

Half Year Report December 31, 2014 (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.

**MCB
ISLAMIC INCOME
FUND**

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings & Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Board of Directors of the Management Company	Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman Executive Vice Chairman Chief Executive Officer Director Director Director Director Director
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 Mr. Yasir Qadri	Chairman Member Member Member Member
Company Secretary & Chief Operating Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer	Mr. Umair Ahmed	
Trustee	Central Depository Company of Pakistan Ltd. CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi.	
Bankers	MCB Bank Limited Habib Bank Limited Bank Al-Falah Limited Standard Chartered Bank Pakistan Limited	
Auditors	KPMG Taseer Haidi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Building No. 2, Beaumont Road, Karachi-75530.	
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
Transfer Agent	MCB-Arif Habib Savings & Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Rating	AM 2 - Management Quality Rating assigned by PACRA	

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED DECEMBER 31, 2014

Dear Investor,

On behalf of the Board of Directors, I am pleased to present MCB Islamic Income Fund's accounts review for the first half ended December 31st 2014.

ECONOMY AND MONEY MARKET OVERVIEW

In the wake of decline in oil prices in the international market, the country witnessed significant improvement in the macroeconomic indicators. Oil prices fell by 48 percent during the first half of the current fiscal year, aided by increase in global oil production amid weak demand.

Consequently, inflation remained subdued with CPI averaging around 6.11 percent during the 1HFY15. If oil prices, which eased down to a five-year low in December, stabilize below \$60 per barrel, inflation is likely to persist in lower ranges during the second half of the current fiscal year.

Despite decline in oil prices, the country's trade deficit widened to \$ 9.7 billion during 1HFY15 as opposed to deficit of \$ 8.6 billion during the corresponding period last year. Exports remained subdued perhaps due to lower cotton prices and disruptive power supplies. With oil imports accounting for one-third of the country's total import bill, trade deficit is forecasted to narrow down in the coming months reflecting significant drop in oil prices.

At the same time, financial account registered a surplus of \$ 2.4 billion as compared to a surplus of \$ 0.24 billion recorded during the same period last year. This is mainly due to increase in portfolio investments after the government successfully raised \$ 1 billion through Sukuk auction. However, foreign direct investment yet failed to pick up pace during the first half.

The country's foreign reserve balance also improved towards the end of the year after the country received \$1 billion through Sukuk auction in November and IMF released 4th and 5th tranche amounting to \$1.1 billion in December. The country's reserve balance totaled to \$14.9 billion at the end of December 2014.

Keeping in view lower inflationary pressure and stable foreign reserves position, the government had announced 50 bps cut in the discount rate in the monetary policy held in November, bringing the discount rate to 9.5 percent. Moreover, the gap between discount rate and inflation is still hovering above 5 percent which supports the case for further monetary easing down the line.

M2 has expanded by 3.08 percent during the 1HFY15 (till 26th December) as opposed to expansion of 4.76 percent during the same period last year. While borrowing from the banking system stood at Rs 243 billion as opposed to borrowing of around Rs 539 billion during the same period last year.

In the money market, short term market rates remained on the higher side amid tight liquidity in the system. PIB rates moved downwards in anticipation of cut in the discount rate. Major activity was witnessed in the longer tenor bonds causing the yield curve to move sharply in the downward direction.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 5.22% as against its benchmark return of 6.28%.

During the period, the fund had gradually been decreasing its exposure from GoP Ijarah Sukuk, which stood at around 68.5% at period-end, on the back of decent yield as well as capital gains potential. The fund was 7.6% invested in Corporate Sukuk while most of the remaining exposure in cash and bank deposits at decent rates.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED DECEMBER 31, 2014

The Net Asset of the Fund as at December 31, 2014 stood at Rs.1,550 million as compared to Rs.2,055 million as at June 30 2014 registering a decrease of 24.57%.

The Net Asset Value (NAV) per unit as at December 31, 2014 was Rs.102.6640 as compared to opening NAV of Rs.100.0326 per unit as at June 30, 2014 registering an increase of Rs.2.6314 per unit.

