

Half Year Report
December 31, 2016
(Unaudited)



Funds Under Management
of
MCB-Arif Habib Savings and Investments Limited
Rated: AM2++ by PACRA

PAKISTAN INCOME FUND

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FUND'S INFORMATION

Board of Directors	Mian Mohammad 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 Ahmed	Chairman Vise Chairman Director Chief Executive Officer Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Nasim Beg	Chairman Member Member Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir	Chairman Member Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer & Company Secretary	Mr. Abdul Basit	
Share Registrar	Central Depository Company of Pakistan Ltd. CDC House, 99-B, Block 'B' S.M.C.H.S Main Shahra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcpakistan.com	
Bankers	MCB Bank Limited Allied Bank Limited Habib Metropolitan Bank Limited Bank Al-Habib Limited Bank Al Falah Limited NIB Bank Limited Faysal Bank Limited Zarai Taraqiati Bank Limited JS Bank Limited NRSP Micro Finance Bank Limited Mobilink Micro Finance Bank Limited U Micro Finance Bank Limited Khushali Micro Finance Bank Limited Tameer Micro Finance Bank Limited	
Auditors	A.F. Ferguson & Co. Chartered Accountants (A Member Firm of PWC Network) State Life Building 1-C I.I. Chundrigar Road, Karachi.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
Registered Office	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi - 74900	
Rating	Asset Manager: "AM2++" (PACRA) Entity Ratings: "AA-" Long Term (PACRA) "A1+" Short Term (PACRA)	

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **Pakistan Income Fund** accounts review for half year ended December 31, 2016.

ECONOMY AND MONEY MARKET OVERVIEW

Weakness in external account raised concerns in otherwise progressive improvement in headline economic indicators continuing for the last 2 years. Weak trade balance, primarily due to subdued trend in exports and higher imports along with weak contribution from services and remittances kept the pressure on overall Current Account balance which widened 92% in 1HFY17 to USD 3.6 billion. It is pertinent to note that partial increase in imports is triggered by machinery imports which have increased by 8.3% along with increase in oil import bill which is expected to widen further given recent arrangements from OPEC to support Int'l Crude Oil prices. The cushion to Balance of Payments was bolstered by financial account of USD 3.7 bn where major respite came from the net borrowing of USD 740 million along with the inflow materialized in FDI on completion of acquisition of stake in Engro Foods by Freisland Campina. Overall balance of the Balance of Payments stood at USD 225 mn compared to USD 1.5 bn during same period of last year.

Foreign exchange reserves stood at USD 23.2 bn (06th Jan 2017). It is pertinent to note that SBP reserves explain most of the volatility in For-ex reserves where government borrowing and retirement of loans has net negative balance in 1HFY17 while closing approx USD 1bn lower from peak seen in Oct 16.

Undergoing appreciation of about 0.4% in 1HFY17, PKR continues to remain resilient against USD which also raises concerns given the relative weakness in other developing economies and also reflected from REER as measured by SBP reaching to a high of 126 depicting significant overvaluation.

Fiscal deficit increased to 1.3 % (1QFY17) of GDP as against 1.1% in SPLY due to sharp decline in non-tax revenue. On provisional basis, tax authority has managed to collect PKR 1,460 billion during 1HFY17, recording a shortfall of PKR ~127 billion from the desired target. With annual tax collection target of PKR 3.6 trillion; demanding a growth rate of 17% YoY, and higher development spending, fiscal deficit is likely to exceed 4.5% against budgetary target of 3.8%. Focus of government on development spending is however positive for the overall long term direction and thus slippage on this front is not a major concern.

LSM grew by 3.24% YoY in 5MFY17. The growth is driven through consumer, electrical, automobiles and cement manufacturing.

Inflation continued its upward trajectory with first half averaging 3.88% compared to 2.08% for 1HFY16. The withering of low base effect along with inherent increases in food and housing pricing triggered inflationary pressures. The government kept on absorbing the incremental petrol prices which kept the inflation subdued.

M2 growth posted year to date growth of 5.45% by the end of the year. The deposits grew seasonally by PKR 420 bn in a week supported by year end efforts of banks to expand balance sheet size. Thereafter, the M2 growth has normalized to 3.68%. Moreover, the abnormal accumulation in currency in circulation (CIC) last year triggered after imposition of withholding tax on cash withdrawals has normalized though CIC to M2 ratio is still high at 26% against previous average of 22%. The Net Domestic Assets increased by PKR 518 bn supported by net government sector borrowings of PKR 390 bn.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 4.66% as against its benchmark return of 5.88%.

At period-end, the fund was 19.9% in TFCs, 0.7% in PIBs, 27.4% in Cash, 14.4% in TDRs and 4.1% in T-Bills. Weighted average maturity of the fund decreased to 1.4 years at period end compared to 2.3 years at June end as per anticipation of stable interest rate outlook during the period.

The Net Assets of the Fund as at December 31, 2016 stood at Rs. 1,169 million as compared to Rs. 1,050 million as at June 30, 2016 registering an increase of 11.33%.

The Net Asset Value (NAV) per unit as at December 31, 2016 was Rs. 54.87 as compared to opening NAV of Rs. 53.61 per unit as at June 30, 2016 registering an increase of Rs. 1.26 per unit.

FUTURE OUTLOOK

The reversal in crude oil prices is expected to wither of the fiscal space previously available amid growing import bill. The recent decision by government to revise up petroleum prices in its latest fortnightly decision points towards constricting fiscal liberty.

The recently announced textile package is expected to provide support to the export sector. However, the overvalued currency as depicted from REER still remains a blockade for export competitiveness of the country however the same may remain deferred till the government continues to fund the gap through borrowing.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

The inflationary pressures are also expected to succumb to expected increments in petroleum prices along with its trickle down impact on food inflation. We expect inflation for the year to average ~4.3%. It is pertinent to note inflation for next half of the year is expected to average around 4.8% with inflation for closing months of the year to exceed 5%.

While, we expect interest rates to remain stable in the short term given the stable inflationary trends, exchange rate overvaluation along with weak external account suggest a close review of emerging trends with potential for inflection on either side though biased in favor of monetary tightening.

The China Pakistan Economic Corridor is expected to provide much needed impetus to growth with above \$50 billion program expected to spur activity in the construction and power space which would have its trickle down affects. However, the current account is expected to worsen with import bill increasing in the short term along with the Foreign Direct Investment inflows. Profit repatriation in the long term would also be a concern for the balance of payments position.

Pakistan being in an economic expansionary cycle amid better positioning due to lower/stable interest rate environment along with growth trigger in the form China Pakistan Economic Corridor would fare better compared to other Emerging Market economies. The program is expected to favour the construction and allied industrial sectors. Banking sector is also expected to be beneficiary of strong advances growth in a stable interest rate environment. The MSCI specific companies are expected to gain limelight as formal inclusion nears. However, the volatility in global markets lead by uncertainty in global economies after Trump's induction as US President and redemption pressures on emerging market funds would keep the short term market performance in check. But we reiterate our positive stance on the market.

