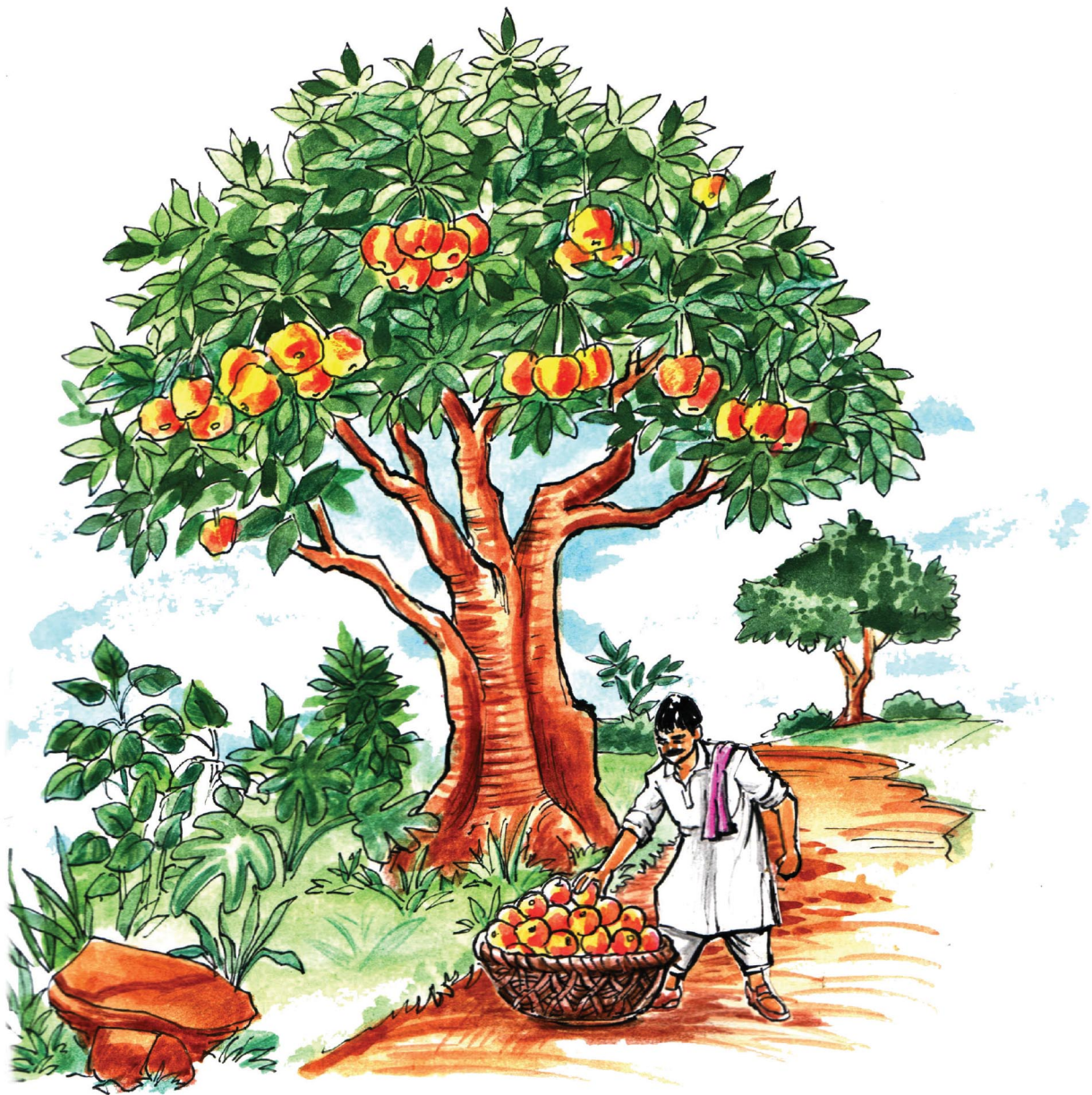


Quarterly Report
March 31, 2016
(Unaudited)



