

Half Year Report
December 31, 2015
(Unaudited)



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

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.

PAKISTAN INCOME FUND

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FUND'S INFORMATION

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

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **Pakistan Income Fund's** accounts review for the first half ended December 31st, 2015.

ECONOMY AND MONEY MARKET OVERVIEW

Overall economic score card continued to gather stability with the significant drop in Int'l Crude Oil Prices. Inflation continued to soften despite a small portion of recent decline in oil prices is passed through as other commodity prices and overall food sector also contributed to the overall slowdown. Recent drop in crude oil has deferred the earlier anticipated uptick in inflation as the full year FY16 average inflation is now expected to remain below 3%.

External account continued to remain stable where Petroleum Group Imports during the 1HFY16 are lower by approx 39% compared to 1HFY15. However, sizeable increase in imports of food and machinery groups and a significant decline in exports (down 14.5% in 1HFY15 YoY) shaved off approximately the two third of the benefit of drop oil prices. Suffering from weak global demand and relative in-competitiveness the decline was most visible in the other manufacturing sector followed by food and textile sectors. Overall Balance of payment account reported a surplus of near USD 1.5 billion supported by a narrower current account and inflows in financial account. Overall positive external account impact and strong foreign exchange reserves balance of near USD 20.76 Billion alongwith strict vigilance of SBP kept the rupee relatively stable.

M2 growth returned to positive territory on FY16 to date basis (25-Dec) which reflects the seasonal adjustment where Net Domestic Assets continually supported by a net government borrowing of about PKR 95 billion with a contribution from Net Financial Asset of PKR 168 billion. Money markets remained optimistic about further cut in discount rate and its sustainability in later half of the year. Yield Curve has thus recently witnessed a slight increase in slope with longer dated bonds remaining relatively less responsive to the expected change in policy rate.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 7.02% as against its benchmark return of 7.09%. At period-end, the fund was 7.2% invested in Treasury Bills, 22.3% in TFCs, 14.7% in PIBs and 42.4% in Cash. Weighted average maturity of the fund decreased to 1.5 years at period end compared to 2.1 years at June end as per anticipation of stable interest rate outlook during the half year..

The Net Assets of the Fund as at December 31, 2015 stood at Rs. 1,265 million as compared to Rs. 1,131 million as at June 30, 2015 registering an increase of 11.85%.

The Net Asset Value (NAV) per unit as at December 31, 2015 was Rs. 55.31 as compared to opening NAV of Rs. 53.42 per unit as at June 30, 2015 registering an increase of Rs. 1.89 per unit.

FUTURE OUTLOOK

Crude Oil Prices have created space on fiscal account with lower subsidies and debt servicing burden however major reforms for resolution of circular debt are yet missing which in turn is leaving the chronic issue unresolved. On the other hand, the weak economic outlook of GCC region and Saudi Arabia opens up a potential risk to flow of remittances which contribute more than 60% to the total. Weak exports and potentially weak remittances can be a significant threat to overall stable economic environment and more importantly the exchange rate. Despite real positive interest rates and weak inflationary outlook, we think the emerging risks to current account shall weigh on any considerations for significant monetary easing.

The short term macro stability is expected to provide favorable environment for economic activities to pick up. The average Consumer Price Index is expected to remain around 3% for the year with the second half of fiscal year inflation expected to average around 4%. We expect the inflation to gradually pick up but it is expected to remain well anchored next year assuming oil prices remain at lower levels.

Budgeted target for economic growth appear achievable while fiscal deficit may marginally exceed due to challenges in revenue collection despite significant reduction in subsidies.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

The China Pakistan Economic Corridor is expected to provide much needed impetus to growth with \$46 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.

ACKNOWLEDGMENT

The Board is thankful to the Fund's valued investors, the Securities and Exchange Commission of Pakistan and the Trustees of the Fund for their continued cooperation and support. The Directors also appreciate the efforts put in by the management team.

