the Central Depository Company of Pakistan Limited - Trustee		422	156
Payable to the Securities and Exchange Commission of Pakistan		1,602	1,187
Payable against redemption of units		2,079	4,589
Payable against purchase of investment		62,805	-
Accrued expenses and other liabilities	6	41,125	36,864
<b>Total liabilities</b>		<b>116,931</b>	<b>44,817</b>
<b>NET ASSETS</b>		<b>4,257,518</b>	<b>968,708</b>
<b>Unit holders' funds (as per statement attached)</b>		<b>4,257,518</b>	<b>968,708</b>
<b>Contingencies and commitments</b>	7		
		(Number of units)	
<b>Number of units in issue</b>		<b>75,261,477</b>	<b>18,276,832</b>
		(Rupees)	
<b>NET ASSET VALUE PER UNIT</b>		<b>56.57</b>	<b>53.00</b>

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



Chief Executive Officer

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



Director

**CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)  
FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH, 2016**

	Note	Nine months ended 31 March		Quarter ended 31 March	
		2016	2015	2016	2015
----- (Rupees in '000) -----					
<b>INCOME</b>					
Income from government securities		151,240	98,625	67,847	32,491
Capital gain on sale of investments - net		23,797	46,660	4,143	42,866
Income from term finance and sukuk certificates		19,524	26,654	8,700	6,836
Profit on bank deposit and term deposit receipts		26,378	8,122	11,081	3,953
		<b>220,939</b>	<b>180,061</b>	<b>91,771</b>	<b>86,146</b>
Unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss' - net	5.7	739	5,076	1,728	(21,760)
Provision reversed / (charged) against non-performing debt securities		3,474	(3,893)	308	-
<b>Total income</b>		<b>225,152</b>	<b>181,244</b>	<b>93,807</b>	<b>64,386</b>
<b>EXPENSES</b>					
Remuneration of the Management Company		32,129	17,692	14,262	6,148
Sindh Sales tax and Federal Excise Duty on remuneration of the Management Company		10,364	5,909	4,598	2,053
Remuneration of the Central Depository Company of Pakistan Limited - Trustee		2,480	1,641	1,041	558
Sindh Sales tax on remuneration of Trustee	8	323	-	122	-
Securities and Exchange Commission of Pakistan - fee		1,602	885	713	308
Allocated expense	9	1,373	-	1,084	-
Securities transaction cost		744	377	271	157
Bank charges		224	315	74	110
Fees and subscriptions		142	171	51	56
Auditors' remuneration		456	372	142	105
Printing and related costs		131	94	38	15
<b>Total expenses</b>		<b>49,967</b>	<b>27,456</b>	<b>22,395</b>	<b>9,510</b>
		<b>175,185</b>	<b>153,788</b>	<b>71,412</b>	<b>54,876</b>
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	3.1	31,954	1,218	24,980	3,208
- Arising from capital gain and unrealised gain		59,757	(17,621)	48,947	(8,084)
- Arising from other income		-	-	-	-
Provision for Workers' Welfare Fund	6.1	-	(2,748)	-	(1,000)
<b>Net income for the period before taxation</b>		<b>266,896</b>	<b>134,637</b>	<b>145,339</b>	<b>49,000</b>
Taxation	10	-	-	-	-
<b>Net income for the period after taxation</b>		<b>266,896</b>	<b>134,637</b>	<b>145,339</b>	<b>49,000</b>
<b>Other comprehensive income for the period</b>					
<i>Items that may be reclassified to profit and loss account</i>					
Unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'		(6,535)	23,484	(4,917)	9,846
<b>Total comprehensive income for the period</b>		<b>260,362</b>	<b>158,121</b>	<b>140,423</b>	<b>58,846</b>

Earnings per unit

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



Chief Executive Officer

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



Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)  
FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH , 2016**