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

PAKISTAN INCOME FUND

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings and Investments Limited 24 th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi.	
Board of Directors	Mian Muhammad Mansha Mr. Nasim Beg Mr. Muhammad Saqib Saleem Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib	Chairman Member Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir	Chairman Member Member Member
Company Secretary & Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer	Mr. Muhammad Asif Mehdi	
Trustee	Central Depository Company of Pakistan Limited CDC House, 99-B Block 'B' S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited Faysal Bank Limited United Bank Limited Allied Bank Limited NIB Bank Limited Standard Chartered Bank (Pakistan) Limited Deutsche Bank AG	
Auditors	Deloitte Yousuf Adil Chartered Accountants Cavish Court, A-35, Block 7 & 8, KCHSU, Shahrah-e-Faisal, Karachi-75350	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area, Phase VI, DHA, Karachi.	
Transfer Agent	MCB-Arif Habib Savings and Investments Limited 24 th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi.	
Rating	AM2 + Asset Manager Rating assigned by PACRA	

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

Dear Investor,

On behalf of the Board of Directors, I am pleased to present Pakistan Income Fund's accounts review for the nine months ended March 31st, 2016.

ECONOMY AND MONEY MARKET OVERVIEW

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

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

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

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

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

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

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

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 6.66% as against its benchmark return of 6.97%.

At period-end, the fund was 7.3% invested in Treasury Bills, 19.9% in TFCs, 37.3% in PIBs and 29.9% in Cash. Weighted average maturity of the fund decreased to 1.9 years at period end compared to 2.1 years at June end as per anticipation of stable interest rate outlook during the period.

The Net Assets of the Fund as at March 31, 2016 stood at Rs. 1,267 million as compared to Rs. 1,131 million as at June 30, 2015 registering an increase of 12%.

The Net Asset Value (NAV) per unit as at March 31, 2016 was Rs. 56.1 as compared to opening NAV of Rs. 53.42 per unit as at June 30, 2015 registering an increase of Rs. 2.68 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

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 MARCH 31, 2016

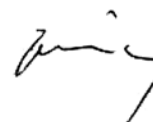
		(Un-audited) March 31, 2016	(Audited) June 30, 2015
	Note	----- (Rupees in '000) -----	
ASSETS			
Balances with banks	5	440,151	226,662
Investments	6	795,425	924,942
Profit receivable		15,394	15,932
Advances, deposits and prepayments		53,392	8,580
Total assets		1,304,362	1,176,116
LIABILITIES			
Payable to the Management Company		1,983	1,963
Payable to the Central Depository Company of Pakistan Limited - Trustee		182	174
Payable to the Securities and Exchange Commission of Pakistan		687	794
Payable against redemption of units		47	47
Accrued expenses and other liabilities	7	34,121	41,690
Total liabilities		37,020	44,668
NET ASSETS		1,267,342	1,131,448
Unit holders' funds (as per statement attached)		1,267,342	1,131,448
Contingencies and commitments	8		
		(Number of units)	
NUMBER OF UNITS IN ISSUE		22,592,130	21,181,575
		----- (Rupees) -----	
NET ASSET VALUE PER UNIT		56.10	53.42

The annexed notes from 1 to 15 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 MARCH 31, 2016

