



**Bachat** ka Doosra Naam

## **Half Year Report** **December 31, 2013** **(Unaudited)**



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

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## **Vision**

To become synonymous with Savings.

## **Mission**

To become a preferred Savings and Investment Manager in the domestic and regional markets, while maximizing stakeholder's value.

## **Core Values**

The Company takes pride in its orientation towards client service. It believes that its key success factors include continuous investment in staff, systems and capacity building, and its insistence on universal best practices at all times.

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## FUND'S INFORMATION

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

## **REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED 31 DECEMBER 2013**

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**Dear Investor,**

On behalf of the Board of Directors, I am pleased to present MCB Islamic Income Fund's accounts review for the first half ended December 31st 2013.

### **ECONOMY AND MONEY MARKET OVERVIEW**

Amid implementation of fiscal reforms and volatile food prices, inflation remained volatile with CPI averaging around 8.9% during the 1HFY13. The current account balance remained in pressure posting a deficit of \$1.58 billion during 1HY14 as opposed to deficit of \$0.083 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 USD 1.806bn in 1HFY14.

During the period under review, 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 two tranches of around \$540 million each in 1HFY14. While out of total \$3 billion repayments to IMF due in FY14, the government repaid around \$1.89 billion to IMF in the 1HFY14.

In the face of inflows from IMF under EFF program and the multilateral agencies, loan repayments and trade deficit have reduced reserve balance to around \$ 8.3 billion as on 10-Jan-13, from \$11 billion at the start of the FY14. The country also received \$322 million under umbrella of CSF during 1HFY14.

Consequently, the local currency remained under pressure and volatile with the currency touching a record low Rs108.6 against dollar in the interbank market during 2QFY14. However, later SBP intervened in the market and as a result local currency recovered by closing at around Rs105.45 as on 31-Dec-13.

Keeping in view higher inflationary and vulnerable foreign reserves position, the government had twice announced 50 bps hike in the discount rate in the monetary policy held in September and November, bringing the discount rate to 10% from 9% at the start of the fiscal year. A combination of higher power tariffs and gas prices will likely keep inflationary pressure on the higher side during the year.

The money market started on a liquid note, with short term rates remaining on the lower side during the first three months of FY14, mainly due to lower participation rate in T-bill auctions. However, later market started experiencing liquidity crunch, causing market to witness significant number of ceilings in the month of December.

Given an upward trajectory in YOY CPI inflation coupled with SBP tightening stance, the yield curve has adjusted significantly upwards during the period. 1 year PKRV adjusted upwards by 128 bps to 10.22%.

M2 has expanded by 5.47% during the 1HFY14 (till 27th December) as opposed to expansion of 7.01% during the same period last year. While borrowing from SBP increased by Rs 590.9 billion as opposed to net retirement of around Rs 134.4 billion during the same period last year.

### **FUND PERFORMANCE**

During the quarter under review, the fund generated an annualized return of 9.43% as against its benchmark return of 9.4%.

During the period, the fund had gradually been decreasing its exposure from GoP Ijarah Sukuk, which stood at around 64.3% at quarter-end, on the back of decent yield as well as capital gains potential. The fund has kept its most of the remaining exposure in cash and bank deposits at decent rates.

The Net Asset of the Fund as at December 31, 2013 stood at Rs.2,358 million as compared to Rs.2,946 million as at June 30

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED 31 DECEMBER 2013

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2013 registering a decrease of 19.96%.

The Net Asset Value (NAV) per unit as at December 31, 2013 was Rs.100.0992 as compared to opening NAV of Rs.101.8948 per unit as at June 30, 2013 registering a decrease of Rs.1.7956 per unit.

### Income Distribution

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

Date of distribution	Rs. Per unit distribution
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September 27, 2013	1.8266
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December 27, 2013	2.3551
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### FUTURE OUTLOOK

Foreign reserves are expected to remain under pressure as Pakistan is scheduled to pay more than \$2.1 billion to external official creditors during the next two quarters. However, the government expects reserve position to improve towards the end of the ongoing fiscal year on the back of significant improvement in foreign direct investments and pledges made by multilateral agencies.