	Nine months ended 31 March		Quarter ended 31 March	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
<b>Undistributed income brought forward</b>	<b>59,260</b>	33,808	<b>283,717</b>	110,718
Net element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - transferred from unit holder's fund	<b>179,216</b>	(7,986)	<b>76,316</b>	741
Total comprehensive income for the period	<b>260,362</b>	158,121	<b>138,805</b>	58,846
	<b>439,578</b>	<b>150,135</b>	<b>215,121</b>	<b>59,587</b>
<b>Undistributed income carried forward</b>	<b>498,838</b>	183,943	<b>498,838</b>	170,305

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



**Chief Executive Officer**

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



**Director**

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED)  
FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH , 2016**

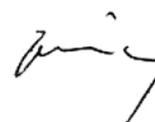
	Nine months ended 31 March		Quarter ended 31 March	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
Net assets at beginning of the period	968,708	1,677,166	2,773,943	1,373,872
Issue of 78,786,862 units (2015: 34,721,927 units) and 29,681,502 units (2015: 18,831,648 units) for the nine months and quarter ended respectively	4,324,180	1,890,093	1,662,858	1,053,948
Redemption of 21,802,217 units (2015 : 41,900,586 units) and 4,344,772 units (2015: 18,133,450 units) for the nine months and quarter ended respectively	(1,204,020)	(2,273,383)	(245,778)	(1,023,142)
	3,120,160	(383,290)	1,417,080	30,806
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed:				
- amount representing accrued loss and capital losses arising from capital loss and unrealised loss on investments transferred to Income Statement	(31,954)	(1,218)	(24,980)	(3,208)
- amount representing accrued loss and capital losses arising from other income transferred to Income Statement	(59,757)	17,621	(48,947)	8,084
- amount representing unrealised capital (gains) / losses - transferred to the Distribution Statement	(179,216)	(7,986)	(76,316)	(741)
	(270,927)	8,417	(150,243)	4,135
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealized income	179,216	7,986	76,316	741
Capital gain on sale of investments - net	23,797	46,660	4,143	42,866
Unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss' - net	739	5,076	1,728	(49,931)
Other net operating income	242,360	82,901	139,468	56,065
Unrealised (diminution) / appreciation on re-measurement of investment classified as "available for sale"	(6,535)	23,484	(4,917)	9,846
Total comprehensive income for the period	260,362	158,121	140,423	58,846
Net assets at end of the period	4,257,518	1,468,400	4,257,518	1,468,400

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



**Chief Executive Officer**

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



**Director**

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH, 2016**

	Nine months ended 31 March		Quarter ended 31 March	
	2016	2015	2016	2015
----- (Rupees in '000) -----				
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income for the period before taxation	266,896	134,637	145,339	49,000
<i>Adjustments for non cash and other items:</i>				
Unrealised diminution / (appreciation) in value of investments classified as 'at fair value through profit or loss' - net	(739)	(5,076)	(1,728)	21,760
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed				
- Arising from capital gain and unrealised gain	(31,954)	(1,218)	(24,980)	(3,208)
- Arising from other income	(59,757)	17,621	(48,947)	8,084
Provision reversed / (charged) against non-performing debt securities	(3,474)	3,893	(308)	-
	<u>170,972</u>	<u>149,857</u>	<u>69,376</u>	<u>75,636</u>
<b>(Increase) / decrease in assets</b>				
Investments	(2,831,417)	(27,284)	(1,721,471)	(253,337)
Advance against subscription of Term Finance Certificates	(45,000)	18,083	80,000	-
Income and profit receivable	(30,970)	37,831	18,178	26,571
Deposits, prepayments and other receivables	41	95	(224)	6
	<u>(2,907,346)</u>	<u>28,725</u>	<u>(1,623,517)</u>	<u>(226,760)</u>
<b>Increase / (decrease) in liabilities</b>				
Payable to the Management Company	6,878	150	(1,453)	(1,254)
Payable to the Central Depository Company of Pakistan Limited - Trustee	266	(4)	122	12
Payable to the Securities and Exchange Commission of Pakistan	415	18	713	308
Payable against redemption of units	(2,510)	1,514	(0)	1,514
Payable against purchase of investment	62,805		62,805	
Accrued expenses and other liabilities	4,261	6,117	7,658	2,331
	<u>72,114</u>	<u>7,795</u>	<u>69,844</u>	<u>2,911</u>
<b>Net cash (used in) / generated from operating activities</b>	<b>A</b>	<b>(2,664,260)</b>	<b>186,377</b>	<b>(1,484,297)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Receipts from issuance of units	4,324,180	1,890,093	1,662,857	1,053,948
Payments on redemption of units	(1,204,020)	(2,273,383)	(245,778)	(1,023,142)
<b>Net cash generated from / (used in) financing activities</b>	<b>B</b>	<b>3,120,160</b>	<b>(383,290)</b>	<b>30,806</b>
<b>Net increase / (decrease) in cash and cash equivalents during the period</b>	<b>A + B</b>	<b>455,900</b>	<b>(196,913)</b>	<b>(67,218)</b>
Cash and cash equivalents at beginning of the period		114,375	315,888	637,493
		<u>570,275</u>	<u>118,975</u>	<u>570,275</u>
<b>Cash and cash equivalents at end of the period</b>		<b>570,275</b>	<b>118,975</b>	<b>570,275</b>