On behalf of Directors,



Saqib Saleem
Acting Chief Executive Officer

February 04, 2016

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 Shakra-e-Faisal
Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



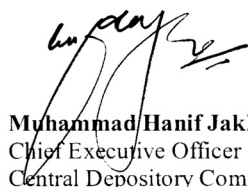
TRUSTEE REPORT TO THE UNIT HOLDERS

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, 2015 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 18, 2016



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

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Shahrah-e-Faisal
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Pakistan

Tel: +92 (0) 21 3454 6494-7
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**AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF
INTERIM FINANCIAL INFORMATION**

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of Pakistan Income Fund (the Fund) as at December 31, 2015, and the related condensed interim income statement, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in unit holders' fund together with the notes forming part thereof (here-in-after referred to as the 'interim financial information'), for the half year ended December 31, 2015. The Management Company (MCB Arif Habib Savings and Investments Limited) is responsible for the preparation and presentation of this 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 interim financial information based on our review. The figures of the condensed interim income statement, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in unit holders' fund for the quarters ended December 31, 2015 and 2014 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2015.

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 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.

Member of
Deloitte Touche Tohmatsu Limited

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

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2015 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.


Chartered Accountants

Engagement Partner
Mushtaq Ali Hirani

Dated: February 04, 2016
Karachi

Member of
Deloitte Touche Tohmatsu Limited

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES

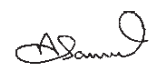
AS AT DECEMBER 31, 2015

		(Un-audited) December 31, 2015	(Audited) June 30, 2015
	Note	----- (Rupees in '000) -----	
ASSETS			
Balances with banks	5	701,865	226,662
Investments	6	523,788	924,942
Profit receivable		17,480	15,932
Advances, deposits and prepayments		58,191	8,580
Total assets		1,301,324	1,176,116
LIABILITIES			
Payable to the Management Company		2,014	1,963
Payable to the Central Depository Company of Pakistan Limited - Trustee		208	174
Payable to the Securities and Exchange Commission of Pakistan		462	794
Payable against redemption of units		47	47
Accrued expenses and other liabilities	7	33,255	41,690
Total liabilities		35,986	44,668
NET ASSETS		1,265,338	1,131,448
Unit holders' funds (as per statement attached)		1,265,338	1,131,448
Contingencies and commitments	8		
		(Number of units)	
NUMBER OF UNITS IN ISSUE		22,878,961	21,181,575
		----- (Rupees) -----	
NET ASSET VALUE PER UNIT		55.31	53.42

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.

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


Director


Director

As the approval of the appointment of the Chief Executive Officer from the Securities and Exchange Commission of Pakistan is awaited, this condensed interim financial information has been signed by two directors authorized in this behalf by the Board of directors of the Management Company.


CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

		Half year ended December 31,		Quarter ended December 31,	
		2015	2014	2015	2014
Note		(Rupees in '000)			
INCOME					
Income from government securities		33,200	31,853	15,660	20,958
Income from term finance and sukuk certificates		12,808	22,011	5,266	14,390
Profit on bank deposits and term deposit receipts		7,273	4,694	5,307	3,208
Capital gain / (loss) on sale of investments - net		5,572	143	4,169	(7,226)
Income on deposit with NCCPL against exposure margin		29	-	11	-
		58,882	58,701	30,413	31,330
Unrealised (diminution)/ appreciation on re-measurement of investments classified as 'at fair value through profit or loss' - net	6.5	(1,195)	15,419	(2,333)	9,000
Provision against non-performing debt securities		(1,699)	(451)	-	(451)
Total income		55,988	73,669	28,080	39,879
EXPENSES					
Remuneration of the Management Company		9,242	7,683	4,793	3,861
Sales tax and Federal Excise Duty on remuneration of the Management Company		2,980	2,566	1,546	1,289
Remuneration of the Central Depository Company of Pakistan Limited - Trustee		951	864	485	433
Sindh Sales tax on remuneration of the trustee	9	133	-	68	-
Securities and Exchange Commission of Pakistan - fee		462	384	240	193
Allocated expense	10	139	-	139	-
Securities transaction cost		100	70	52	70
Settlement and bank charges		200	130	101	27
Fees and subscription		205	101	105	53
Auditors' remuneration		358	252	186	126
Printing and related costs		138	38	95	38
Legal and professional		-	177	-	177
Total expenses		14,908	12,265	7,810	6,267
		41,080	61,404	20,270	33,612
Net element of income/ (loss) and capital gains/ (losses) included in prices of units issued less those in units redeemed	3.1				
Arising from capital gain and unrealised gain		(46)	(259)	(19)	(181)
Arising from other income		653	(498)	177	(347)
Provision for Workers' Welfare Fund	7.1	-	(1,214)	-	(663)
Net income for the period before taxation		41,687	59,433	20,428	32,421
Taxation	11	-	-	-	-
Net income for the period after taxation		41,687	59,433	20,428	32,421
Other comprehensive income for the period					
<i>Items that may be reclassified to profit and loss account</i>					
Unrealised appreciation/ (diminution) on re-measurement of investments classified as available for sale - net	6.6	1,059	2,625	(5,999)	2,008
Total comprehensive income for the period		42,746	62,058	14,429	34,429
Earnings per unit	12				