### 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: February 06, 2014

## TRUSTEE REPORT TO THE UNIT HOLDERS



### CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

#### Head Office

CDC House, 99-B, Block 'B'  
S.M.C.H.S. Main Shahra-e-Faisal  
Karachi - 74400, Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: www.cdcpakistan.com  
Email: info@cdcpak.com



### TRUSTEE REPORT TO THE UNIT HOLDERS

#### MCB ISLAMIC INCOME FUND

#### Report of the Trustee pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We Central Depository Company of Pakistan Limited, being the Trustee of MCB Islamic Income Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited (formerly Arif Habib Investments Limited) being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2013 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

  
**Muhammad Hanif Jakhura**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: February 13, 2014





# AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847  
Fax + 92 (21) 3568 5095  
Internet [www.kpmg.com.pk](http://www.kpmg.com.pk)

## Report on review of Condensed Interim Financial Information to the Unit Holders

### *Introduction*

We have reviewed the accompanying condensed interim statement of assets and liabilities of **MCB Islamic Income Fund** ("the Fund") as at 31 December 2013 and the related condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes to the accounts for the six months period then ended (here-in-after referred to as the "condensed interim financial information"). Management Company is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*


Based on our review nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

### *Other matters*

The figures for the quarter ended 31 December 2013 and 31 December 2012 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.

**Date: 06 February 2014**

**Karachi**

  
**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Moneeza Usman Butt

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan  
and a member firm of the KPMG network of independent member  
firms affiliated with KPMG International Cooperative  
("KPMG International"), a Swiss entity



# CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED)

## AS AT 31 DECEMBER 2013

	Note	(Unaudited) 31 December 2013 (Rupees in '000)	(Audited) 30 June 2013
<b>Assets</b>			
Balances with banks		812,860	831,571
Investments	6	1,529,558	2,092,681
Profit receivable		35,537	50,418
Prepayments		22	102
Preliminary expenses and floatation costs		492	592
<b>Total assets</b>		<u>2,378,469</u>	<u>2,975,364</u>
<b>Liabilities</b>			
Payable against redemption of units		-	13,253
Payable to Management Company		6,508	4,807
Payable to Central Depository Company of Pakistan Limited - Trustee		240	276
Payable to Securities and Exchange Commission of Pakistan - Annual fee		971	1,931
Accrued expenses and other liabilities	7	13,083	8,607
<b>Total liabilities</b>		<u>20,802</u>	<u>28,874</u>
<b>Net assets</b>		<u>2,357,667</u>	<u>2,946,490</u>
<b>Unit holders' fund</b>		<u>2,357,667</u>	<u>2,946,490</u>
		(Number of units)	
<b>Number of units in issue</b>		<u>23,553,311</u>	<u>28,916,996</u>
		(Rupees)	
<b>Net assets value per unit</b>		<u>100.10</u>	<u>101.89</u>

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

  
Chief Executive Officer

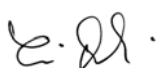
MCB-Arif Habib Savings and Investments Limited  
(formerly: Arif Habib Investments Limited)  
(Management Company)

  
Director

**CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2013**

	Note	Six months period ended		Quarter ended	
		31 December		31 December	
		2013	2012	2013	2012
		(Rupees in '000)			
<b>Income</b>					
Capital gain on sale of investment - net		2,131	4,439	1,953	3,204
Income from government securities		83,575	78,363	38,711	44,671
Profit on bank deposits		31,260	30,364	14,603	17,632
Net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss'		13,993	7,526	12,527	(3,080)
<b>Total income</b>		<b>130,959</b>	<b>120,692</b>	<b>67,794</b>	<b>62,427</b>
<b>Expenses</b>					
Remuneration of Management Company		12,898	11,565	6,581	6,345
Sales tax and Federal Excise Duty on remuneration of Management Company		4,541	1,850	2,358	1,015
Remuneration of Central Depository Company of Pakistan Limited - Trustee		1,529	1,298	726	735
Annual fee - Securities and Exchange Commission of Pakistan		971	765	452	459
Provision for Workers' Welfare Fund		2,092	-	1,122	-
Settlement and bank charges		174	116	79	88
Fees and subscription		118	121	61	66
Auditors' remuneration		284	315	158	141
Amortisation of preliminary expenses and floatation costs		101	101	51	51
Printing and related charges		176	108	87	71
<b>Total expenses</b>		<b>22,884</b>	<b>16,239</b>	<b>11,675</b>	<b>8,971</b>
		<b>108,075</b>	<b>104,453</b>	<b>56,119</b>	<b>53,456</b>
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		(5,588)	12,263	(1,184)	4,907
<b>Net income for the period before taxation</b>		<b>102,487</b>	<b>116,716</b>	<b>54,935</b>	<b>58,363</b>
Taxation	8	-	-	-	-
<b>Net income for the period after taxation</b>		<b>102,487</b>	<b>116,716</b>	<b>54,935</b>	<b>58,363</b>
<b>Earnings per unit</b>	9				