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



Chief Executive Officer

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



Director

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

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

- 1.1** Pakistan Income Enhancement Fund ("the Fund") was established through a Trust Deed executed between Arif Habib Investments Limited (now MCB-Arif Habib Savings and Investments Limited), as "Management Company" and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on July 14, 2008 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on June 26, 2008 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** 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 currently situated at 24th Floor, Centre Point, Off. Shaheed-e-Millat Expressway, Near KPT interchange, Karachi, Pakistan.
- 1.3** The Fund is an open-ended mutual fund and has been categorised as "Aggressive Fixed Income Scheme" by the Board of Directors of the Management Company in pursuant to Circular 7 of 2009, dated 6 March 2009 issued by the SECP, and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. Unit holders are divided into plan "A" and plan "B". The unit holders under plan "A" are entitled for bonus units as well as cash dividend, whereas unit holders under plan "B" are entitled for cash dividend. The units are listed on Pakistan Stock Exchange, formerly listed on Islamabad Stock Exchange
- 1.4** The Fund primarily invests in a mix of listed equity and debt securities, unlisted government securities and secured debt securities, money market transactions and reverse purchase transactions.
- 1.5** The Pakistan Credit Rating Agency (PACRA) Limited has assigned Management quality rating of AM2+ dated April 7, 2015 to the Management Company and "A+(f)" as stability rating dated December 31, 2015 to the Fund.
- 1.6** 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 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). 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, 2015. 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, 2015 and March 31, 2014 are un-audited and have been included to facilitate comparison.

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

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.

**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 period ended December 31, 2015.

**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 June 30, 2015.

	Note	(Unaudited) March 31, 2016 (Rupees in '000)	(Audited) June 30, 2015
<b>5. INVESTMENTS</b>			
<i>Available for sale</i>			
Government securities	5.1	2,994,115	468,553
<i>At fair value through profit or loss</i>			
Government securities	5.2	248,270	67,838
Listed debt securities	5.3	314,567	75,267
Unlisted debt securities	5.4	45,902	112,101
		608,739	255,206
<i>Loans and receivables</i>			
Term deposit receipts	5.5	100,000	150,000
		<u>3,702,854</u>	<u>873,759</u>

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

**5.1 Government securities - Available for Sale**

Issue date	Face value			At March 31, 2016			Market value as a percentage of net assets	Market value as a percentage of total investments	
	At July 01, 2015	Purchases during the period	Sales / matured during the period	At March 31, 2016	Carrying value	Market value			Appreciation/ (diminution)
Pakistan Investment Bond - 3 Years	150,000	2,750,000	1,095,000	1,805,000	1,894,316	1,877,846	(16,470)	0.44	0.95
Pakistan Investment Bond - 5 Years	172,200	2,681,300	2,030,600	822,900	908,896	912,830	3,934	0.21	0.46
Pakistan Investment Bond - 10 Years	125,000	500,000	475,000	150,000	183,535	184,293	759	0.04	0.09
Pakistan Investment Bond - 15 Years	-	18,000	-	18,000	18,427	19,146	719	0.00	0.01
<b>As at March 31, 2016</b>					<b>3,005,174</b>	<b>2,994,115</b>	<b>(11,059)</b>	<b>0.70</b>	<b>1.51</b>
As at June 30, 2015					473,078	468,553	(4,525)	0.48	0.54