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.

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


Director


Director

As the approval of the appointment of the Chief Executive Officer from the Securities and Exchange Commission of Pakistan is awaited, this condensed interim financial information has been signed by two directors authorized in this behalf by the Board of directors of the Management Company.

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

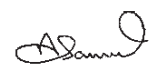
	Half year ended December 31,		Quarter ended December 31,	
	2015	2014	2015	2014
	----- (Rupees in '000) -----			
Undistributed income brought forward	73,866	40,292	99,492	66,579
Net element of income/ (loss) and capital gains/ (losses) included in the prices of units issued less those in units redeemed - transferred from unit holders' fund	6,274	(1,309)	1,907	(584)
Net income for the period	41,687	59,433	20,428	32,421
	47,961	58,124	22,335	31,837
Undistributed income carried forward	121,827	98,416	121,827	98,416

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.

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



Director



Director

As the approval of the appointment of the Chief Executive Officer from the Securities and Exchange Commission of Pakistan is awaited, this condensed interim financial information has been signed by two directors authorized in this behalf by the Board of directors of the Management Company.

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

	Half year ended December 31,		Quarter ended December 31,	
	2015	2014	2015	2014
------(Rupees in '000)-----				
Net assets at beginning of the period	1,131,448	1,007,818	1,225,055	1,016,940
Issue of 5,311,277 units (2014: 1,429,226 units) and 2,084,696 units (2014: 769,230 units) for the half year and quarter ended respectively	288,960	76,932	114,412	42,158
Redemption of 3,613,891 units (2014: 2,063,050 units) and 1,605,805 units (2014: 1,047,379 units) for the half year and quarter ended respectively	(197,209)	(110,687)	(88,400)	(57,177)
	91,751	(33,755)	26,012	(15,019)
Net element of (income)/ loss and (capital gains)/ losses included in prices of units issued less those in units redeemed				
- amount representing (income)/ loss and (capital gains)/ losses transferred to the Income Statement				
Arising from capital gain and unrealised gain	46	259	19	181
Arising from other income	(653)	498	(177)	347
- amount representing (income)/ loss that forms part of unit holders' fund transferred to Distribution Statement	(6,274)	1,309	(1,907)	584
	(6,881)	2,066	(2,065)	1,112
Net element of income/ (loss) and capital gains/ (losses) included in prices of units issued less those in units redeemed - amount representing unrealised income	6,274	(1,309)	1,907	(584)
Capital gain / (loss) on sale of investments - net	5,572	143	4,169	(7,226)
Unrealised (diminution)/ appreciation on re-measurement of investments classified as at fair value through profit or loss - net	(1,195)	15,419	(2,333)	9,000
Other net income for the period	37,310	43,871	18,592	30,647
Unrealised appreciation/ (diminution) on re-measurement of investments classified as available for sale	1,059	2,625	(5,999)	2,008
Total Comprehensive income for the period	42,746	62,058	14,429	34,429
Net assets at end of the period	1,265,338	1,036,878	1,265,338	1,036,878

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.