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 DISTRIBUTION STATEMENT (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2013**

	Six months period ended 31 December		Quarter ended 31 December	
	2013	2012	2013	2012
	----- (Rupees in '000) -----			
Undistributed income brought forward	54,792	1,491	1,975	3,067
Net income for the period	102,487	116,716	54,935	58,363
Net element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - transferred to Distribution Statement	-	1,390	-	1,020

***Distributions to the unit holders of the Fund***

***Final distribution:***

Final distribution at the rate of Rs. 1.8948 per unit for the year ended 30 June 2013 [Date of Distribution: 05 July 2013]

- Cash distribution
- Issue of 547,189 bonus units

Interim distribution at the rate of Rs. 1.8266 per unit for the quarter ended 30 September 2013 [Date of Distribution: 27 September 2013]

- Cash distribution
- Issue of 455,060 bonus units

Interim distribution at the rate of Rs. 2.3551 per unit for the quarter ended 31 December 2013 [Date of Distribution: 30 December 2013]

- Cash distribution
- Issue of 545,263 bonus units

(73)	-	-	-
(54,719)	-	-	-
(71)	(125)	-	-
(45,506)	(57,022)	-	-
(46)	(86)	(46)	(86)
(54,526)	(56,067)	(54,526)	(56,067)
(154,941)	(113,300)	(54,572)	(56,153)
2,338	6,297	2,338	6,297

Undistributed income carried forward

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

  
 Chief Executive Officer

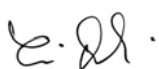
MCB-Arif Habib Savings and Investments Limited  
 (formerly: Arif Habib Investments Limited)  
 (Management Company)

  
 Director

# CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED) FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2013

	Six months period ended 31 December		Quarter ended 31 December	
	2013	2012	2013	2012
	(Rupees in '000)			
Net assets at the beginning of the period	2,946,490	1,506,772	2,542,673	1,882,149
Issue of 9,097,637 units (2012: 22,715,183 units) and 4,503,036 units (2012: 15,294,743 units) for the six months and quarter ended respectively	886,914	2,300,995	456,066	1,593,628
Issue of 547,189 bonus units for the year ended 30 June 2013 (2012: Nil)	54,719	-	-	-
Issue of 455,060 bonus units for the quarter ended 30 September 2013 (2012: 569,652 units)	45,506	57,022	-	-
Issue of 545,263 bonus units for the quarter ended 31 December 2013 (2012: 560,121)	54,526	56,067	54,526	56,067
Redemption of 16,008,834 units (2012: 9,805,712 units) and 6,901,967 units (2012: 5,553,631 units) for the six months and quarter ended respectively	(1,583,622)	(996,508)	(697,145)	(613,646)
	(541,957)	1,417,576	(186,553)	1,036,049
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed				
- amount representing loss / (income) and realised capital losses / (gains) - transferred to the Income Statement	5,588	(12,263)	1,184	(4,907)
- amount representing unrealised capital (gains) / losses - transferred to the Distribution Statement	-	(1,390)	-	(1,020)
	5,588	(13,653)	1,184	(5,927)
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - transferred to Distribution Statement	-	1,390	-	1,020
Net income for the period (excluding net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss' and capital gain on sale of investments)	86,363	104,751	40,455	58,239
Capital gain on sale of investments	2,131	4,439	1,953	3,204
Net unrealised appreciation in value of investments classified as 'at fair value through profit or loss'	13,993	7,526	12,527	(3,080)
	102,487	116,716	54,935	58,363
<b>Distributions to the unit holders of the Fund</b>				
<i>Final distribution:</i>				
Final distribution at the rate of Rs. 1.8948 per unit for the year ended 30 June 2013 [Date of Distribution: 05 July 2013]	(73)	-	-	-
- Cash distribution	(54,719)	-	-	-
- Issue of 547,189 bonus units				
<i>Interim distribution:</i>				
Interim distribution at the rate of Rs. 1.8266 per unit for the quarter ended 30 September 2013 [Date of Distribution: 27 September 2013]	(71)	(125)	-	-
- Cash distribution	(45,506)	(57,022)	-	-
- Issue of 455,060 bonus units				
Interim distribution at the rate of Rs. 2.3551 per unit for the quarter ended 31 December 2013 [Date of Distribution: 30 December 2013]	(46)	(86)	(46)	(86)
- Cash distribution	(54,526)	(56,067)	(54,526)	(56,067)
- Issue of 545,263 bonus units	(154,941)	(113,300)	(54,572)	(56,153)
Net assets as at the end of the period	2,357,667	2,915,501	2,357,667	2,915,501
Net assets value per unit as at beginning of the period	101.89	100.10	100.08	100.16
Net assets value per unit as at end of the period	100.10	100.22	100.10	100.22