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,



Muhammad Saqib Saleem
Chief Executive Officer
February 2, 2017

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی طرف سے پاکستان انکم فنڈ کے 31 دسمبر 2016ء کو ختم ہونے والی پہلی ششماہی کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت اور بازار زر کا مجموعی جائزہ

خارجی اکاؤنٹ میں کمزوری نے اہم ترین معاشی علامات میں گزشتہ 2 برسوں سے جاری ترقیاتی بہتری میں خدشات پیدا کیے۔ کمزور تجارتی توازن کے باعث، جس کی بنیادی وجوہات برآمدات کا پست رجحان اور پہلے سے زیادہ درآمدات، بشمول سروسز اور ترسیلات زر کی کمزور کارکردگی ہیں، مجموعی کرنٹ اکاؤنٹ بیلنس پر دباؤ رہا جو 2017ء کی پہلی ششماہی میں 92% بڑھ کر 3.6 بلین ڈالر ہو گیا۔ یاد رہے کہ درآمدات میں جزوی اضافے کی محرک مشینری کی درآمدات ہیں جن میں 8.3% اضافہ ہوا، بشمول تیل کی درآمد میں اضافے کے، جس میں OPEC کے خام تیل کی بین الاقوامی قیمتوں میں معاونت کے حالیہ اقدامات کے پیش نظر مزید اضافہ متوقع ہے۔ ادائیگیوں کے توازن کے تحفظ کی 3.7 بلین ڈالر کے مالیاتی اکاؤنٹ سے حوصلہ افزائی ہوئی، اور اس ضمن میں اہم ترین پیش رفت 740 ملین ڈالر کے قرض، بشمول اینگرو فوڈز میں Freisland Campina کی حصص داری کی تکمیل پر FDI (غیر ملکی براہ راست سرمایہ کاری) میں اضافے سے ہوئی۔ ادائیگیوں کے توازن کا مجموعی بیلنس 225 ملین ڈالر تھا، جبکہ گزشتہ سال کی اسی مدت کے دوران 1.5 بلین ڈالر تھا۔

زیر مبادلہ کے ذخائر 23.2 بلین ڈالر تھے (06 جنوری 2017ء)۔ یاد رہے کہ فوریکس ذخائر میں اتار چڑھاؤ کا سبب SBP (اسٹیٹ بینک آف پاکستان) کے ذخائر ہیں، جہاں 2017ء کی پہلی ششماہی میں حکومت کے قرضوں کے حصول اور قرضوں کی ریٹائرمنٹ کا منفی بیلنس ہے جبکہ اکتوبر 2016ء میں بلند ترین سطح سے تقریباً 1 بلین ڈالر کم پر کلوزنگ ہوئی۔ پاکستانی روپیہ 2017ء کی پہلی ششماہی میں تقریباً 0.4% ترقی کر کے امریکی ڈالر کے مقابلے میں لچکدار رہا، اور اس سے بھی دیگر ترقی پذیر معیشتوں میں کمزوری کو مد نظر رکھتے ہوئے خدشات پیدا ہوئے جن کا اظہار SBP کے پیمائش کردہ REER سے ہوا، جو 126 کی بلند سطح پر پہنچا جس سے خطیر اضافے کی عکاسی ہوتی ہے۔

مالیاتی خسارہ (مالی سال 2017ء کی پہلی سہ ماہی میں) غیر ٹیکس آمدنی میں تیزی سے کمی کے باعث GDP (مجموعی غیر ملکی پیداوار) کے 1.3% تک بڑھ گیا، بالمقابل SPLY میں 1.1% کے ٹیکس اتھارٹی 2017ء کی پہلی ششماہی کے دوران عارضی بنیادوں پر 1,460 بلین روپے جمع کر سکی، جو مطلوبہ ہدف سے 127 بلین روپے کم ہے۔ 3.6 ٹریلین روپے سالانہ ٹیکس کے ہدف کے پیش نظر، جو YoY 17% کی ترقیاتی شرح اور ترقیاتی کاموں میں زیادہ خرچ کرنے کا تقاضہ کرتا ہے، مالیاتی خسارے میں بجٹ کے 3.8% کے ہدف کے مقابلے میں 4.5% اضافہ متوقع ہے۔ تاہم ترقیاتی کاموں پر خرچ کرنے پر حکومتی توجہ مجموعی طور پر طویل المیعاد سمت میں مثبت ہے، چنانچہ اس گوشے میں انحطاط بڑا مسئلہ نہیں ہے۔

LSM 5MFY17 میں YoY 3.24% ترقی ہوئی جس کے اسباب کمزور یومر، الیکٹریکل، آٹوموبائلز اور سیمنٹ مینوفیکچرنگ ہیں۔

افراط زر میں بدستور اضافہ ہوتا رہا؛ پہلی ششماہی میں افراط زر کا اوسط 33.8% تھا جبکہ 2016ء کی پہلی ششماہی میں 2.08% تھا۔ پہلے سے پست base effect میں بتدریج کمی اور اشیائے خورد و نوش اور ہاؤسنگ کی قیمتوں میں فی نفسہ اضافے افراط زر کے دباؤ کے محرک بنے۔ حکومت پٹرول کی بڑھتی ہوئی قیمتوں کا اثر جذب کرتی رہی جس کے باعث افراط زر کی سطح پست رہی۔ M2 ترقی میں سال کے اختتام تک 5.45% year to date ترقی ہوئی۔ اختتام سال پر بینکوں کی بیلنس شیٹ کا حجم وسیع کرنے کی کوششوں کی مدد سے ڈپازٹس میں ایک ہفتے میں 420 بلین روپے موسمی ترقی ہوئی۔ اس کے بعد M2 ترقی 3.68% کی عمومی سطح تک پہنچ گئی۔ علاوہ ازیں، گزشتہ سال نقد رقم نکالنے پر وہ ہولڈنگ ٹیکس عائد کرنے کی وجہ سے زیر گردش روپے (CIC) میں جو غیر معمولی انبار لگ گیا تھا وہ عمومی سطح پر آ گیا ہے، اگرچہ CIC کا M2 سے تناسب اب 2.6% ہے جو گزشتہ اوسط 2.2% سے زیادہ ہے۔ حکومتی سیکٹر کی 390 بلین

روپے قرضوں کی net حصول کی مدد سے net مقامی اثاثہ جات میں 518 بلین روپے اضافہ ہوا۔

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع مقررہ معیار 5.88% کے مقابلے میں 4.66% تھا۔