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


Director


Director

As the approval of the appointment of the Chief Executive Officer from the Securities and Exchange Commission of Pakistan is awaited, this condensed interim financial information has been signed by two directors authorized in this behalf by the Board of directors of the Management Company.

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

Half year ended December 31,		Quarter ended December 31,	
2015	2014	2015	2014
----- (Rupees in '000) -----			

A. CASH FLOWS FROM OPERATING ACTIVITIES

Net income for the period	41,687	59,433	20,428	32,421
<i>Adjustments</i>				
Net unrealised diminution/ (appreciation) in value of investments classified as at fair value through profit or loss	1,195	(15,419)	2,333	(9,000)
Net element of (income)/ loss and (capital gains)/ capital losses included in prices of units issued less those in units redeemed				
Arising from capital gain and unrealised gain	46	259	19	181
Arising from other income	(653)	498	(177)	347
Provision against non-performing debt securities	1,699	451	-	451
	<u>43,974</u>	<u>45,222</u>	<u>22,603</u>	<u>24,400</u>

Decrease/ (increase) in assets

Investments	399,319	(301,805)	663,934	(258,576)
Profit receivable	(1,548)	(1,962)	(6,938)	(13,659)
Advances, deposits and prepayments	(49,611)	32,821	(49,899)	(622)
	<u>348,160</u>	<u>(270,946)</u>	<u>607,097</u>	<u>(272,857)</u>

(Decrease)/ increase in liabilities

Payable to the Management Company	(88)	60	134	(214)
Payable to the Central Depository Company of Pakistan Limited - Trustee	34	5	9	5
Payable to the Securities and Exchange Commission of Pakistan - fee	(332)	(373)	240	193
Payable against redemption of units	-	(1,367)	-	-
Accrued expenses and other liabilities	(8,296)	3,841	1,149	3,066
	<u>(8,682)</u>	<u>2,166</u>	<u>1,532</u>	<u>3,050</u>
Net cash generated from / (used in) operating activities	A 383,452	(223,558)	631,232	(245,407)


B. CASH FLOWS FROM FINANCING ACTIVITIES

Receipts from issuance of units	288,960	76,932	114,412	42,158
Payments on redemption of units	(197,209)	(110,687)	(88,400)	(57,177)
Net cash used in financing activities	B 91,751	(33,755)	26,012	(15,019)
Net increase/ (decrease) in cash and cash equivalents during the period	(A+B) 475,203	(257,313)	657,244	(260,426)
Cash and cash equivalents at beginning of the period	226,662	263,245	44,621	266,358
Cash and cash equivalents at end of the period	<u>701,865</u>	<u>5,932</u>	<u>701,865</u>	<u>5,932</u>

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.

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


Director


Director

As the approval of the appointment of the Chief Executive Officer from the Securities and Exchange Commission of Pakistan is awaited, this condensed interim financial information has been signed by two directors authorized in this behalf by the Board of directors of the Management Company.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Pakistan Income Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (now, MCB - Arif Habib Savings and Investments Limited) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on October 23, 2001 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on February 28, 2002 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is currently situated at 8th floor, Techno city corporate tower, Hasrat Mohani Road, Karachi, Pakistan. With effect from February 08, 2016 the registered office of the Management Company will be changed to 24th Floor, Centre Point, Off. Shaheed-e-Millat Expressway, Near KPT interchange, Karachi, Pakistan.
- 1.3 The Fund is an open-ended mutual fund and has been categorised as "Income Scheme" and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering to the Fund. The units are listed on Pakistan Stock Exchange, formerly listed on Karachi Stock Exchange.
- 1.4 The Fund primarily invests in money market and other short-term instruments which includes short-term corporate debt and government securities, repurchase agreements and spread transactions. The Fund may also invest a portion of the fund in medium term assets in order to provide higher return to the unit holders.
- 1.5 The Pakistan Credit Rating Agency (PACRA) Limited has assigned Management quality rating of AM2+ dated April 7, 2015 to the Management Company and "A+(f)" as stability rating dated December 31, 2015 to the Fund.
- 1.6 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2. STATEMENT OF COMPLIANCE