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

  
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Chief Executive Officer

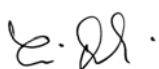
**MCB-Arif Habib Savings and Investments Limited**  
(formerly: Arif Habib Investments Limited)  
(Management Company)

  
\_\_\_\_\_  
Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2013**

	Six months period ended 31 December		Quarter ended 31 December	
	2013	2012	2013	2012
	----- (Rupees in '000) -----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income for the period before taxation	102,487	116,716	54,935	58,363
<i>Adjustments for non-cash charges and other items:</i>				
Net unrealised (appreciation) / diminution in fair value of investments classified as 'at fair value through profit or loss'	(13,993)	(7,526)	(12,527)	3,080
Amortisation of preliminary expenses and floatation costs	101	101	51	51
Net element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed	5,588	(12,263)	1,184	(4,907)
Provision for Workers' Welfare Fund	(2,092)	-	(1,122)	-
	92,091	97,028	42,521	56,587
<b>Decrease / (increase) in assets</b>				
Investments	577,116	(855,009)	329,604	(514,794)
Profit receivable	14,881	(35,908)	(2,081)	3,176
Prepayments	80	81	62	65.00
	592,077	(890,836)	327,585	(511,553)
<b>Increase / (decrease) in liabilities</b>				
Payable to Management Company	1,701	245	2,429	(6,381)
Payable to the Central Depository Company of Pakistan Limited - Trustee	(36)	95	(12)	71
Payable to Securities and Exchange Commission of Pakistan - Annual fee	(960)	231	452	(75)
Accrued expenses and other liabilities	6,567	2,709	2,970	2,536
	7,272	3,280	5,839	(3,849)
<b>Net cash generated from / (used in) operating activities</b>	691,440	(790,528)	375,945	(458,815)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividend paid	(190)	(211)	(46)	(86)
Receipts from issuance of units	886,914	2,300,995	456,066	1,594,003
Payments on redemption of units	(1,596,875)	(974,087)	(697,145)	(592,414)
<b>Net cash (used in) / generated from financing activities</b>	(710,151)	1,326,697	(241,125)	1,001,503
Net (decrease) / increase in cash and cash equivalents during the period	(18,711)	536,169	134,820	542,688
Cash and cash equivalents at beginning of the period	831,571	464,118	678,040	457,599
<b>Cash and cash equivalents at end of the period</b>	812,860	1,000,287	812,860	1,000,287

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 (UNAUDITED) FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2013

## 1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

The Fund is an open-end mutual fund and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering them to the Fund.

The Fund is listed on the Lahore Stock Exchange. According to paragraph 19.3 of the Trust Deed, the first accounting period of the Fund shall commence from the date on which the trust property is first paid or transferred to the Trustee i.e. 1 May 2011. The Fund has been categorised as "Shariah Compliant (Islamic) Income" scheme by the Board of Directors of the Asset Management Company in pursuant to Circular 7 of 2009 dated 6 March 2009 issued by the SECP.

The objective of the Fund is to seek to generate superior risk adjusted returns by investing in short, medium and long-term high quality Shariah Compliant fixed income instruments.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned management quality rating of 'AM2' to the Management Company and 'AA-(f)' as stability rating to the Fund.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

**2.1.1** This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). In case where requirements differ, the provisions of / or directives issued under the Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations have been followed.

**2.1.2** This condensed interim financial information does not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the financial statements for the year ended 30 June 2013.

**2.1.3** This condensed interim financial information is unaudited. However, a limited scope review has been performed by the external auditors of the Fund. The Board of Directors of the Management Company declare that this condensed interim financial information gives a true and fair view of the state of affairs of the Fund.

**2.1.4** The comparatives in the condensed interim statement of assets and liabilities presented in the condensed interim financial information as at 31 December 2013 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2013, where as the comparative in condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement are extracted from unaudited condensed interim financial information for the period ended 31 December 2012.