**5.2 Government securities - 'at fair value through profit or loss'**

Issue date	Face value			At March 31, 2016			Market value as a percentage of net assets	Market value as a percentage of total investments	
	At July 01, 2015	Purchases during the period	Sales / matured during the period	At March 31, 2016	Carrying value	Market value			Appreciation
Treasury bills - 2 months	-	150,000	150,000	-	-	-	-	-	-
Treasury bills - 3 months	-	555,100	305,100	250,000	248,279	248,270	(9)	0.06	0.07
Treasury bills - 6 months	-	909,650	909,650	-	-	-	-	-	-
Treasury bills - 12 months	12,500	1,394,330	1,406,830	-	-	-	-	-	-
Pakistan Investment Bonds - 10 Years	50,000	-	50,000	-	-	-	-	-	-
<b>As at March 31, 2016</b>					<b>248,279</b>	<b>248,270</b>	<b>(9)</b>	<b>0.06</b>	<b>0.07</b>
As at June 30, 2015					62,180	67,838	5,658	0.07	0.08

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

	<b>(Unaudited)</b>	<b>(Audited)</b>			
	<b>March 31,</b>	<b>June 30,</b>			
	<b>2016</b>	<b>2015</b>			
	----	----			
	<b>(Rupees in '000)</b>	<b>(Rupees in '000)</b>			
	----	----			
<b>Note</b>					
5.3.1	<b>384,381</b>	<b>139,983</b>			
	<b>(64,716)</b>	<b>(59,618)</b>			
	<b>9,878</b>	<b>9,878</b>			
	<b>(14,976)</b>	<b>(14,976)</b>			
	<b>(5,098)</b>	<b>(5,098)</b>			
	<b>314,567</b>	<b>75,267</b>			

**5.3 Listed debt securities**

Less: Provision at July 1

Less: Provision charged / (reversed) during the period

Pace Pakistan Limited

- Reversal against carrying value matured

- Charge against face value receivable

**5.3.1 Listed debt securities - term finance certificates**

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

Name of investee company	Number of Certificates				At March 31, 2016			Market value*** as a percentage of total investment %
	At July 01, 2015	Purchased during the period	Matured during the period	Disposed off during the period	At March 31, 2016	Carrying value**	Market value	
<b>Commercial banks</b>								
Askari Bank Limited (23-12-11 issue)*	45	37	-	-	82	82,827	83,097	270
Askari Bank Limited (30-09-14 issue)*	-	15,000	-	-	15,000	75,517	75,517	-
Bank Al Falah Limited (20-02-13 issue)	5,981	-	-	-	5,981	29,920	30,578	658
Habib Bank Limited (19-02-16 issue)	-	1,250	-	-	1,250	125,000	125,375	375
<b>Real Estate investment and services</b>								
Pace Pakistan Limited (15-02-08 issue)	15,000	-	-	-	15,000	9,880	9,880	-
- Redeemable amount						59,934	59,934	-
- Due but not received						69,814	69,814	-
						<b>383,078</b>	<b>384,381</b>	<b>1,303</b>
<b>As at March 31, 2016</b>								<b>0.07</b>
As at June 30, 2015						134,608	139,983	5,375
								0.02

\* Face value of the investment is Rs. 1,000,000 each

\*\* Carrying value before provision

\*\*\* Market value after provision

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

	<b>Note</b>	<b>(Unaudited) March 31, 2016</b>	<b>(Audited) June 30, 2015</b>
<b>5.4 Unlisted debt securities</b>			
Less: Provision as at July 01	5.4.1	<b>64,725</b>	139,496
		<b>(27,395)</b>	(26,051)
Less: Provision charged / (reversed) during the period			
Pak Electron Limited - Sukuk		-	(1,344)
- Charge against face value receivable		8,572	-
- Reversal against carrying value matured			
		<b>45,902</b>	<b>112,101</b>