- 2.1 This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP) shall prevail.
- 2.2 This condensed interim financial information comprise of condensed interim statement of assets and liabilities, condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement together with the notes forming part thereof. The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34, 'Interim Financial Reporting'. It does not include all the information and disclosures made in the annual published financial statements and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2015. Comparative information of the condensed interim income statement, condensed interim cash flow statement, condensed interim distribution statement and condensed interim statement of movement in unit holders' fund for the quarters ended December 31, 2015 and December 31, 2014 are un-audited and have been included to facilitate comparison.
- 2.3 This condensed interim financial information is un-audited. However, limited scope review has been performed by the statutory auditors in accordance with the requirements of clause (xxi) of the Code of Corporate Governance and this condensed interim financial information is being circulated to the unit holders as required under the NBFC Regulations.
- 2.4 This condensed interim financial information is presented in Pak Rupees, which is the functional and presentation currency of the Fund and has been rounded off to the nearest thousand rupees, unless otherwise specified.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

2.5 The directors of the Asset Management Company declare that this condensed interim financial information gives a true and fair view of the Fund.

3. SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

3.1 The accounting policies and methods of computation adopted in preparation of this condensed interim financial information are same as those applied in preparation of financial statements of the Fund as at and for the year ended June 30, 2015 except as follows:

Element of Income

The Element of Income arising on issuance and redemption of units is bifurcated in to portion attributable to capital gain / losses (realized and unrealized) and other income appearing in book of accounts of the Funds.

3.2 The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, significant judgments made by management in applying accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the financial statements as at and for the year ended June 30, 2015.

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

4. FINANCIAL RISK MANAGEMENT

The Fund's risk management policies are consistent with that disclosed in the financial statements of the Fund as at and for the year ended June 30, 2015.

5. BALANCES WITH BANKS	Note	(Un-audited) December 31, 2015	(Audited) June 30, 2015
		---- (Rupees in '000) ----	
In current account		4,090	3,918
In deposit accounts		547,775	122,744
Term deposit		150,000	100,000
		701,865	226,662

6. INVESTMENTS

At fair value through profit or loss

Government securities	6.1	93,081	525,956
Listed debt securities	6.2	110,368	109,271
Unlisted debt securities	6.3	129,563	132,041
		333,012	767,268

Available for sale

Government securities	6.4	190,776	157,674
		523,788	924,942

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

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

Issue date	Face value				As at December 31, 2015			Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 1, 2015	Purchased during the period	Disposed off during the period	Matured during the period	As at December 31, 2015	Carrying value	Market value		
								(Rupees in '000)	%
Treasury bills - 3 months	337,500	203,500	187,500	353,500	-	-	-	-	-
Treasury bills - 6 months	150,000	725,000	565,000	215,000	95,000	93,128	93,081	(47)	7.36
Treasury bills - 12 months	-	430,000	345,000	85,000	-	-	-	-	17.77
Pakistan Investment Bond - 10 years	37,500	-	37,500	-	-	-	-	-	-
Total as at December 31, 2015						93,128	93,081	(47)	7.36
Total as at June 30, 2015						522,455	525,956	3,501	46.49
									56.86

6.2 Listed debt securities

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

(Unaudited)
December 31,
2015
--- (Rupees in '000) ---
(Audited)
June 30,
2015
202,246