### 2.1.5 Functional and presentation currency

This condensed interim financial information is unaudited and is presented in Pak Rupees, which is the functional and presentation currency of the Fund and has been rounded off to the nearest thousand rupees.

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies and methods of computation adopted for the preparation of this condensed interim financial information are same as those applied in the preparation of the financial statements of the Fund for the year ended 30 June 2013. At present the Fund has no item to be reported in other comprehensive income; hence net income for the period equals to total comprehensive income for the period.

3.2 Amendments to certain existing standards and interpretations on approved accounting standards which were effective during the period were not relevant to the Fund's operations and did not have any impact on the accounting policies of the Fund.

## 4. ESTIMATES AND JUDGMENTS

4.1 The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

4.2 In preparing this condensed interim financial information, significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 30 June 2013.

## 5. FINANCIAL RISK MANAGEMENT

The Fund's risk management objectives and policies are consistent with those objectives and policies which were disclosed in the financial statements of the Fund as at and for the year ended 30 June 2013.

6. INVESTMENTS		(Unaudited) 31 December 2013	(Audited) 30 June 2013
		(Rupees in '000)	
'At fair value through profit or loss'			
- Government securities	6.1	<u>1,529,558</u>	<u>2,092,681</u>

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

Issue date	Tenor	Face value				Balance as at 31 December 2013			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at 1 July 2013	Purchased during the period	Disposed / Matured during the period	As at 31 December 2013	Carrying Value	Market value	Appreciation / (diminution)		
-----Rupees in '000-----										
<i>Government of Pakistan Ijara Sukuk</i>										
7 March 2011	3 years	3,000	100,000	103,000	-	-	-	-	-	-
16 May 2011	3 years	358,200	120,000	-	478,200	479,388	480,783	1,395	20.39	31.43
26 December 2011	3 years	135,000	-	135,000	-	-	-	-	-	-
28 June 2012	3 years	170,000	-	-	170,000	170,323	171,921	1,598	7.29	11.24
30 April 2012	3 years	26,500	-	26,500	-	-	-	-	-	-
18 September 2012	3 years	1,399,000	-	532,800	866,200	865,854	876,854	11,000	37.19	57.33
<b>31 December 2013</b>						<b>1,515,565</b>	<b>1,529,558</b>	<b>13,993</b>		
30 June 2013						2,100,244	2,092,681	(7,563)		

7. ACCRUED EXPENSES AND OTHER LIABILITIES		(Unaudited) 31 December 2013	(Audited) 30 June 2013
		(Rupees in '000)	
Federal exercise duty payable	7.1	2,667	262
Provision for Workers' Welfare Fund	7.2	8,551	6,460
Zakat payable		1,300	1,300
Auditors' remuneration		252	350
Printing charges payable		242	200
Capital gain tax payable		21	34
Others		50	1
		<u>13,083</u>	<u>8,607</u>



## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2013

**7.1** The Finance Act 2013 introduced an amendment to Federal Excise Act 2005 where by Federal Excise Duty (FED) has been imposed at the rate of 16% of the services rendered by assets management companies. In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honourable Sindh High Court (SHC), challenging the levy of Federal Excise Duty on Asset Management Company services after the eighteenth amendment. The SHC in its short order dated 4 September 2013 directed the FBR not to take any coercive action against the petitioners pursuant to impugned notices till next date of hearing. In view of uncertainty regarding the applicability of FED on asset management services, the management, as a matter of abundant caution, has decided to retain and continue with the provision of FED and related taxes in this condensed interim financial information aggregating to Rs. 2.667 million as at 31 December 2013. In case, the suit is decided against the fund the same would be paid to management company, who will be responsible for submitting the same to authorities. Had the said provision of FED and related taxes were not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Re. 0.11 per unit as at 31 December 2013.

**7.2** The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year have been brought within the scope of the WWF Ordinance. Thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending for adjudication.

Subsequent to the year ended on 15 July 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) on 8 July 2010 which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on 14 December 2010 the Ministry filed its response against the Constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the Court.

Subsequent to the year ended 30 June 2011, the Honourable Lahore High Court (LHC) in a constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. In March 2013 a larger bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity.

However, as per advice of legal counsel the stay granted to CIS remains intact and the constitution petitions filed by the CIS to challenge the

WWF contribution have not been affected by the SHC judgment. The Management company, as a matter of abundant precaution, has decided

to retain the entire provision for WWF in this condensed interim financial information.