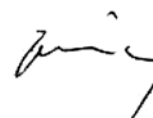
		Nine months ended March 31,		Quarter ended March 31,	
		2016	2015	2016	2015
Note		----- (Rupees in '000) -----			
INCOME					
Income from government securities		46,493	49,379	13,293	17,526
Income from term finance and sukuk certificates		20,378	28,999	7,570	8,687
Profit on bank deposits and term deposit receipts		12,604	5,488	5,331	794
Capital gain / (loss) on sale of investments - net		3,773	6,828	(1,799)	6,685
Income on deposit with NCCPL against exposure margin		45	-	16	-
		83,293	90,694	24,411	33,692
Unrealised appreciation/ (diminution) on re-measurement of investments classified as 'at fair value through profit or loss' - net	6.5	1,186	14,036	2,381	(1,383)
(Provision) / reversal against non-performing debt securities		(3,398)	1,873	(1,699)	625
Total income		81,081	106,603	25,093	32,934
EXPENSES					
Remuneration of the Management Company		13,729	11,556	4,487	3,873
Sales tax and Federal Excise Duty on remuneration of the Management Company		4,427	3,860	1,447	1,294
Remuneration of the Central Depository Company of Pakistan Limited - Trustee		1,417	1,293	466	429
Sindh Sales tax on remuneration of the trustee	9	198	-	65	-
Securities and Exchange Commission of Pakistan - fee		687	578	225	194
Allocated expense	10	480	-	341	-
Securities transaction cost		141	85	41	15
Settlement and bank charges		273	182	73	52
Fees and subscription		281	157	76	56
Auditors' remuneration		517	515	159	263
Printing and related costs		181	81	43	43
Legal and professional		45	471	45	294
Total expenses		22,376	18,778	7,468	6,513
		58,705	87,825	17,625	26,421
Net element of (loss)/ income and capital (losses)/ gains included in prices of units issued less those in units redeemed					
Arising from capital (loss)/ gain and unrealised (loss)/gain		(155)	(90)	(109)	82
Arising from other income		921	(273)	268	312
Provision for Workers' Welfare Fund	7.1	-	(1,750)	-	(536)
Net income for the period before taxation		59,470	85,712	17,783	26,279
Taxation	11	-	-	-	-
Net income for the period after taxation		59,470	85,712	17,783	26,279
Other comprehensive income for the period					
<i>Items that may be reclassified to profit and loss account</i>					
Unrealised appreciation/ (diminution) on re-measurement of investments classified as available for sale - net	6.6	655	4,642	(404)	2,017
Total comprehensive income for the period		60,125	90,354	17,379	28,296
Earnings per unit					

The annexed notes from 1 to 15 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 MARCH 31, 2016**

	Nine months ended March 31,		Quarter ended March 31,	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
Undistributed income brought forward	73,866	39,675	121,827	100,424
Net element of income/ (loss) and capital gains/ (losses) included in the prices of units issued less those in units redeemed - transferred from unit holders' fund	5,243	(1,153)	(1,031)	156
Net income for the period	59,470	90,354	17,783	28,296
	64,713	89,201	16,752	28,452
Undistributed income carried forward	138,579	128,876	138,579	128,876

The annexed notes from 1 to 15 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' FUNDS (UN-AUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2016**

	Nine months ended March 31,		Quarter ended March 31,	
	2016	2015	2016	2015
----- (Rupees in '000) -----				
Net assets at beginning of the period	1,131,448	1,007,818	1,265,338	1,036,878
Issue of 8,707,779 units (2015: 2,083,510 units) and 3,396,502 units (2015: 654,284 units) for the nine months and quarter ended respectively	463,015	113,934	174,055	37,002
Redemption of 7,297,224 units (2015: 2,658,349 units) and 3,683,333 units (2015: 595,299 units) for the nine months and quarter ended respectively	(386,479)	(144,190)	(189,270)	(33,503)
	76,536	(30,256)	(15,216)	3,499
Net element of (income) / loss and (capital gains) / losses included in prices of units issued less those in units redeemed				
- amount representing (income) / loss and (capital gains) / losses transferred to the Income Statement				
Arising from capital (gain) / loss and (unrealised gain) / loss	155	90	109	(82)
Arising from other income	(921)	273	(268)	(312)
- amount representing (income) / loss that forms part of unit holders' fund transferred to Distribution Statement	(5,243)	1,153	1,031	(156)
	(6,009)	1,516	872	(550)
Net element of income/ (loss) and capital gains/ (losses) included in prices of units issued less those in units redeemed - amount representing unrealised income	5,243	(1,153)	(1,031)	156
Capital gain / (loss) on sale of investments - net	3,773	6,828	(1,799)	6,685
Unrealised appreciation/ (diminution) on re-measurement of investments classified as at fair value through profit or loss - net	1,186	14,036	2,381	(1,383)
Other net income for the period	54,512	64,848	17,202	20,977
Unrealised appreciation/ (diminution) on re-measurement of investments classified as available for sale	655	4,642	(404)	2,017
Total Comprehensive income for the period	60,125	90,354	17,379	28,296
Net assets at end of the period	1,267,342	1,068,279	1,267,342	1,068,279
NET ASSET VALUE PER UNIT	56.10	56.85	56.10	56.85