6.2.1

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

(3,293)	(6,586)
4,992	9,984
1,699	3,398

1,873

110,368	109,271
---------	---------

6.2.1 Listed debt securities - term finance certificates

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

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

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

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

6.3 Unlisted debt securities - term finance certificates

Name of investee company	Number of Certificates				As at December 31, 2015			Market value as a percentage of total investment		
	As at July 1, 2015	Purchased during the period	Matured during the period	Disposed off during the period	As at December 31, 2015	Carrying value*	Market value			
									Appreciation / (diminution)	
Rupees in '000- - - - - %										
Bank Al-Habib Limited. - TFC-4 (30-06-11) Fixed	1,000	-	-	-	1,000	5,611	5,514	(97)	0.44	1.05
Bank Alfalah Limited - TFC4 (02-12-09) Floating	4,500	-	-	-	4,500	23,232	22,799	(433)	1.80	4.35
Engro Fertilizer Limited - PPFC-1 (18-03-08)	20,100	-	-	-	20,100	102,259	100,416	(1,843)	7.94	19.17
Maple Leaf Cement Factory Limited- Sukuk (03-12-07)	500	-	-	-	500	729	834	105	0.07	0.17
Total as at December 31, 2015	26,100	-	-	-	26,100	131,831	129,563	(2,268)	10.25	24.74
Total as at June 30, 2015	26,100	-	-	-	26,100	128,174	132,041	3,867	11.67	14.28

Issue date	Face value						As at December 31, 2015			Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 1, 2015	Purchased during the period	Disposed off during the period	Matured during the period	As at December 31, 2015	Cost	Market value	Appreciation /(diminution)			
	(Rupees in '000)									%	%
Pakistan Investment Bond - 03 years	42,500	114,000	142,500	-	14,000	14,971	14,937	(34)	1.18	2.85	
Pakistan Investment Bond - 05 years	-	509,000	357,000	-	152,000	168,037	167,574	(463)	13.24	31.99	
Pakistan Investment Bond - 10 years	107,400	-	100,000	-	7,400	8,127	8,265	138	0.65	1.58	
Total as at December 31, 2015						191,135	190,776	(359)	15.07	36.42	
Total as at June 30, 2015						159,092	157,674	(1,418)	13.94	17.05	

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

	Note	(Un-Audited) December 31 2015	(Audited) June 30 2015
6.5 Unrealised (diminution)/ appreciation in value of investments at fair value through profit or loss - net			
Market value of investments	6.1, 6.2.1, 6.3	427,686	767,268
Carrying value of investments	6.1, 6.2.1, 6.3	(428,881)	(762,476)
		<u>(1,195)</u>	<u>4,792</u>
6.6 Unrealized (diminution) / appreciation on remeasurement of investments classified as 'available-for-sale' - net			
Market value of investments	6.4	190,776	157,674
Cost of investments	6.4	191,135	159,092
		<u>(359)</u>	<u>(1,418)</u>
Less: Net unrealized appreciation in value of investments classified as 'available for sale' at beginning of the period		<u>(1,418)</u>	<u>107</u>
		<u>1,059</u>	<u>(1,525)</u>

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

In accordance with Clause (v) of the investment criteria laid down for 'Income Scheme' in Circular no. 7 of 2009, the Fund is required to invest in any security having rating not lower than the investment grade (credit rating of BBB and above). However, as at December 31, 2015, the Fund is non-compliant with the above mentioned requirement in respect of the following investments. The securities were in compliance of the Circular (i.e. investment grade) at the time of purchase and were subsequently downgraded to non investment grade by MUFAP on default by respective issuer in repayment of coupon due on respective dates. The Fund holds 100% provision against such investment as enumerated below:

Category of non-compliant investment	Type of Investment / Name of Company	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
		-----Rupees in '000'-----			%	%
Investment in debt securities	a) Trust Investment Bank Limited - III (note 6.2.1)	18,743	18,743	-	0.00	0.00
Investment in debt securities	b) Telecard Limited (note 6.2.1)	31,088	31,088	-	0.00	0.00
Investment in debt securities	c) Pace Pakistan Limited (note 6.2.1)	44,843	44,843	-	0.00	0.00

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

7. ACCRUED EXPENSES AND OTHER LIABILITIES

		(Unaudited) December 31, 2015	(Audited) June 30, 2015
	Note	---- (Rupees in '000) ----	
Provision for Workers' Welfare Fund	7.1	24,327	24,327
Provision for Federal Excise Duty and related tax on			
- management fee	7.2	7,579	5,790
- sales load		224	185
Auditors' remuneration		325	399
Zakat		165	165
Brokerage		49	57
Capital gain tax		26	10,208
Other		560	559
		33,255	41,690