FUTURE OUTLOOK

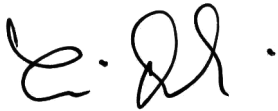
Economic activity is expected to gain momentum in 2015. The manufacturing activity will be driven by lower energy cost, weak raw material prices, improvement in gas supply situation and progress on the political front. In a major positive development, the government is planning to import LNG to ease off gas shortage in the country.

Although the government is eyeing increase in foreign inflows through pledges made by multilateral agencies, approved project financing and divestment of strategic assets, improvement in reserve position largely hinges on volatile law and order situation. In the near-term, realization of expected inflows-through divestment of shares of HBL would be crucial, where the country is expected to raise around \$1 billion. We believe that the sustainability of external account, in the presence of subdued inflationary pressures, would be a key factor in shaping up interest rate direction.

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,



Yasir Qadri
Chief Executive Officer

Karachi February 02, 2015

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
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URL: www.cdcpakistan.com
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TRUSTEE REPORT TO THE UNIT HOLDERS

MCB ISLAMIC INCOME FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of MCB Islamic Income Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2014 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
Officiating Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 20, 2015



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



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Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
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Report on review of Condensed Interim Financial Information to the Unit Holders

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **MCB Islamic Income Fund** ("the Fund") as at 31 December 2014 and the related condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes to the accounts for the six months period then ended (here-in-after referred to as the "condensed interim financial information"). Management Company is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

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

Conclusion


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

Other matters

The figures for the quarter ended 31 December 2014 and 31 December 2013 in the condensed interim financial information have not been reviewed by us and we do not express a conclusion on them.

Date: 02 February 2015

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

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

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED)
AS AT 31 DECEMBER 2014

	Note	(Unaudited) 31 December 2014 (Rupees in '000)	(Audited) 30 June 2014
Assets			
Balances with banks	6	348,658	597,684
Investments	7	1,201,514	1,451,550
Income and profit receivable		29,266	28,151
Deposit and prepayments		120	100
Preliminary expenses and floatation costs		292	392
Total Assets		1,579,850	2,077,877
Liabilities			
Payable to Management Company		4,841	4,463
Payable to Central Depository Company of Pakistan Limited - Trustee		184	226
Payable to Securities and Exchange Commission of Pakistan - Annual fee		689	1,817
Dividend payable		-	31
Accrued expenses and other liabilities	8	23,970	16,777
Total Liabilities		29,684	23,314
Net Assets		1,550,166	2,054,563
Unit holders' fund		1,550,166	2,054,563
(Number of units)			
Number of units in issue		15,099,422	20,538,940
(Rupees)			
Net assets value per unit		102.66	100.03

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


Chief Executive Officer

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


Director

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2014

	Note	Six months period ended		Quarter ended	
		31 December		31 December	
		2014	2013	2014	2013
		(Rupees in '000)			
Income					
Capital (loss) / gain on sale of investment - net		(6,728)	2,131	(6,053)	1,953
Income from government securities		57,521	83,575	29,831	38,711
Income from sukuk		6,768	-	3,528	-
Profit on bank deposits		20,098	31,260	6,446	14,603
Back end load		1	-	1	-
Net unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss'		(15,539)	13,993	(6,971)	12,527
Total income		62,121	130,959	26,782	67,794
Expenses					
Remuneration of Management Company		7,718	12,898	3,713	6,581
Sales tax and federal excise duty on remuneration of Management Company		2,578	4,541	1,240	2,358
Remuneration of Central Depository Company of Pakistan Limited - Trustee		1,209	1,529	572	726
Annual fee - Securities and Exchange Commission of Pakistan		689	971	316	452
Provision for Workers' Welfare Fund		811	2,092	290	1,122
Settlement and bank charges		185	174	68	79
Fees and subscription		120	118	60	61
Auditors' remuneration		295	284	101	158
Amortisation of preliminary expenses and floatation costs		101	101	51	51
Printing and related charges		87	176	37	87
Total expenses		13,793	22,884	6,448	11,675
		48,328	108,075	20,334	56,119
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		(8,598)	(5,588)	(6,118)	(1,184)
Net income for the period before taxation		39,730	102,487	14,216	54,935
Taxation	10	-	-	-	-
Net income for the period after taxation		39,730	102,487	14,216	54,935
Earnings per unit	11				