The annexed notes from 1 to 15 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 MARCH 31, 2016

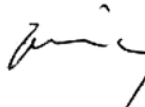
	Nine months ended March 31,		Quarter ended March 31,	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
A. CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	59,470	85,712	17,783	26,279
<i>Adjustments</i>				
Net unrealised (appreciation)/ diminution in value of investments classified as at fair value through profit or loss	(1,186)	(14,036)	(2,381)	1,383
Net element of (income)/ loss and (capital gains)/ capital losses included in prices of units issued less those in units redeemed				
Arising from capital (gain) / loss and unrealised (gain) / loss	155	90	109	(82)
Arising from other income	(921)	273	(268)	(312)
Provision / (reversal) against non-performing debt securities	3,398	(1,873)	1,699	(625)
	60,917	70,166	16,943	26,643
Decrease/ (increase) in assets				
Investments	127,960	(278,394)	(271,359)	21,712
Profit receivable	538	13,147	2,086	15,109
Advances, deposits and prepayments	(44,812)	33,171	4,799	350
	83,685	(232,076)	(264,475)	37,171
(Decrease)/ increase in liabilities				
Payable to the Management Company	20	101	(31)	41
Payable to the Central Depository Company of Pakistan Limited - Trustee	8	5	(26)	-
Payable to the Securities and Exchange Commission of Pakistan - fee	(107)	(179)	225	194
Payable against redemption of units	-	(1,367)	-	-
Accrued expenses and other liabilities	(7,569)	3,851	866	10
	(7,648)	2,411	1,034	245
Net cash generated from / (used in) operating activities	A	136,954	(246,498)	64,059
B. CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from issuance of units	463,015	113,934	174,055	37,002
Payments on redemption of units	(386,479)	(144,190)	(189,270)	(33,503)
Net cash (used in) / generated from	B	76,535	(15,216)	3,499
Net increase/ (decrease) in cash and cash equivalents during the period	(A+B)	213,489	(261,714)	67,558
Cash and cash equivalents at beginning of the period		226,662	701,865	5,932
Cash and cash equivalents at end of the period		440,151	440,151	73,490

The annexed notes from 1 to 15 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 MARCH 31, 2016

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 (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 October 23, 2001 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on February 28, 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 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 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 "Income Scheme" and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering to the Fund. The units are listed on Pakistan Stock Exchange, formerly listed on Karachi Stock Exchange.
- 1.4 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.
- 1.5 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 statements 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, 2016 and March 31, 2015 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 MARCH 31, 2016

- 2.3** 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'. This condensed interim financial information is unaudited. However, a limited scope review has Code of Corporate Governance.
- 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.
- 2.5** The directors of the Asset Management Company declare that this condensed interim financial information gives a true and fair view of the Fund.

3. SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

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 as at and for the half year 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.

5. BALANCES WITH BANKS	Note	(Un-audited) March 31, 2016	(Audited) June 30, 2015
		---- (Rupees in '000) ----	
In current account		3,845	3,918
In deposit accounts		386,306	122,744
Term deposit		50,000	100,000
		440,151	226,662
6. INVESTMENTS			
<i>At fair value through profit or loss</i>			
Government securities	6.1	94,565	525,956
Listed debt securities	6.2	110,974	109,271
Unlisted debt securities	6.3	103,731	132,041
		309,270	767,268
<i>Available for sale</i>			
Government securities	6.4	486,155	157,674
		795,425	924,942