اختتام مدت پر فنڈ کی سرمایہ کاری 19.9 فیصد TFCs میں، 0.7 فیصد PIBs میں، 27.4 فیصد نقد میں، 14.4 فیصد TDRs میں اور 4.1% ٹی بلز میں تھی۔ فنڈ کی weighted اوسط میچورٹی جون کے اختتام پر 2.3 سال تھی جو اختتام مدت پر کم ہو کر 1.4 سال ہو گئی، جو دوران مدت اثریٹ کی شرح کی مستحکم صورتحال کی وجہ سے متوقع تھی۔

31 دسمبر 2016ء کو فنڈ کے net اثاثہ جات کی مالیت 1,169 ملین روپے تھی، جو 30 جون 2016ء پر 1,050 ملین روپے مالیت کے مقابلے میں 11.33% زیادہ ہے۔

31 دسمبر 2016ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 54.87 روپے تھی، جو 30 جون 2016ء پر 53.61 روپے فی یونٹ قدر کے مقابلے میں 1.26 روپے فی یونٹ

زیادہ ہے۔

مستقبل کا منظر

خام تیل کی قیمتوں کی واپسی سے بڑھتے ہوئے درآمداتی بل کے ماحول میں دستیاب مالیاتی خلاء کے بتدریج ختم ہو جانے کا امکان ہے۔ حکومت کے تازہ ترین پندرہ روزہ فیصلہ جاتی نکات میں پٹرول کی قیمتوں پر نظر ثانی کا حالیہ فیصلہ مالیاتی آزادی پر قدغن کی طرف اشارہ کر رہا ہے۔ حالیہ اعلان کردہ ٹیکسٹائل پیکیج سے برآمدات کے شعبے کو معاونت فراہم ہونے کی توقع ہے۔ تاہم مطلوبہ سے زیادہ قدر کا حامل روپیہ، جیسا کہ REER سے ظاہر ہوتا ہے، ابھی تک ملک کی برآمداتی مسابقت کی صلاحیت کے لئے ایک رکاوٹ ہے۔ تاہم ممکن ہے کہ یہ نوبت تب تک نہ آئے جب تک حکومت قرض کی حصول کے ذریعے اس خلیج کو پُر کرنا جاری رکھے گی۔

پٹرول کی قیمتوں میں اضافوں اور اشیائے خورد و نوش کے افراط زر پر ان کے اثر سے متوقع طور پر افراط زر کے دباؤ کا بھی زور ٹوٹ جائے گا۔ ہماری توقع ہے کہ اس سال کے افراط زر کا اوسط 4.3% ہوگا۔ یہاں یہ بات قابل ذکر ہے کہ دوسری ششماہی میں افراط زر کا اوسط تقریباً 4.8% متوقع ہے، اور سال کے اختتامی مہینوں میں افراط زر 5% سے زیادہ ہوگا۔

اگرچہ ہمیں اُمید ہے کہ افراط زر کے مستحکم رجحانات کے پیش نظر مختصر میعاد میں انریٹ کی شرحیں مستحکم رہیں گی، لیکن زرمبادلہ کی شرح کی مطلوبہ سے زیادہ قدر، اور اس کے ساتھ کمزور خارجی اکاؤنٹ سے مستقبل میں اُبھرنے والے رجحانات کا باریک بین جائزے کا اندازہ ہوتا ہے، وہ رجحانات جو مالیاتی عناصر کو گس دینے کی حمایت کی طرف جھکے ہونے کے باوجود دونوں جانب مرض پھیلا سکتے ہیں۔

چین پاکستان معاشی راہداری سے ترقی کے لیے بے حد مطلوب قوت حاصل ہونے کا امکان ہے؛ 50 بلین ڈالر سے زائد کا یہ پروگرام متوقع طور پر تعمیرات اور توانائی کی خلاء میں سرگرمیاں پیدا کرنے کا محرک بنے گا اور اس کے اثرات دیگر شعبوں پر بھی مرتب ہوں گے۔ تاہم مختصر میعاد میں درآمداتی بل میں اضافے کے ساتھ غیر ملکی براہ راست سرمایہ کاریوں کی آمدات سے کرنٹ اکاؤنٹ میں مزید انحطاط متوقع ہے۔ طویل میعاد میں منافع کی وطن واپسی بھی ادائیگیوں کے توازن کی صورتحال کے لیے ایک خدشہ ہوگی۔

پاکستان انریٹ کی پست / مستحکم شرح کے ماحول اور اس کے ساتھ چین پاکستان معاشی راہداری کی صورت میں ترقی کے محرک کے باعث بہتر مقام بنانے اور معاشی چکر میں ہونے کی وجہ سے اُبھرتی ہوئی مارکیٹ کی دیگر معیشتوں کے مقابلے میں بہتر کارکردگی کا مظاہرہ کرے گا۔ اُمید کی جارہی ہے کہ اس پروگرام سے تعمیرات اور متعلقہ صنعتی شعبوں کو معاونت فراہم ہوگی۔ بیکاری کے

شعبے کو بھی ایڈوانسز کی مضبوط ترقی اور انٹریسٹ کی مستحکم شرح کے ماحول سے متوقع طور پر فائدہ ہوگا۔ باقاعدہ شمولیت کے قریب آنے پر MSCI سے مخصوص کمپنیوں کا منظر عام پر آنا متوقع ہے۔ تاہم ٹرمپ کے امریکی صدر بننے کے بعد عالمی معیشتوں میں غیر یقینی حالات کے نتیجے میں عالمی مارکیٹس میں عدم استحکام اور ابھرتی ہوئی مارکیٹ کے فنڈز پر redemption کے دباؤ سے مارکیٹ کی مختصر المیعا دکار کردگی متاثر ہوگی۔ لیکن ہم مارکیٹ کے بارے میں اپنے مثبت نظریے کا اعادہ کرتے ہیں۔

اظہار تشکر

بورڈ فنڈ کے گراں قدر سرمایہ کاروں، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور فنڈ کے سٹیز کی مسلسل معاونت اور پشت پناہی کے لئے شکریہ ادا ہے۔ علاوہ ازیں، ڈائریکٹر مینجمنٹ ٹیم کی کوششوں کو بھی خراج تحسین پیش کرتے ہیں۔

برائے بورڈ اور بورڈ کی جانب سے



محمد ثاقب سلیم
چیف ایگزیکٹو آفیسر
02 فروری 2017ء

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

PAKISTAN 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 Pakistan Income Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and 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, 2016 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.

Aftab Ahmed Diwan
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 20, 2017



AUDITOR'S REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION



A.F.FERGUSON&CO.

INDEPENDENT AUDITORS' 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 **Pakistan Income Fund** (the Fund) as at December 31, 2016 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' funds and condensed interim cash flow statement together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the half year ended December 31, 2016. The Management Company (MCB-Arif Habib Savings and Investments Limited) 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. The figures of the condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' funds and condensed interim cash flow statement for the quarters ended December 31, 2016 and December 31, 2015 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2016.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of 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 as of and for the half year ended December 31, 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other matter

The condensed interim financial information of the Fund for the half year ended December 31, 2015 was reviewed and the financial statements of the Fund for the year ended June 30, 2016 were audited by another firm of Chartered Accountants who had expressed an unmodified conclusion and opinion thereon vide their reports dated February 4, 2016 and August 5, 2016 respectively.

Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: February 17, 2017

Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
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■ KARACHI ■ LAHORE ■ ISLAMABAD

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES

AS AT DECEMBER 31, 2016

	Note	31 December 2016 (Unaudited) (Rupees in '000)	30 June 2016 (Audited)
ASSETS			
Balances with banks	4	324,873	286,385
Investments	5	475,165	781,941
Receivable against margin trading system		113,976	-
Receivable against sale of investment		258,392	-
Receivable from National Clearing Company of Pakistan Limited		18,348	1,353
Receivable against issue of units		8,073	-
Dividend and profit receivable		10,873	18,115
Advances, deposits and prepayments		7,358	7,020
Total Assets		1,217,058	1,094,814
LIABILITIES			
Payable to the Management Company	6	1,777	1,673
Payable to Central Depository of Pakistan Limited - Trustee		177	169
Payable to Securities and Exchange Commission of Pakistan		410	909
Payable against redemption of units		47	47
Accrued expenses and other liabilities	7	45,614	41,718
Total liabilities		48,025	44,516
NET ASSETS		1,169,033	1,050,298
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		1,169,033	1,050,298
CONTINGENCIES AND COMMITMENTS	8		
(Number of units)			
NUMBER OF UNITS IN ISSUE		21,303,887	19,592,850
(Rupees)			
NET ASSET VALUE PER UNIT (FACE VALUE OF UNITS RS. 50 EACH)		54.87	53.61

The annexed notes 1 to 16 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 HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

	Note	Half year ended		Quarter ended	
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
		----- (Rupees in '000) -----			
Income					
Capital (loss) / gain on sale of investments - net		(3,222)	5,572	(245)	4,169
Dividend income		1,151	-	1,151	-
Profit on bank deposits		14,236	7,273	10,515	5,307
Income from government securities		12,586	33,200	2,151	15,660
Income from term finance certificates		10,587	12,808	4,310	5,266
Income from spread transactions and margin trading system		1,225	29	1,209	11
		<u>36,563</u>	<u>58,882</u>	<u>19,091</u>	<u>30,413</u>
Provision against non-performing debt securities		(735)	(1,699)	473	-
Unrealised appreciation / (diminution) on re-measurement of investments classified as 'at fair value through profit or loss' - net		<u>845</u>	<u>(1,195)</u>	<u>804</u>	<u>(2,333)</u>
Total income		<u>36,673</u>	<u>55,988</u>	<u>20,368</u>	<u>28,080</u>
Expenses					
Remuneration of the Management Company	6.1	8,198	9,242	4,183	4,793
Sindh sales tax and federal excise duty on Management Fee		1,066	2,980	544	1,546
Remuneration of Central Depository Company of Pakistan Limited - Trustee		893	951	451	485
Sindh Sales tax on remuneration of Trustee		116	133	59	68
Annual fee to Securities and Exchange Commission of Pakistan		410	462	209	240
Auditor's remuneration		323	358	159	186
Allocated expenses	10	618	139	315	139
Brokerage expenses		532	100	428	52
Settlement and bank charges		261	200	130	101
Fees and subscription		237	205	150	105
Legal and professional		30	-	15	-
Printing and related costs		121	138	78	95
Total operating expenses		<u>12,805</u>	<u>14,908</u>	<u>6,721</u>	<u>7,810</u>
Net income from operating activities		<u>23,868</u>	<u>41,080</u>	<u>13,647</u>	<u>20,270</u>
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net					
-from realized / unrealized capital gain		(208)	(46)	(151)	(19)
-from other income		1,714	653	1,633	177
		<u>1,506</u>	<u>607</u>	<u>1,482</u>	<u>158</u>
Net income for the period before taxation		<u>25,374</u>	<u>41,687</u>	<u>15,129</u>	<u>20,428</u>
Taxation	11	-	-	-	-
Net income for the period after taxation		<u>25,374</u>	<u>41,687</u>	<u>15,129</u>	<u>20,428</u>
Earnings per unit	12				

The annexed notes 1 to 16 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 COMPREHENSIVE INCOME (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

	Half year ended		Quarter ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	----- (Rupees in '000) -----			
Net income for the period after taxation	25,374	41,687	15,129	20,428
Other comprehensive income:				
Items that may be reclassified subsequently to income statement				
Unrealised appreciation / (diminution) in investments classified as 'available for sale'	1,534	1,059	(54)	(5,999)
Total comprehensive income for the period	<u>26,908</u>	<u>42,746</u>	<u>15,075</u>	<u>14,429</u>

The annexed notes 1 to 16 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 HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

	Half year ended		Quarter ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	----- (Rupees in '000) -----			
Undistributed income brought forward	72,335	73,866	83,073	99,492
Net income for the period	25,374	41,687	15,129	20,428
Element of income and capital gains included in the prices of units issued less those in units redeemed - amount representing unrealized appreciation transferred to distribution statement	6,279	6,274	5,786	1,907
Undistributed income carried forward	<u>103,988</u>	<u>121,827</u>	<u>103,988</u>	<u>121,827</u>

The annexed notes 1 to 16 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 HOLDER'S FUND (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

	Half year ended		Quarter ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	----- (Rupees in '000) -----			
Net assets at beginning of the period	1,050,298	1,131,448	1,069,753	1,225,055
Issue of 5,496,021 (2015: 5,311,277) units and 4,150,546 (2015: 2,084,696) units for the half year and quarter respectively	299,198	288,960	226,748	114,412
Redemption of 3,784,984 (2015: 3,613,891) units and 2,582,189 (2015: 1,605,805) units for the half year and quarter respectively	(205,865)	(197,209)	(141,061)	(88,400)
	93,333	91,751	85,687	26,012
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed				
- amount representing (income) / loss and capital (gains) / losses - transferred to income statement				
-from realized / unrealized capital gain	208	46	151	19
-from other income	(1,714)	(653)	(1,633)	(177)
- amount representing (income) / loss and capital losses / (gains) transferred to distribution statement	(6,279)	(6,274)	(5,786)	(1,907)
	(7,785)	(6,881)	(7,268)	(2,065)
Element of (loss) and capital (losses) that forms part of unit holders' fund transferred to distribution statement	6,279	6,274	5,786	1,907
Net income for the period (excluding net unrealized appreciation in fair value of investments classified as 'at fair value through profit or loss' and capital gain on sale of investments)	27,751	37,310	14,570	18,592
Net unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	845	(1,195)	804	(2,333)
Unrealised appreciation / (diminution) on re-measurement of investments classified as 'available for sale'	1,534	1,059	(54)	(5,999)
Capital gain / (loss) on sale of investments - net	(3,222)	5,572	(245)	4,169
Total comprehensive income for the period.	26,908	42,746	15,075	14,429
Net assets at the end of the period	<u>1,169,033</u>	<u>1,265,338</u>	<u>1,169,033</u>	<u>1,265,338</u>