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


Chief Executive Officer

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


Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2014

	Six months period ended 31 December		Quarter ended 31 December	
	2014	2013	2014	2013
	----- (Rupees in '000) -----			
Undistributed income brought forward	670	54,792	26,106	1,975
Net income for the period	39,730	102,487	14,216	54,935
Net element of (loss) / income and capital gains / (losses) included in the prices of units issued less those in units redeemed - transferred to Distribution Statement	(177)	-	(99)	-

Distributions to the unit holders of the Fund

Final distribution:

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

- Cash distribution
- Issue of 547,189 bonus units

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

- Cash distribution
- Issue of 455,060 bonus units

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

- Cash distribution
- Issue of 545,263 bonus units

-	(73)	-	-
-	(54,719)	-	-
-	(71)	-	-
-	(45,506)	-	-
-	(46)	-	(46)
-	(54,526)	-	(54,526)
-	(154,941)	-	(54,572)
40,223	2,338	40,223	2,338

Undistributed income carried forward

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


Chief Executive Officer


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


Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED)
FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2014

	Six months period ended 31 December		Quarter ended 31 December	
	2014	2013	2014	2013
	(Rupees in '000)			
Net assets at the beginning of the period	2,054,563	2,946,490	1,842,355	2,542,673
Issue of 3,707,115 units (2013: 9,097,637 units) and 1,844,549 units (2013: 4,503,036 units) for the six months and quarter ended respectively	376,534	886,914	188,475	456,066
Issue of Nil bonus units for the year ended 30 June 2014 (2013: 547,189 units)	-	54,719	-	-
Issue of Nil bonus units for the quarter ended 30 September 2014 (2013: 455,060 units)	-	45,506	-	-
Issue of Nil bonus units for the quarter ended 31 December 2014 (2013: 545,263 units)	-	54,526	-	54,526
Redemption of 9,146,632 units (2013: 16,008,834 units) and 4,907,620 units (2013: 6,901,967 units) for the six months and quarter ended respectively	(929,259)	(1,583,622)	(500,998)	(697,145)
	(552,725)	(541,957)	(312,523)	(186,553)
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed				
- amount representing loss / (income) and realised capital losses / (gains) - transferred to the Income Statement	8,598	5,588	6,118	1,184
- amount representing unrealised capital (gains) / losses - transferred to the Distribution Statement	177	-	99	-
	8,775	5,588	6,217	1,184
Net element of (loss) / income and capital gains / (losses) included in prices of units issued less those in units redeemed - transferred to Distribution Statement	(177)	-	(99)	-
Net income for the period (excluding net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss' and capital (loss) / gain on sale of investments)	61,997	86,363	27,240	40,455
Capital (loss) / gain on sale of investments	(6,728)	2,131	(6,053)	1,953
Net unrealised (diminution) / appreciation in value of investments classified as 'at fair value through profit or loss'	(15,539)	13,993	(6,971)	12,527
	39,730	102,487	14,217	54,935
Distributions to the unit holders of the Fund				
<i>Final distribution:</i>				
Final distribution at the rate of Rs. 1.8948 per unit for the year ended 30 June 2013 [Date of Distribution: 05 July 2013]	-	(73)	-	-
- Cash distribution	-	(54,719)	-	-
- Issue of 547,189 bonus units	-	-	-	-
<i>Interim distribution:</i>				
Interim distribution at the rate of Rs. 1.8266 per unit for the quarter ended 30 September 2013 [Date of Distribution: 27 September 2013]	-	(71)	-	-
- Cash distribution	-	(45,506)	-	-
- Issue of 455,060 bonus units	-	-	-	-
Interim distribution at the rate of Rs. 2.3551 per unit for the quarter ended 31 December 2013 [Date of Distribution: 30 December 2013]	-	(46)	-	(46)
- Cash distribution	-	(54,526)	-	(54,526)
- Issue of 545,263 bonus units	-	(154,941)	-	(54,572)
Net assets as at the end of the period	1,550,166	2,357,667	1,550,166	2,357,667
Net assets value per unit as at beginning of the period	100.03	101.89	101.44	100.08
Net assets value per unit as at end of the period	102.66	100.10	102.66	100.10