**5.4.1 Unlisted debt securities – term finance certificates**

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

Name of investee company	Number of Certificates				At March 31, 2016			Market value** as a percentage of total investment	
	At July 01, 2015	Purchased during the period	Matured during the period	Disposed during the period	At March 31, 2016	Market value	Appreciation / (diminution)		
								-----Rupees in '000----- ----- % -----	
<b>Commercial banks</b>									
Bank Alfalah Limited - (02-12-09) Floating	9,000	-	-	-	9,000	46,463	45,902	(561)	0.01
<b>Fertilizers</b>									
Engro Fertilizer Limited - (18-03-08 issue)	12,900	-	-	12,900	-	-	-	-	-
<b>Construction and Material</b>									
Eden Housing Limited - Sukuk - (31-03-2008 issue)	10,415	-	-	-	10,415	10,252	10,252	-	-
- Due but not received									
<b>Cable and Electrical Goods</b>									
Pak Electron Limited - Sukuk - (28-09-2007 issue)	8,000	-	-	-	8,000	8,571	8,571	-	-
- Due but not received									
<b>Total as at March 31, 2016</b>						<b>65,286</b>	<b>64,725</b>	<b>(561)</b>	<b>0.01</b>
Total as at June 30, 2015						137,000	139,496	2,496	0.03

\* Carrying value before provision - Provision detail is specified in note 5.6

\*\* Market value after provision

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

**5.5 Loans and Receivables**

Particulars	Profit / Mark - up rate	Maturity Date	At March 31, 2016	Market value as a percentage of net assets	Market value as a percentage of total investments
			Rupees in '000'	-----%-----	
JS Bank Limited	7.25%	11-Apr-16	100,000	0.02	0.03
<b>Total as at March 31, 2016</b>			<b>100,000</b>	<b>0.02</b>	<b>0.03</b>
Total as at June 30, 2015			150,000	0.15	0.17

**5.6 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 December 31, 2015, 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. The Fund holds 100% provision against such investment as enumerated below:"

Category of non-compliant investment	Type of Investment / Name of Company	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
		-----Rupees in '000'-----			-----%-----	
Investment in debt securities	a) Pace Pakistan Limited (note 5.3)	69,814	69,814	-	-	-
	b) Eden Housing Limited (note 5.4)	10,252	10,252	-	-	-
	c) Pak Electron Limited (note 5.4)	8,571	8,571	-	-	-
				<b>Note</b>	<b>(Unaudited) March 31, 2016</b>	<b>(Audited) June 30, 2015</b>
					<b>(Rupees in '000)</b>	

**5.7 Net unrealised appreciation in value of investments at fair value through profit or loss**

Market value of investments	5.2, 5.3.1, 5.4.1	697,376	347,317
Carrying value of investments	5.2, 5.3.1, 5.4.1	696,643	333,788
		733	13,529

**6. ACCRUED EXPENSES AND OTHER LIABILITIES**

Provision for Workers' Welfare Fund	6.1	18,228	18,228
Federal excise duty and related tax on remuneration to the Management Company	6.2	13,621	7,755
Federal excise duty on sales load		3,762	1,195
Brokerage		220	184
Auditors' remuneration		282	367
Withholding tax payable		-	8,281
Printing and related expenditure		97	101
Capital gain tax		31	47
Zakat		695	695
Other		4,190	11
		41,125	36,864

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

- 6.1** The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance), whereby the definition of 'Industrial Establishment' had been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, all Collective Investment Schemes (CISs) / mutual funds whose income exceeds Rs.0.5 million in a tax year had been brought within the scope of the WWF Ordinance thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain Collective Investment Schemes (CISs) through their trustees in the Honourable 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 were declared unconstitutional and therefore struck down. However in 2013, the Larger Bench of SHC issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity. In 2014, the Peshawar High Court (PHC) has also held these amendments to be ultra vires as they lacked the essential mandate to be introduced and passed through the Money Bill under the Constitution.