### **8. TAXATION**

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealised capital gains / loss to the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the management company intends to distribute at least 90 percent of the Fund's accounting income for the year ending 30 June 2014 as reduced by capital gains (whether realised or unrealised) to its unit holders.

### **9. EARNINGS PER UNIT**

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

### **10. TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES**

Related parties / connected persons of the Fund include the Management Company, its related entities, Central Depository Company of Pakistan Limited (being the Trustee of the Fund), other Funds managed by the Management Company and Directors, Key Management Personnel and Officers of the Management Company, and Unit Holders having more than 10% holding in the Fund.

Transactions with related parties / connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of NBFC Regulations, 2008 and the Trust Deed respectively.

**10.1** Details of the transactions with connected persons are as follows:

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292	MCB Islamic Income Fund
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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2013**

	<b>Six months period ended</b>		<b>Quarter ended</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>----- (Rupees in '000) -----</b>			
Redemption of 42,986 units (2012: Nil units) and 4,891 units (2012: Nil units) for the six months and quarter ended respectively	<b>4,350</b>	<b>-</b>	<b>500</b>	<b>-</b>

**Adamjee Life Assurance Company Limited (Investment Secure Fund- I)**

Issue of 269,352 units (2012: Nil units) and Nil units (2012: Nil units) for the six months and quarter ended respectively	<b>27,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
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Issue of 7 bonus units (2012: Nil bonus units) and bonus Nil units (2012: Nil units) for the six months and quarter ended respectively	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>
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Redemption of 269,179 units (2012: Nil units) and Nil units (2012: Nil units) for the six months and quarter ended respectively	<b>27,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
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**Adamjee Life Assurance Company Limited (Investment Secure Fund- II)**

Issue of 119,712 units (2012: Nil units) and Nil units (2012: Nil units) for the six months and quarter ended respectively	<b>12,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
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Issue of 3 bonus units (2012: Nil bonus units) and bonus Nil units (2012: Nil units) for the six months and quarter ended respectively	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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Redemption of 119,712 units (2012: Nil units) and Nil units (2012: Nil units) for the six months and quarter ended respectively	<b>12,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
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**Arif Habib Investments Limited**

Redemption of NIL units (2011: 1,105,733 units) and NIL units (2011: NIL units) for the six months and quarter ended respectively	<b>-</b>	<b>111,841</b>	<b>-</b>	<b>-</b>
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**10.2 Amounts outstanding as at period / year end:**

Amounts outstanding as at period / year end:	(Unaudited) 31 December 2013	(Audited) June 30 2013
	(Rupees in '000)	
MCB Bank Limited		
Balance with bank	11,286	12,561
Profit receivable on bank deposits	83	74

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2013**

**Management Company**

Management fee payable	<u>2,300</u>	<u>2,205</u>
Sindh sales tax payable on management fee	<u>368</u>	<u>353</u>
Front-end load payable	<u>3,840</u>	<u>2,249</u>

**Central Depository Company of Pakistan Limited-Trustee**

Remuneration payable	<u>240</u>	<u>276</u>
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**Directors and executives of the Management Company**

Units held 47,552 units (June 2013: 31,031 units)	<u>4,760</u>	<u>3,161</u>
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**Adamjee Life Assurance Company Limited (Amaanat Fund)**

Units held: 686,287 (June 2013 14,950 units)	<u>68,697</u>	<u>1,523</u>
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**Adamjee Life Assurance Company Limited (Investment Secure Fund - I)**

Units held: 181 units (June 2013: Nil)	<u>18</u>	<u>-</u>
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**Adamjee Life Assurance Company Limited (Investment Secure Fund- II)**

Units held: 80 units (June 2013: Nil)	<u>8</u>	<u>-</u>
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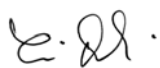
**11. CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified for the purposes of comparison and better presentation as follows:

Reclassification from component	Reclassification to component	Rupees in '000
Payable to Management Company	Accrued expenses and other liabilities (Federal exercise duty payable)	<u>262</u>

**12. DATE OF AUTHORISATION**

This condensed interim financial information has been authorised for issue in the meeting of the Board of Directors of the Management Company held on 06 February, 2014.

  
 \_\_\_\_\_  
 Chief Executive Officer

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

  
 \_\_\_\_\_  
 Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

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

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