The annexed notes 1 to 16 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 HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

Note	Half year ended		Quarter ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
------(Rupees in '000)-----				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period before taxation	25,374	41,687	15,129	20,428
Adjustments for non-cash charges and other items:				
Net unrealised (appreciation) / diminution on remeasurement of investments classified as financial assets 'at fair value through profit or loss'	(845)	1,195	(804)	2,333
Provision against non-performing debt securities	735	1,699	(473)	
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed				
-from realized / unrealized capital gain	208	46	151	19
-from other income	(1,714)	(653)	(1,633)	(177)
Net cash generated from operations before working capital changes	23,758	43,974	12,370	22,603
(Increase) / decrease in assets				
Investments - net	383,420	399,319	(87,729)	663,934
Receivable against margin trading system	(113,976)	-	(113,976)	-
Receivable against sale of investment	(258,392)	-	(258,392)	-
Dividend and profit receivable	7,242	(1,548)	(4,485)	(6,938)
Advances and deposits	(338)	(49,611)	(360)	(49,899)
Receivable from National Clearing Company of Pakistan Limited	(16,995)	-	(16,995)	-
	961	348,160	(481,937)	607,097
Increase / (decrease) in liabilities				
Payable to the Management Company	104	(88)	185	134
Payable to Central Depository Company of Pakistan Limited - Trustee	8	34	13	9
Payable to Securities and Exchange Commission of Pakistan	(499)	(332)	209	240
Accrued expenses and other liabilities	3,896	(8,296)	10,337	1,149
	3,509	(8,682)	10,744	1,532
Net cash generated from / (used in) operating activities	28,228	383,452	(458,823)	631,232
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from issuance of units	291,125	288,960	218,675	114,412
Payments against redemption of units	(205,865)	(197,209)	(141,061)	(88,400)
Net cash generated from financing activities	85,260	91,751	77,614	26,012
Net increase in cash and cash equivalents	113,488	475,203	(381,209)	657,244
Cash and cash equivalents at beginning of the period	286,385	226,662	781,082	44,621
Cash and cash equivalents at end of the period	4.1 399,873	701,865	399,873	701,865

The annexed notes 1 to 16 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 AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

1 LEGAL STATUS AND NATURE OF BUSINESS

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 the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

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.

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 them to the Fund. The units are listed on the Pakistan Stock Exchange.

The Fund primarily invests in money market and other short-term instruments which include 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.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned a long-term rating of "AM2++" with a stable outlook (2015: AM2+) to the Management Company on June 8, 2016 while the Fund has been assigned a Fund stability rating of A+(f) (2015: A+(f)) on December 9, 2016.

The 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 approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of the IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.1.2 The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the year ended June 30, 2016.

2.1.3 In compliance with schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at December 31, 2016.

2.2 Functional and presentation currency

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

3 SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ESTIMATES, JUDGMENTS AND CHANGES THEREIN

3.1 The accounting policies and methods of computation followed in the preparation of this condensed interim financial information are the same as those applied in the preparation of the audited financial statements for the year ended 30 June 2016.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

3.2 The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of its accounting policies. The estimates, judgments and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The significant estimates, judgments and assumptions made by the management in applying the accounting policies and the key sources of estimation of uncertainty were the same as those that were applied in the audited annual financial statements as at and for the year ended June 30, 2016. The development in relation to estimation of provision in respect of Workers' Welfare Fund is given in note 7.1.

The financial risk management objectives and policies are consistent with those disclosed in the annual published audited financial statements of the Fund for the year ended June 30, 2016.

3.3 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

There are certain amended standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2016 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are, therefore, not detailed in this condensed interim financial information.

3.4 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

There are certain amended standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2017 but are considered not to be relevant or will not have any significant effect on the Fund's operations and are, therefore, not detailed in this condensed interim financial information.

	Note	31 December 2016 (Unaudited)	30 June 2016 (Audited)
		(Rupees in '000)	
4 BALANCE WITH BANKS			
Current accounts	4.2	1,799	1,367
Saving accounts	4.2 & 4.3	323,074	285,018
		324,873	286,385
4.1 CASH AND CASH EQUIVALENTS			
Balances with banks		324,873	286,385
Term deposit receipts - having original maturity of 3 months or less	5.9	75,000	-
		399,873	286,385
4.2 Deposits of Rs. 3.072 (June 2016: Rs. 38.901) million in saving accounts and Rs. 1.799 (June 2016: Rs. 1.367) million in current accounts are maintained with MCB Bank Limited, a related party of the Fund.			
4.3 These carry mark-up at rates ranging from 3.75 % to 9.5% per annum (June 2016: 3.75% to 7.25% per annum).			
	Note	31 December 2016 (Unaudited)	30 June 2016 (Audited)
5 INVESTMENTS		(Rupees in '000)	
5.1 Financial assets 'at fair value through profit or loss' - net			
Government securities	5.4	49,855	236,630
Listed debt securities	5.5	227,132	226,233
Unlisted debt securities	5.6	15,118	22,824
		292,105	485,687
5.2 Available for sale investments			
Government securities	5.7	8,060	296,254
5.3 Loans and receivables			
Term deposit receipts	5.9	175,000	-
		475,165	781,941

	Note	(Unaudited) December 31, 2016	(Audited) June 30, 2016
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		(Rupees in '000)	(Rupees in '000)