The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding Collective Investment Schemes (CIS) from the definition of Industrial Establishment, and consequently CIS are no more liable to pay contribution to WWF with effect from July 01, 2015. Owing to the fact that the decision of SHC on the applicability of WWF (till June 30, 2015) to the CISs is currently pending for adjudication, the Management Company has decided to retain provision of WWF in its books of account and condensed interim financial information which aggregates to Rs. 18.23 million. Had the said provision of WWF till June 30, 2015 not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 0.24 per unit.

- 6.2** The Finance Act 2013 introduced an amendment to Federal Excise Act 2005 whereby, with effect from June 13, 2013, Federal Excise Duty (FED) has been imposed at the rate of 16% of the services rendered by assets management companies. The Management Company is of the view that since the remuneration and sales load are already subject to provincial sales tax at the rate of 15%, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honourable Sindh High Court (SHC), challenging the levy of Federal Excise Duty on Asset Management Company services after the eighteenth amendment in the Constitution of Pakistan. In this respect, the SHC has issued a stay order against the recovery of FED and the hearing of the petition is still pending. The management, being prudent, has decided to retain and continue accruing FED and related additional taxes in the books of account aggregating to Rs. 11.06 million as at June 30, 2015. In case, the suit is decided against the Fund, the funds would be paid to the Management Company, which will be responsible for submitting these to the taxation authorities. Had the said provision of FED and related additional taxes were not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 0.18 per unit as at March 31, 2016.

### **7. CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at March 31, 2016.

### **8. SINDH SALES TAX ON REMUNERATION OF TRUSTEE**

The Sindh Revenue Board through Circular No. SRB-3-4/TP/01/2015/86554 dated June 13, 2015 has amended the definition of services of shares, securities and derivatives and included the custodianship services within the purview of Sindh Sales Tax. Accordingly Sindh Sales Tax of 14 % is applicable on Trustee fee which is now covered under the section 2(79A) of the Sindh Finance Bill 2010 amended unto 2015. Accordingly the Fund has made an accrual of Rs. 0.18 million on account of Sindh Sales Tax on services chargeable on custodianship services.

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

### 9. ALLOCATED EXPENSE

SRO 1160 dated November 25, 2015 issued by SECP has amended Clause 60 of NBFC Regulations, 2008. The new regulation has entitled the Management Company to reimbursement of fees and expenses related to registrar services, accounting, operation and valuation services related to CIS a maximum of 0.1% of average annual net assets of the scheme or actual whichever is less. Accordingly, the Fund has made an accrual of Rs. 0.29 million since November 27, 2015 for such expenses at a rate of 0.1% of average annual net assets as the information related to actual expenses allocable to the Fund was not available at that time.

### 10. 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.

### 11. 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.

### 12. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, MCB Bank Limited being the holding company of the Management Company, the Trustee, directors and key management personnel, other associated undertaking and unit holders holding more than 10% units of the Fund.

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

#### 12.1 Detail of transaction with connected persons are as follows:

	Nine months ended 31 March		Quarter ended 31 March	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
<b>MCB Arif Habib Savings and Investment Limited - Management Company</b>				
Remuneration including indirect taxes	42,493	23,601	18,860	8,201
Allocated expense	1,373	-	1,084	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>				
Remuneration including indirect taxes	2,803	1,641	1,163	558
CDS Charges	12	-	4	-