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


Chief Executive Officer

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


Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2014

	Six months period ended		Quarter ended 31	
	31 December		December	
	2014	2013	2014	2013
	----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period before taxation	39,730	102,487	14,216	54,935
<i>Adjustments for non-cash charges and other items:</i>				
Net unrealised diminution / (appreciation) in fair value of investments classified as 'at fair value through profit or loss'	15,539	(13,993)	6,971	(12,527)
Amortisation of preliminary expenses and floatation costs	101	101	51	51
Net element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed	8,598	5,588	6,118	1,184
Provision for Workers' Welfare Fund	811	2,092	290	1,122
	64,779	96,275	27,646	44,765
Decrease / (increase) in assets				
Investments	234,496	577,116	(111,441)	329,604
Advance against subscription of Corporate Sukuk	-	-	118,000	-
Income and profit receivable	(1,115)	14,881	(11,302)	(2,081)
Deposit and prepayments	(20)	80	60	62.00
	233,361	592,077	(4,683)	327,585
Increase / (decrease) in liabilities				
Payable to Management Company	378	1,701	817	2,429
Payable to the Central Depository Company of Pakistan Limited - Trustee	(42)	(36)	(20)	(12)
Payable to Securities and Exchange Commission of Pakistan - Annual fee	(1,128)	(960)	316	452
Dividend payable	(31)	-	-	-
Accrued expenses and other liabilities	6,382	2,383	5,419	2,970
	5,559	3,088	6,532	5,839
Net cash generated from operating activities	303,699	691,440	29,495	378,189
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	-	(190)	-	(46)
Receipts from issuance of units	376,534	886,914	188,476	456,066
Payments on redemption of units	(929,259)	(1,596,875)	(500,998)	(697,145)
Net cash used in financing activities	(552,725)	(710,151)	(312,522)	(241,125)
Net (decrease) / increase in cash and cash equivalents during the period	(249,026)	(18,711)	(283,027)	134,820
Cash and cash equivalents at beginning of the period	597,684	831,571	631,685	678,040
Cash and cash equivalents at end of the period	348,658	812,860	348,658	812,860

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


Chief Executive Officer

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


Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2014

1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

The Fund is an open-end mutual fund and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering them to the Fund. The Fund is listed on the Lahore Stock Exchange. According to paragraph 19.3 of the Trust Deed, the first accounting period of the Fund shall commence from the date on which the trust property is first paid or transferred to the Trustee i.e. 1 May 2011. The Fund has been categorised as "Shariah Compliant (Islamic) Income" scheme by the Board of Directors of the Asset Management Company in pursuant to Circular 7 of 2009 dated 6 March 2009 issued by the SECP.

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

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.1.2 This condensed interim financial information does not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the financial statements for the year ended 30 June 2014.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2014

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

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

2.1.5 Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies and methods of computation adopted for the preparation of this condensed interim financial information are same as those applied in the preparation of the financial statements of the Fund for the year ended 30 June 2014. At present the Fund has no item to be reported in other comprehensive income; hence net income for the period equals to total comprehensive income for the period.

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

4. ESTIMATES AND JUDGMENTS

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

4.2 In preparing this condensed interim financial information, significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 30 June 2014.

5. FINANCIAL RISK MANAGEMENT

The Fund's risk management objectives and policies are consistent with those objectives and policies which were disclosed in the financial statements of the Fund as at and for the year ended 30 June 2014.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2014

6. BALANCES WITH BANKS		31 December 2014	30 June 2014
Balances with bank			(Rupees in '000)
- Current account		1,601	10,239
- Savings account		347,057	587,445
		<u>348,658</u>	<u>597,684</u>
7. INVESTMENTS		(Unaudited) 31 December 2014	(Audited) 30 June 2014
			(Rupees in '000)
'At fair value through profit and loss'			
Government securities	7.1	1,081,413	1,451,550
Unlisted debt securities - term finance certificates	7.2	120,101	-
		<u>1,201,514</u>	<u>1,451,550</u>