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1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100	101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120	121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200	201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466
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<p> $\frac{1}{2} \times \frac{1}{2} = \frac{1}{4}$ $\frac{1}{2} \times \frac{1}{4} = \frac{1}{8}$ $\frac{1}{4} \times \frac{1}{4} = \frac{1}{16}$ $\frac{1}{4} \times \frac{1}{8} = \frac{1}{32}$ $\frac{1}{8} \times \frac{1}{8} = \frac{1}{64}$ $\frac{1}{8} \times \frac{1}{16} = \frac{1}{128}$ $\frac{1}{16} \times \frac{1}{16} = \frac{1}{256}$ $\frac{1}{16} \times \frac{1}{32} = \frac{1}{512}$ $\frac{1}{32} \times \frac{1}{32} = \frac{1}{1024}$ $\frac{1}{32} \times \frac{1}{64} = \frac{1}{2048}$ $\frac{1}{64} \times \frac{1}{64} = \frac{1}{4096}$ $\frac{1}{64} \times \frac{1}{128} = \frac{1}{8192}$ $\frac{1}{128} \times \frac{1}{128} = \frac{1}{16384}$ $\frac{1}{128} \times \frac{1}{256} = \frac{1}{32768}$ $\frac{1}{256} \times \frac{1}{256} = \frac{1}{65536}$ $\frac{1}{256} \times \frac{1}{512} = \frac{1}{131072}$ $\frac{1}{512} \times \frac{1}{512} = \frac{1}{262144}$ $\frac{1}{512} \times \frac{1}{1024} = \frac{1}{524288}$ $\frac{1}{1024} \times \frac{1}{1024} = \frac{1}{1048576}$ $\frac{1}{1024} \times \frac{1}{2048} = \frac{1}{2097152}$ $\frac{1}{2048} \times \frac{1}{2048} = \frac{1}{4194304}$ $\frac{1}{2048} \times \frac{1}{4096} = \frac{1}{8388608}$ $\frac{1}{4096} \times \frac{1}{4096} = \frac{1}{16777216}$ $\frac{1}{4096} \times \frac{1}{8192} = \frac{1}{33554432}$ $\frac{1}{8192} \times \frac{1}{8192} = \frac{1}{67108864}$ $\frac{1}{8192} \times \frac{1}{16384} = \frac{1}{134217728}$ $\frac{1}{16384} \times \frac{1}{16384} = \frac{1}{268435456}$ $\frac{1}{16384} \times \frac{1}{32768} = \frac{1}{536870912}$ $\frac{1}{32768} \times \frac{1}{32768} = \frac{1}{1073741824}$ $\frac{1}{32768} \times \frac{1}{65536} = \frac{1}{2147483648}$ $\frac{1}{65536} \times \frac{1}{65536} = \frac{1}{4294967296}$ $\frac{1}{65536} \times \frac{1}{131072} = \frac{1}{8589934592}$ $\frac{1}{131072} \times \frac{1}{131072} = \frac{1}{17179869184}$ $\frac{1}{131072} \times \frac{1}{262144} = \frac{1}{34359738368}$ $\frac{1}{262144} \times \frac{1}{262144} = \frac{1}{68719476736}$ $\frac{1}{262144} \times \frac{1}{524288} = \frac{1}{137438953472}$ $\frac{1}{524288} \times \frac{1}{524288} = \frac{1}{274877906944}$ $\frac{1}{524288} \times \frac{1}{1048576} = \frac{1}{549755813888}$ $\frac{1}{1048576} \times \frac{1}{1048576} = \frac{1}{1099511627776}$ $\frac{1}{1048576} \times \frac{1}{2097152} = \frac{1}{2199023255552}$ $\frac{1}{2097152} \times \frac{1}{2097152} = \frac{1}{4398046511104}$ $\frac{1}{2097152} \times \frac{1}{4398046511104} = \frac{1}{8796093022208}$ $\frac{1}{4398046511104} \times \frac{1}{4398046511104} = \frac{1}{17592186044416}$ $\frac{1}{4398046511104} \times \frac{1}{8796093022208} = \frac{1}{35184372088832}$ $\frac{1}{8796093022208} \times \frac{1}{8796093022208} = \frac{1}{70368744177664}$ $\frac{1}{8796093022208} \times \frac{1}{17592186044416} = \frac{1}{140737488355328}$ $\frac{1}{17592186044416} \times \frac{1}{17592186044416} = \frac{1}{281474920889664}$ $\frac{1}{17592186044416} \times \frac{1}{35184372088832} = \frac{1}{563749841778328}$ $\frac{1}{35184372088832} \times \frac{1}{35184372088832} = \frac{1}{1129374604716640}$ $\frac{1}{35184372088832} \times \frac{1}{70368744177664} = \frac{1}{2258749209433280}$ $\frac{1}{70368744177664} \times \frac{1}{70368744177664} = \frac{1}{4551498871989760}$ $\frac{1}{70368744177664} \times \frac{1}{140737488355328} = \frac{1}{9102997743979520}$ $\frac{1}{140737488355328} \times \frac{1}{140737488355328} = \frac{1}{19708227001574400}$ $\frac{1}{140737488355328} \times \frac{1}{281474920889664} = \frac{1}{39416454093148800}$ $\frac{1}{281474920889664} \times \frac{1}{281474920889664} = \frac{1}{78832908186297600}$ $\frac{1}{281474920889664} \times \frac{1}{563749841778328} = \frac{1}{157749868374595600}$ $\frac{1}{563749841778328} \times \frac{1}{563749841778328} = \frac{1}{315499736749191200}$ $\frac{1}{563749841778328} \times \frac{1}{1129374604716640} = \frac{1}{630999473498382400}$ $\frac{1}{1129374604716640} \times \frac{1}{1129374604716640} = \frac{1}{1265318069230080000}$ $\frac{1}{1129374604716640} \times \frac{1}{2258749209433280} = \frac{1}{2530636418460160000}$ $\frac{1}{2258749209433280} \times \frac{1}{2258749209433280} = \frac{1}{5081362836920320000}$ $\frac{1}{2258749209433280} \times \frac{1}{4551498871989760} = \frac{1}{10262725673840640000}$ $\frac{1}{4551498871989760} \times \frac{1}{4551498871989760} = \frac{1}{20525451347681280000}$ $\frac{1}{4551498871989760} \times \frac{1}{9102997743979520} = \frac{1}{41050902695362560000}$ $\frac{1}{9102997743979520} \times \frac{1}{9102997743979520} = \frac{1}{82101805390725120000}$ $\frac{1}{9102997743979520} \times \frac{1}{17592186044416} = \frac{1}{159803712883200000000}$ $\frac{1}{17592186044416} \times \frac{1}{17592186044416} = \frac{1}{309607425766400000000}$ $\frac{1}{17592186044416} \times \frac{1}{35184372088832} = \frac{1}{619214851532800000000}$ $\frac{1}{35184372088832} \times \frac{1}{35184372088832} = \frac{1}{1238429703065600000000}$ $\frac{1}{35184372088832} \times \frac{1}{70368744177664} = \frac{1}{2476859406131200000000}$ $\frac{1}{70368744177664} \times \frac{1}{70368744177664} = \frac{1}{4953718812262400000000}$ $\frac{1}{70368744177664} \times \frac{1}{140737488355328} = \frac{1}{9907437624524800000000}$ <</p>
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1,600 2,200

5.5.1 Listed debt securities - term finance certificates

*** These certificates have a face value of Rs. 1 million and Rs. 1 hundred thousand respectively.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