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

	Nine months ended 31 March		Quarter ended 31 March	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
<b>MCB Bank Limited</b>				
Profit on Bank Deposit	1,152	1,671	486	477
Bank Charges	48	34	16	12
Purchase of Securities Face Value : 200,000,000 (2015:Nil) and Face value : 150,000,000 (2015: Nil) for the nine months and quarter ended respectively	217,163	-	164,530	-
Sale of Securities Face Value : 50,000,000 (2015: Nil) and Face Value : Nil (2015: Nil) for the nine months and quarter ended respectively	53,022	-	-	-
<b>Silk Bank Limited</b>				
Profit on Bank Deposit				
Bank Charges				
Purchase of Securities Face Value : 300,000,000 (2015:Nil) and Face value : 100,000,000 (2015: Nil) for the nine months and quarter ended respectively	322,844		113,733	
Sale of Securities Face Value : 50,000,000 (2015: Nil) and Face Value : Nil (2015: Nil) for the nine months and quarter ended respectively	58,138		-	
<b>Adamjee Insurance Company Limited</b>				
Issue of 24,992,120 units (2015: 14,008,997 units) and Nil units (2015: 7,235,893) for the nine months and quarter ended respectively	1,375,000	750,000	275,000	400,000
Redemption of Nil Units (2015: 21,207,306 units) and Nil units (2015: 9,750,045 units) for the nine months period and quarter ended respectively	-	1,150,000	-	550,000
<b>Directors and Executive of the Management Company</b>				
Issue of 27,670 units (2015: 58,517 units) and Nil units (2015: 7,221 units) for nine months and quarter ended respectively.	1,500	3,140	-	413
Redemption of 26,742 units (2015 : 84,608 units) and Nil units (2015: 32,644 units) for the nine months period and quarter ended respectively	1,450	4,566	-	1,818
<b>Mandate under discretionary portfolio</b>				
Issue of 246,905 units (2015:Nil units) and Nil units (2015: Nil units) for the nine months and quarter ended respectively.	13,402	-	-	-
Redemption of 246,905 units (2015 : Nil units) and 26,742 units (2015 : Nil units) for the nine months period and quarter ended respectively	13,676	-	-	-
<b>Next Capital Limited</b>				
Brokerage expense*	137	37	55	29
<b>Arif Habib Limited</b>				
Brokerage expense*	3	-	-	-
<b>Summit Capital Private Limited</b>				
Brokerage expense	6	-	-	-

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

\* The amount disclosed represents the amount of brokerage paid to connected persons and not the purchase or sale value of securities transacted through them. The purchase or sale value has not been treated as transaction with connected persons as the ultimate counter parties are not the connected persons.

<b>12.2 Amount outstanding as at period end / year end</b>	<b>(Unaudited) March 31, 2016</b>	<b>(Audited) June 30, 2015</b>
	-----000-----	-----000-----
<b>MCB - Arif Habib Savings &amp; Investment Limited - Management Company</b>		
Remuneration payable	5,261	1,546
Sale tax payable on remuneration to the Management Company	737	232
Legal and professional charges payable	-	100
Sales load payable including related taxes	2,236	143
Allocated expense payable	665	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration including indirect taxes payable	370	156
Sindh Sales tax payable on remuneration of Trustee	52	-
Security deposits	200	200
	<b>(Unaudited) March 31, 2016</b>	<b>(Audited) June 30, 2015</b>
	-----000-----	-----000-----
<b>Arif Habib Limited</b>		
Brokerage payable	-	4
<b>Next Capital Limited</b>		
Brokerage payable	43	-
<b>MCB Bank Limited</b>		
Bank deposit held	6,704	6,717
Accrued profit on bank deposit	50	82
<b>Directors and Executives of the Management Company</b>		
928 units held (2015 : Nil units)	53	-
<b>Adamjee Insurance Company Limited</b>		
24,992,120 units held (2015 : Nil units)	1,413,804	-

**13 DATE OF AUTHORISATION**

This condensed interim financial information was authorised for issue on April 18, 2016 by the Board of Directors of the Management Company.

  
 For MCB-Arif Habib Savings and Investments Limited  
 (Management Company)  
 \_\_\_\_\_  
 Chief Executive Officer

  
 \_\_\_\_\_  
 Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

## **MCB-Arif Habib Savings and Investments Limited**

24th Floor, Centrepoint, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi-74900

UAN: (+92-21) 11-11-62224 (11-11-MCBAH), 111-468-378 (111-INVEST)

Bachat Center: 0800-62224 (0800-MCBAH), Fax: (+92-21) 35316080, 35316081

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