- 7.1 The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance), whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, all Collective Investment Schemes (CISs) / mutual funds whose income exceeds Rs.0.5 million in a tax year have been brought within the scope of the WWF Ordinance thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable Sindh High Court (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

In 2011, a single judge of the Lahore High Court (LHC) issued a judgment in response to a petition in similar case whereby the amendments introduced in WWF Ordinance through Finance Acts, 2006 and 2008 were declared unconstitutional and therefore struck down. However in 2013, the Larger Bench of SHC issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity. In 2014, the Peshawar High Court (PHC) has also held these amendments to be ultra vires as they lacked the essential mandate to be introduced and passed through the Money Bill under the Constitution.

The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding Collective Investment Schemes (CIS) from the definition of Industrial Establishment, and consequently CIS are no more liable to pay contribution to WWF with effect from July 01, 2015. Owing to the fact that the decision of SHC on the applicability of WWF to the CISs is currently pending for adjudication, the Management Company has decided to retain provision of WWF till June 30, 2015 in its books of account and condensed interim financial information which aggregates to Rs. 24.33 million. Had the said provision of WWF not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 1.06 per unit.

- 7.2 The Finance Act 2013 introduced an amendment to Federal Excise Act 2005 whereby, with effect from June 13, 2013, Federal Excise Duty (FED) has been imposed at the rate of 16% of the services rendered by assets management companies. The Management Company is of the view that since the remuneration and sales load are already subject to provincial sales tax at the rate of 15%, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honourable Sindh High Court (SHC), challenging the levy of Federal Excise Duty on Asset Management Company services after the eighteenth amendment in the Constitution of Pakistan. In this respect, the SHC has issued a stay order against the recovery of FED and the hearing of the petition is still pending. The management, being prudent, has decided to retain and continue accruing FED and related additional taxes in the books of account aggregating to Rs.7.6 million as at December 31, 2015 which includes charge for the year amounting to Rs.1.48 million. In case, the suit is decided against the Fund the funds would be paid to the Management Company, which will be responsible for submitting them to the taxation authorities. Had the said provision of FED and related additional taxes were not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 0.34 per unit as at December 31, 2015.

8. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at December 31, 2015 and June 30, 2015 other than those stated in note 11.2 to this condensed interim financial information.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

9. SINDH SALES TAX ON REMUNERATION OF THE TRUSTEE

The Sindh Revenue Board through Circular No. SRB-3-4/TP/01/2015/86554 dated June 13, 2015 amended the definition of services of shares, securities and derivatives and included the custodianship services within the purview of the Sindh Sales Tax. Accordingly Sindh Sales Tax of 14 % Is applicable on Trustee fee which is now covered under the section 2(79A) of the Sindh Finance Bill 2010 (amended upto 2015). Accordingly the Fund has made an accrual of Rs. 0.13 million on account of Sindh Sales Tax on custodianship services.

10. ALLOCATED EXPENSE

The SECP via its SRO 1160 dated November 25, 2015 has amended Clause 60 of NBFC Regulations, 2008. The said clause has entitled the Management Company to reimbursement of fees and expenses related to registrar services, accounting, operation and valuation services related to CIS upto a maximum of 0.1% of average annual net assets of the scheme or actual whichever is less. Accordingly, the Fund has made an accrual of Rs. 0.14 million since November 27, 2015 at the maximum rate of 0.1% of average annual net assets as the information related to actual expenses allocable to the Fund was not available at that time.

11. TAXATION

11.1 The Fund's income is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule of 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, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The management intends to distribute at least 90% of income to be earned during current year to the unit holders, therefore, no provision for taxation has been recorded in this condensed interim financial information.