Name of investee company	As at July 1, 2016	Purchased during the period	Bonus/ rights issue during the period	Sales during the period	As at December 31, 2016	Carrying Value as at December 31, 2016	Market value as at December 31, 2016	Appreciation/ (Diminution) as at December 31, 2016	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
	(Number of shares)					(Rupees in '000)					
Oil and Gas Exploration Companies											
Oil and Gas Development Company Limited	-	44,000	-	44,000	-	-	-	-	-	-	-
Pakistan Oilfields Limited	-	10,500	-	10,500	-	-	-	-	-	-	-
Pakistan Petroleum Limited	-	37,000	-	37,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
Oil and Gas Marketing Companies											
Hascol Petroleum Limited	-	69,000	-	69,000	-	-	-	-	-	-	-
Pakistan State Oil Company Limited	-	24,500	-	24,500	-	-	-	-	-	-	-
						-	-	-	-	-	-
Power Generation and Distribution											
Hub Power Company Limited	-	500	-	500	-	-	-	-	-	-	-
Kot Addu Power Company Limited	-	1,500	-	1,500	-	-	-	-	-	-	-
K- Electric Limited (Par value of Rs. 3.5 each)	-	453,500	-	453,500	-	-	-	-	-	-	-
						-	-	-	-	-	-
Refinery											
Attock Refinery Limited	-	98,500	-	98,500	-	-	-	-	-	-	-
						-	-	-	-	-	-
Technology and Communication											
Hum Network Limited	-	63,500	-	63,500	-	-	-	-	-	-	-
Pakistan Telecommunication Company Limited	-	1,095,500	-	1,095,500	-	-	-	-	-	-	-
TRG Pakistan Limited	-	379,000	-	379,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
Textile Composite											
Nishat Chunian Limited*	-	592,000	-	592,000	-	-	-	-	-	-	-
Nishat Mills Limited*	-	61,000	-	61,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
Total - December 31, 2016						-	-	-	-	-	-
Total - 30 June 2016						-	-	-	-	-	-

* These denote transactions with related parties.

	Note	(Unaudited) 31 December 2016	(Audited) 30 June 2016
5.9 Loans and receivables			
Term Deposit Receipts - having original maturity of 3 months or less	5.9.1	75,000	-
Term Deposit Receipts - having original maturity exceeding 3 months	5.9.1	100,000	-
		<u>175,000</u>	<u>-</u>

5.9.1 Term deposit receipts carry mark-up rates ranging from 6.5% to 7% per annum and maturities from January 4, 2017 to March 7, 2017.

	Note	(Unaudited) 31 December 2016	(Audited) 30 June 2016
6 PAYABLE TO MANAGEMENT COMPANY			
Management fee payable	6.1	1,482	1,384
Sindh sales tax payable on management fee		193	194
Sales load payable		3	2
Payable against allocated expenses		<u>99</u>	<u>93</u>
		<u>1,777</u>	<u>1,673</u>

6.1 As per the amendments made in the NBFC Regulations, 2008 vide SRO 1160(1)/2015 dated November 25, 2015, the Management Company is entitled to a remuneration equal to an amount not exceeding 1.5% of the average annual net assets in case of income schemes. During the half year ended 31 December 2016, the Management Company has charged its remuneration at the rate of 1.5% per annum of the average annual net assets of the Fund as prescribed under the NBFC Regulations, 2008. The fee is payable to the Management Company monthly in arrears.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	Note	(Unaudited) 31 December 2016	(Audited) 30 June 2016
7	ACCRUED EXPENSES AND OTHER LIABILITIES	(Rupees in '000)	
Provision for Workers' Welfare Fund	7.1	24,327	24,327
Legal and professional charges		90	60
Withholding tax on capital gains		106	6,474
Auditors' remuneration		400	461
Brokerage		342	77
Zakat		165	165
Provision for Federal Excise Duty and related taxes on management fee	7.2	9,210	9,210
Provision for Federal Excise Duty on sales load	7.2	239	239
Payable against wrong deposit		10,000	-
Others		735	705
		45,614	41,718

- 7.1** The Finance Act, 2008 had introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) as a result of which it was construed that all Collective Investment Schemes (CISs) / mutual funds whose income exceeded Rs 0.5 million in a tax year were 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 was higher. In light of this, the Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honourable Sindh High Court (SHC) challenging the applicability of WWF on CISs which is pending adjudication. Similar cases were disposed of by the Peshawar and the Lahore High Courts in which these amendments were declared unlawful and unconstitutional. However, these decisions were challenged in the Supreme Court of Pakistan.

Subsequently, the Finance Act, 2015 introduced an amendment under which CISs / mutual funds have been excluded from the definition of "industrial establishment" subject to WWF under the WWF Ordinance. Consequently, mutual funds are not subject to this levy after the introduction of this amendment which is applicable from tax year 2016. Accordingly, no further provision in respect of WWF was made with effect from July 1, 2015.

On November 10, 2016 the Supreme Court of Pakistan (SCP) has passed a judgment declaring the amendments made in the Finance Acts 2006 and 2008 pertaining to WWF as illegal citing that WWF was not in the nature of tax and could, therefore, not have been introduced through money bills. Accordingly, the aforesaid amendments have been struck down by the SCP. The Federal Board of Revenue has filed a petition in the SCP against the said judgment, which is pending for hearing. While the petitions filed by the CISs on the matter are still pending before the SHC, the Mutual Funds Association of Pakistan (MUFAP) (collectively on behalf of the asset management companies and their CISs) has taken legal and tax opinions on the impact of the SCP judgement on the CISs petition before the SHC. Both legal and tax advisors consulted were of the view that the judgment has removed the very basis on which the demands were raised against the CISs. Therefore, there was no longer any liability against the CISs under the WWF Ordinance and that all cases pending in the SHC or lower appellate forums will now be disposed of in light of the earlier judgement of the SCP.

Furthermore, as a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies (including the Management Company of the Fund) whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF.

In view of the above developments regarding the applicability of Federal and SWWF on CISs / mutual funds and considering the legal opinion obtained on these matters, MUFAP has recommended the following to all its members on January 12, 2017:

- based on legal opinion, the entire provision against the WWF held by the CISs till June 30, 2015, should be reversed on January 12, 2017; and
- as a matter of abundant caution, the provision in respect of SWWF should be made with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015) on January 12, 2017.

Accordingly, on January 12, 2017 the provision for WWF was reversed and the provision for SWWF was made for the period from May 21, 2015 to January 12, 2017. Thereafter, the provision for SWWF is being made on a daily basis going forward.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

The above decisions were communicated to the SECP and the Pakistan Stock Exchange Limited on January 12, 2017 and the SECP vide its letter dated February 1, 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs / mutual funds.

The net effect of the above two adjustments if these had been made on December 31, 2016 would have resulted in an increase in the net asset value per unit of the Fund by Re 1.2207.

7.2 'The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from 13 June 2013. As the asset management services rendered by the Management Company of the Fund were already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund, the Management Company was of the view that further levy of FED was not justified.

'On September 4, 2013, a Constitutional Petition was filed in the Honourable Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustees, challenging the levy of FED.

During the half year ended December 31, 2016, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan. Thereafter, during the pendency of the present civil petition, the Supreme Court has suspended the operation of the impugned judgement of the SHC. The matter is still pending adjudication.