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

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

Issue date	Face value				As at March 31, 2016			Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 1, 2015	Purchased during the period	Disposed off during the period	Matured during the period	As at March 31, 2016	Carrying value	Market value		
								----- (Rupees in '000) -----	%
Treasury bills - 3 months	337,500	203,500	187,500	353,500	-	-	-	-	-
Treasury bills - 6 months	150,000	825,000	665,000	215,000	95,000	94,572	94,566	(5)	7.46
Treasury bills - 12 months	-	1,130,000	795,000	335,000	-	-	-	-	-
Pakistan Investment Bond - 10 years	37,500	-	37,500	-	-	-	-	-	-
Total as at March 31, 2016						94,572	94,566	(5)	7.46
									11.89
Total as at June 30, 2015						522,455	525,956	3,501	46.49
									56.86

6.2 Listed debt securities

Less: Provision at July 1									
Pace Pakistan Limited									
Telecard Limited									
Trust Investment Bank Limited - III									
Less: Provision charged during the period									
Pace Pakistan Limited									
- Reversal against carrying value matured									
- Charge against face value receivable									
Add: Reversals during the period									
Telecard Limited									

(Unaudited) (Audited)
March 31, June 30,
2016 2015
--- (Rupees in '000) ---

6.2.1

207,347

202,246

43,144	39,746
31,088	32,961
18,743	18,743
92,975	91,450

(6,586)	(6,586)
9,984	9,984
3,398	3,398

-	1,873
110,974	109,271

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

6.2.1 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					As at March 31, 2016			Market value** as a percentage of total investment
	As at July 1, 2015	Purchased during the period	Matured during the period	Disposed off during the period	As at March 31, 2016	Carrying value*	Market value	Appreciation / (diminution)	
----- Rupees in '000 -----									
Commercial banks									
Askari Bank Limited (23-12-11 issue)***	42	-	-	-	42	42,310	42,562	252	3.36
Bank Al Falah Limited (20-02-13 issue)	13,381	-	-	-	13,381	66,925	68,412	1,487	5.40
Financial services									
Trust Investment Bank (04-07-08 issue)	-	-	-	-	-	18,743	18,743	-	-
- Due but not received									
Fixed line telecommunication									
Telecard Limited (27-05-05 issue)	-	-	-	-	-	31,088	31,088	-	-
- Due but not received									
Real Estate investment and services									
Pace Pakistan Limited (15-02-08 issue)	10,000	-	-	-	10,000	6,586	6,586		
- Redeemable amount						39,956	39,956		
- Due but not received						46,542	46,542	-	-
Total as at March 31, 2016	23,423	-	-	-	23,423	205,608	207,347	1,739	8.76
Total as at June 30, 2015	87,546	-	53,123	11,000	23,423	204,821	202,246	(2,575)	9.66
									11.81

* Carrying value before provision - Provision detail is specified in note 6.2

** Market value after provision - Provision detail is specified in note 6.2

*** These certificates have a face value of Rs. 1 million each.

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

6.3 Unlisted debt securities - term finance certificates

Certificates have a face value of Rs 5,000 each

Name of investee company	Number of Certificates					As at March 31, 2016			Market value as a percentage of total investment
	As at July 1, 2015	Purchased during the period	Matured during the period	Disposed off during the period	As at March 31, 2016	Carrying value*	Market value	Appreciation / (diminution)	
									-----Rupees in '000----- %
Bank Al-Habib Limited. - TFC-4 (30-06-11) Fixed	1,000	-	-	-	1,000	5,611	5,153	(458)	0.41
Bank Alfalah Limited - TFC4 (02-12-09) Floating	4,500	-	-	-	4,500	23,232	22,951	(281)	1.81
Engro Fertilizer Limited - PPTFC-1 (18-03-08)	20,100	-	-	20,100	-	-	-	-	-
Maple Leaf Cement Factory Limited- Sukuk (03-12-07)	500	-	-	-	500	263	304	41	0.02
Habib Bank Limited - TFC (19-02-2016)		500	-	-	500	50,000	50,150	150	3.96
Askari Bank Limited -TFC (30-09-2014)		5,000	-	-	5,000	25,172	25,172	-	1.99
Total as at March 31, 2016	26,100	5,500	-	20,100	11,500	104,278	103,731	(547)	8.19
Total as at June 30, 2015	26,100	-	-	-	26,100	128,174	132,041	3,867	11.67