11.2 The income tax returns till the tax year 2014 have been filed and are deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (the Ordinance) except for tax years 2008 and 2012 for which assessment order under section 122(5A) of the Ordinance has been received that the Fund is not entitled to the exemption from income tax on the basis that the distribution of bonus shares should not be included in calculation of distribution of 90% of declared profit required to claim exemption from income tax. This issue has also been raised by the department in other mutual funds. The Fund filed a petition in the Sindh High Court (SHC) against the demands raised in this respect and has obtained a stay order against the payment of tax demand. Other Mutual Funds are also contesting the same at different appellate forums of Federal Board of Revenue. The Commissioner Inland Revenue (Appeals), in case of certain mutual funds including this Fund has also given decision in favour of these funds wherein the earlier notices served by Tax authorities have been annulled. The management, based on the tax advice obtained by Mutual Funds Association of Pakistan from various tax advisors, is confident that the case would ultimately be decided in favor of the Fund and therefore no provision is required to be made in this condensed interim financial information.

12. EARNINGS PER UNIT

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

13. TRANSACTIONS WITH CONNECTED PERSONS

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

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

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

13.1 Details of transactions with connected persons are as follows:

	Half year ended December 31,		Quarter ended December 31,	
	2015	2014	2015	2014
	----- (Rupees in '000) -----			
MCB-Arif Habib Savings and Investment Limited - Management Company				
Remuneration for the period including indirect taxes	12,222	10,249	6,339	5,150
Allocated expense	139	-	139	-
Central Depository Company of Pakistan Limited - Trustee				
Remuneration for the period including indirect taxes	1,084	864	553	433
CDS charges	3	-	2	-
MCB Bank Limited				
Profit on bank deposits	437	492	152	171
Bank Charges	14	8	7	6
Next Capital				
Brokerage *	13	9	-	5
Summit Capital Private Limited				
Brokerage *	2	-	2	-
Fauji Cement Company Limited **				
Issue of 2,304,859 units (2014: Nil units) and 913,910 units (2014: Nil units) for the half year and quarter ended respectively	125,000	-	50,000	-
Mandate under Discretionary Portfolio Services				
Redemption of Nil units (2014: 54,895 units) and Nil units (2014: 54,895 units) for the half year and quarter ended respectively	-	3,000	-	3,000
Directors, executives and employees of the Management Company				
Issue of Nil units (2014: 44 units) and Nil units (2014: 44 units) for the half year and quarter ended respectively	-	2	-	2
Redemption of 6740 units (2014: Nil units) and Nil units (2014: Nil units) for the half year and quarter ended respectively	364	-	-	-

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

**This represents those parties that exist as at December 31, 2015 and became connected / related parties during the period due to acquiring unit holding of more than 10% of net assets of the Fund.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

	(Unaudited) December 31 2015	(Audited) June 30 2015
	----(Rupees in '000)----	
13.2 Amounts outstanding as at period / year end:		
MCB-Arif Habib Savings and Investment Limited		
- Management Company		
Remuneration payable	1,614	1,439
Sales tax payable on management fee	226	320
Legal and professional charges payable	-	100
Sales load payable including related taxes	35	104
Allocated expense payable	139	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	163	152
Sales tax payable on trustee fee	23	-
CDS charges payable	22	22
Security deposit	200	200
MCB Bank Limited		
Bank balance	149,033	90,801
Profit receivable on bank deposits	120	154
Arif Habib Limited		
Brokerage	1	1
Next Capital Limited		
Brokerage	-	2
Summit Capital Private Limited		
Brokerage	-	1
Adamjee Life Assurance Company Limited - Employees Gratuity Fund		
Nil units held (June 30, 2015: 19,488)	-	1,041
Fauji Cement Company Limited *		
2,304,859 Units held (June 30, 2015: Nil Units)	127,482	-
Directors, executives and employees of the Management Company		
693 Units held (June 30, 2015: 7433 Units)	38	48

*This represents those parties that exist as at December 31, 2015 and became connected / related parties during the period due to acquiring unit holding of more than 10% of net assets of the Fund.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

14. RECLASSIFICATION

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

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


15. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on February 04, 2016 by the Board of Director of the Management Company.

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



Director



Director

As the approval of the appointment of the Chief Executive Officer from the Securities and Exchange Commission of Pakistan is awaited, this condensed interim financial information has been signed by two directors authorized in this behalf by the Board of directors of the Management Company.

Please find us on



by typing: **Bachat Ka Doosra Naam**

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