'With effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

'In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED made for the period for June 30, 2013 till June 30, 2016 amounting to Rs 11.667 million (June 30, 2016: Rs 11.667 million) is being retained in the condensed interim financial information of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the said provision for FED not been recorded in the condensed interim financial information of the Fund, the net asset value of the Fund as at December 31, 2016 would have been higher by Rs 1.4028 per unit (June 30, 2016: Rs 1.2132).

8 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 31 December 2016 and June 30, 2016 except as disclosed below.

	(Unaudited) December 31, 2016	(Audited) June 30, 2016
	----- (Rupees in '000) -----	
8.1 Commitments		
Margin Trading System (MTS) transactions entered into by the Fund in respect of which the purchase transactions not settled as at period end	<u>41,498</u>	<u>-</u>
Margin Trading System (MTS) transactions entered into by the Fund in respect of which the sale transactions not settled as at period end	<u>22,263</u>	<u>-</u>

9 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at December 31, 2016 is 1.25% which includes 0.15% representing government levies on the Fund such as sales taxes, annual fee payable to the SECP, etc. This ratio is within the maximum limit of 2% prescribed under the NBFC Regulations for a collective investment scheme categorised as an income fund.

10 ALLOCATED EXPENSES

In accordance with the provisions of the NBFC Regulations, 2008 (amended vide S.R.O 1160(I) / 2015 dated November 25, 2015), the Management Company of the Fund is entitled to reimbursement of fees and expenses in relation to registrar services, accounting, operation and valuation services related to the Fund upto a maximum of 0.1% of the average annual net assets of the Scheme or actual, whichever is less. Accordingly, the Management Company has charged expenses at the rate of 0.1% per annum of the average annual net assets of the Fund during the period being lower than actual expenses chargeable to the Fund for the period.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

11 TAXATION

The income of the Fund 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 ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed in cash to the unit holders. The management intends to distribute atleast 90% of the Fund's net accounting income earned by the year end to the unit holders. Accordingly, no provision in respect of taxation has been made in this condensed interim financial information.

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.

12 EARNINGS PER UNIT

Earnings per unit has not been disclosed as in the opinion of management determination of cumulative weighted average number of outstanding units is not practicable.

13 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties include the Management Company, its parent and the related subsidiaries of the parent, associated companies / undertakings of the Management Company, its parents and the related subsidiaries, other funds managed by the Management Company, post employment benefit funds of the Management Company, employment funds of the parent, subsidiaries and its associated undertakings. It also includes the Central Depository Company of Pakistan Limited being the Trustee of the Fund, the directors and officers of the Management Company and any person or Company beneficially owning directly or indirectly 10% or more of the units in issue / net assets of the Fund.

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

Remuneration of the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

13.1 Details of transactions with the connected persons / related parties during the period are as follows:

	Half year ended 31 December	
	2016	2015
	(Unaudited)	
	(Rupees in '000)	
MCB-Arif Habib Savings and Investments Limited		
Remuneration of the Management Company (including indirect taxes)	9,264	12,222
Allocated expenses (including indirect taxes)	618	139
Central Depository Company of Pakistan Limited		
Remuneration of the trustee (including indirect taxes)	1,009	1,084
CDC settlement charges	17	3
MCB Bank Limited		
Profit on bank deposits	110	437
Bank charges	3	14
Next Capital Limited		
Brokerage expense*	33	13
Arif Habib Limited		
Brokerage expense*	9	-

* 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 connected persons.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

		Half year ended 31 December	
		2016	2015
		(Unaudited)	
		(Rupees in '000)	
	Summit Capital (Private) Limited**		
	Brokerage expense*	-	2
	Nishat (Chunian) Limited		
	Dividend Income	88	-
	Fauji Cement Company Limited**		
	Issue of nil units (2015: 2,304,859 units)	-	125,000
	Directors and Executives of the Management Company		
	Issue of 22 units (2015: nil units)	1	-
	Redemption of nil units (2015: 6740)	-	364
		31 December 2016 (Unaudited)	30 June 2016 (Audited)
		(Rupees in '000)	
13.2	Balance outstanding as at the period end		
	MCB-Arif Habib Savings and Investments Limited		
	Remuneration payable to the Management Company	1,482	1,384
	Sales tax payable on remuneration of the Management Company	193	194
	Sales load payable	3	2
	Payable against allocated expenses	99	93
	Central Depository Company of Pakistan Limited		
	Remuneration payable to the Trustee	157	148
	Sales tax payable on trustee fee	20	21
	Security deposits	200	200
	MCB Bank Limited		
	Bank deposits	4,871	40,268
	Profit receivable	6	29
	Amount receivable against issue of units		
	MCB Pakistan Stock Market Fund	5,262	-
	Pakistan Income Enhancement Fund	2,811	-
	Amount payable against wrong deposit		
	Pakistan Income Enhancement Fund	10,000	-
	Directors and Executives of the Management Company		
	Former Chief Executive**		
	Nil units held (2016: 729)	-	39
	Other Executives		
	372 units held (2016: 350)	20	19

* 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 connected persons.

** Current period figures have not been presented since the persons / entities are no longer related parties of the Fund.

14 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability can be settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Fair value of investments is determined as follows:

- Fair value of listed equity securities is determined on the basis of closing market prices quoted on the respective stock exchange.
- Investments in government securities are valued on the basis of average rates of brokers as announced by the Financial Markets Association of Pakistan.
- Listed and unlisted debt securities, other than government securities, are valued on the basis of prices announced by the Mutual Funds Association of Pakistan (MUFAP), as per the method of valuation agreed with the Trustees of the Fund under the Rules. The MUFAP calculates these prices in accordance with the SECP's Circular 1 of 2009. The said circular prescribes a valuation methodology which, in case of currently traded securities, is based on weighted average prices during the 15 days preceding the valuation date and in case of thinly or non-traded securities, on the basis of discount coupon method which takes into consideration credit risk and maturities of the instruments.
- Fair value of future contracts are determined on the basis of closing market prices quoted on the respective stock exchange.
- The fair value of all other financial assets and financial liabilities of the Fund approximate their carrying amounts due to short term maturities of these instruments.

14.1 Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Fair value measurements using quoted price (unadjusted) in an active market for identical assets or liabilities. Level 1
- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 2
- Fair value measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs). Level 3

As at December 31, 2016, the Fund held the following financial instruments measured at fair value:

[illegible]

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

15 DATE OF AUTHORIZATION FOR ISSUE

- 15.1** This condensed interim financial information was authorized for issue on February 02, 2017 by the Board of Directors of the Management Company.

16 GENERAL

- 16.1** Figures have been rounded off to the nearest thousand rupees.
- 16.2** Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation. No significant reclassifications have been made during the current period.



Chief Executive Officer

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



Director

Please find us on



by typing: **MCB Arif Habib Savings**

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