6.4 Government securities - 'available for sale'

Issue date	Face value					As at March 31, 2016			Market value as a percentage of total investments
	As at July 1, 2015	Purchased during the period	Disposed off during the period	Matured during the period	As at March 31, 2016	Cost	Market value	Appreciation / (diminution)	
									-----Rupees in '000----- %
Pakistan Investment Bond - 03 years	42,500	344,000	142,500	-	244,000	249,848	248,207	(1,641)	19.58
Pakistan Investment Bond - 05 years	-	562,500	357,000	-	205,500	228,942	229,632	690	18.12
Pakistan Investment Bond - 10 years	107,400	-	100,000	-	7,400	8,127	8,316	188	0.66
Total as at March 31, 2016						486,918	486,155	(763)	38.36
Total as at June 30, 2015						159,092	157,674	(1,418)	13.94

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

	Note	(Un-Audited) March 31, 2016	(Audited) June 30, 2015
6.5 Unrealised (diminution)/ appreciation in value of investments at fair value through profit or loss - net			
Market value of investments	6.1, 6.2.1, 6.3	405,644	767,268
Carrying value of investments	6.1, 6.2.1, 6.3	(404,458)	(762,476)
		1,186	4,792
6.6 Unrealized (diminution) / appreciation on remeasurement of investments classified as 'available-for-sale' - net			
Market value of investments	6.4	486,155	157,674
Cost of investments	6.4	486,918	159,092
		(763)	(1,418)
Less: Net unrealized appreciation in value of investments classified as 'available for sale' at beginning of the period		(1,418)	107
		655	(1,525)

6.7 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) Trust Investment Bank Limited - III (note 6.2.1)	18,743	18,743	-	0.00	0.00
Investment in debt securities	b) Telecard Limited (note 6.2.1)	31,088	31,088	-	0.00	0.00
Investment in debt securities	c) Pace Pakistan Limited (note 6.2.1)	46,542	46,542	-	0.00	0.00

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

7. ACCRUED EXPENSES AND OTHER LIABILITIES		(Unaudited) March 31, 2016	(Audited) June 30, 2015
	Note	---- (Rupees in '000) ----	
Provision for Workers' Welfare Fund	7.1	24,327	24,327
Provision for Federal Excise Duty and related tax on			
- management fee	7.2	8,398	5,790
- sales load		233	185
Auditors' remuneration		300	399
Zakat		165	165
Brokerage		44	57
Capital gain tax		10	10,208
Other		644	559
		34,121	41,690

- 7.1 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 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 to the CISs is currently pending for adjudication, the Management Company has decided to retain provision of WWF till June 30, 2015 in its books of account and condensed interim financial information which aggregates to Rs. 24.33 million. 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. 1.08 per unit.

- 7.2 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

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

additional taxes in the books of account aggregating to Rs.8.4 million as at March 31, 2016 which includes charge for the year amounting to Rs.2.2 million. In case, the suit is decided against the Fund the funds would be paid to the Management Company, which will be responsible for submitting them 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. 0.37 per unit as at March 31, 2016.

8. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at March 31, 2016 and June 30, 2015.

9. SINDH SALES TAX ON REMUNERATION OF THE TRUSTEE

The Sindh Revenue Board through Circular No. SRB-3-4/TP/01/2015/86554 dated June 13, 2015 amended the definition of services of shares, securities and derivatives and included the custodianship services within the purview of the 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 upto 2015). Accordingly the Fund has made an accrual of Rs. 0.20 million on account of Sindh Sales Tax on custodianship services.

10. ALLOCATED EXPENSE

The SECP via SRO 1160 dated November 25, 2015 amended clause 60 of NBFC Regulations, 2008. The said clause entitled the Management Company to reimbursement of fees and expenses related to registrar services, accounting, operation and valuation services related to CIS up to a maximum of 0.1% of average annual net assets of the scheme or actual whichever is less.

11. TAXATION

- 11.1** 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.

- 11.2** As reported in note 14.2 of the annual financial statements for the year ended 2015 during the quarter the Fund withdrew the application from High Court as Commission Income Tax (appeals) had decided the matter in favour of the Fund.

12. 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.

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

13. 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, other associated undertakings and unit holders holding more than 10% units of the fund.

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.

13.1 Details of transactions with connected persons are as follows:

	Nine months ended March 31,		Quarter ended March 31,	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
MCB-Arif Habib Savings and Investment Limited				
- Management Company				
Remuneration for the period including indirect taxes	18,156	15,416	5,934	5,167
Allocated expense	480	-	341	-
Central Depository Company of				
Pakistan Limited - Trustee				
Remuneration for the period including indirect taxes	1,615	1,293	531	429
CDS charges	17	-	14	-
MCB Bank Limited				
Profit on bank deposits	624	556	187	235
Bank Charges	18	13	4	11
Sale of Securities Face Value 12,500,000				
(2015: Nil) and Face Value 12,500,000				
(2015: Nil) for the nine months and				
quarter ended respectively	13,281	-	-	-
Next Capital				
Brokerage *	28	9	15	5
Arif Habib Limited				
Brokerage *	1	-	(1)	-
Fauji Cement Company Limited **				
Issue of 2,304,859 units (2015: Nil units) and				
Nil units (2015: Nil units) for the nine months				
and quarter ended respectively	125,000	-	-	-
Redemption of 2,304,859 units (2015: Nil units) and				
2,304,859 units (2015: Nil units) for the nine months				
and quarter ended respectively	128,150	-	128,150	-

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

	Nine months ended March 31,		Quarter ended March 31,	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
Mandate under Discretionary Portfolio Services				
Redemption of Nil units (2015: 81,467 units) and Nil units (2015: 54,895 units) for the nine months and quarter ended respectively	-	4,500	-	1,500
Directors, executives and employees of the Management Company				
Issue of Nil units (2015: 44 units) and Nil units (2015: 44 units) for the nine months and quarter ended respectively	-	2	-	2
Redemption of 6740 units (2015: Nil units) and Nil units (2015: Nil units) for the nine months and quarter ended respectively	364	-	-	-
* 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 transactions with connected persons as the ultimate counter parties are not the connected persons.				
** This represents those parties that exist as at March 31, 2016 and became connected / related parties during the period due to acquiring unit holding of more than 10% of net assets of the Fund.				
			(Unaudited) March 31 2016	(Audited) June 30 2015
			----(Rupees in '000)----	
13.2 Amounts outstanding as at period / year end:				
MCB-Arif Habib Savings and Investment Limited - Management Company				
Remuneration payable			1,551	1,439
Sales tax payable on management fee			217	320
Legal and professional charges payable			-	100
Sales load payable including related taxes			22	104
Allocated expense payable			193	-
Central Depository Company of Pakistan Limited - Trustee				
Remuneration payable			160	152
Sales tax payable on trustee fee			22	-
CDS charges payable			-	22
Security deposit			200	200
MCB Bank Limited				
Bank balance			5,938	90,801
Profit receivable on bank deposits			56	154

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

	(Unaudited) March 31 2016 ----(Rupees in '000)----	(Audited) June 30 2015
Arif Habib Limited		
Brokerage	-	1
Next Capital Limited		
Brokerage	12	2
Adamjee Life Assurance Company Limited - Employees Gratuity Fund		
Nil units held (June 30, 2015: 19,488)	-	1,041
Directors, executives and employees of the Management Company		
693 Units held (June 30, 2015: 7433 Units)	39	48

* This represents those parties that exist as at March 31, 2016 and became connected / related parties during the period due to acquiring unit holding of more than 10% of net assets of the Fund.

14. RECLASSIFICATION

Following reclassifications have been made in this condensed interim financial information in order to give a better and more appropriate presentation:

	From	To	June 30, 2015 (Rupees in '000)
Sales load	Accrued expenses and other liabilities	Payable to the Management Company	104
Federal excise duty and related tax	Federal excise duty and related tax	Federal excise duty payable on sale load	185
Provision against non - performing debt securities	Income from term finance and sukuk certificates	Provision against non-performing debt securities	1,699


15. DATE OF AUTHORISATION FOR ISSUE

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



Chief Executive Officer

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



Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

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