7.1 Government securities - Government of Pakistan Ijara Sukuk

Issue date	Profit rate (%)	Tenor	Face value				Balance as at 31 December 2014			Market value as a percentage of net assets	Market value as a percentage of total investments
			As at 1 July 2014	Purchased during the period	Disposed / Matured during the period	As at 31 December 2014	Carrying Value	Market value	Appreciation / (diminution)		
<hr style="border-top: 1px dashed black;"/> <div style="text-align: center;">(Rupees in '000)</div> <hr style="border-top: 1px dashed black;"/>											
<i>Government of Pakistan Ijara Sukuk</i>											
26 December 2011	9.82%	3 years	-	300,000	-	300,000	300,720	300,390	(330)	19.38	25.00
28 June 2012	9.97%	3 years	8,000	47,500	55,500	-	-	-	-	-	-
18 September 2012	9.73%	3 years	665,200	250,000	200,000	715,200	732,898	716,702	(16,196)	46.23	59.65
28 March 2013	9.70%	3 years	-	14,500	14,500	-	-	-	-	-	-
25 June 2014	7.95%	3 years	758,500	132,000	825,000	65,500	65,435	64,321	(1,114)	-	-
31 December 2014							1,099,053	1,081,413	(17,640)		
30 June 2014							1,431,682	1,451,550	19,868		

7.2 Unlisted debt securities - term finance certificates

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

Issue date	Profit rate (%)	Number of Certificates				Balance as at 31 December 2014			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at 1 July 2014	Purchased during the period	Disposed / Matured during the period	As at 31 December 2014	Carrying Value	Market value	Appreciation / (diminution)		
-----Rupees in '000-----										
Engro Fertilizers Limited	11.93%	-	23,600	-	23,600	118,000	120,101	2,101	7.75	10.00
31 December 2014						118,000	120,101	2,101		
30 June 2014						-	-	-		

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2014**

8. ACCRUED EXPENSES AND OTHER LIABILITIES

		(Unaudited) 31 December 2014	(Audited) 30 June 2014
		(Rupees in '000)	
Federal exercise duty payable	8.1	6,131	4,711
Provision for Workers' Welfare Fund	9	11,000	10,189
Zakat payable		353	1,300
Auditors' remuneration		278	390
Printing charges payable		66	120
Capital gain tax payable		103	63
Others		6,039	4
		23,970	16,777

- 8.1** The Finance Act, 2013 introduced an amendment to Federal Excise Act, 2005 where by Federal Excise Duty (FED) has been imposed at the rate of 16% on the services rendered by assets management companies. In this regard, a Constitutional Petition has been filed by certain Collective Investment Schemes (CISs) through their Trustees in the Honourable Sindh High Court (SHC), challenging the levy of Federal Excise Duty on Asset Management Company services after the passage of eighteenth amendment. The SHC in its short order dated 4 September 2013 directed the Federal Board of Revenue (FBR) not to take any coercive action against the petitioners pursuant to impugned notices till next date of hearing. In view of uncertainty regarding the applicability of FED on asset management services, the management company, as a matter of abundant caution, has decided to retain and continue with the provision of FED in this condensed interim financial information aggregating to Rs. 6.131 million as at 31 December 2014. In case, the suit is decided against the Fund it would be paid to management company, who will be responsible for submitting the same to taxation authorities. Had the said provision of FED not been recorded in the books of account of the Fund, the Net Assets Value (NAV) of the Fund would have been higher by Re. 0.41 per unit as at 31 December 2014.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2014

9. PROVISION FOR WORKERS' WELFARE FUND

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

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

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

However, as per advice of legal counsel the stay granted to CIS remains intact and the constitution petitions filed by the CIS to challenge the WWF contribution have not been affected by the SHC judgment. In view of the afore mentioned developments and uncertainties created by the recent decision of SHC, the Management Company, as a matter of abundant precautions, has charged provision for WWF amounting to Rs. 11 million.

10. TAXATION

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 by way of cash dividend. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance 2001. Since the management intends to distribute the income earned by the Fund during the year to the unit holders in the manner as explained above accordingly no provision for taxation has been made in these financial statements.

11. EARNINGS PER UNIT

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

12. TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES

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

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2014

12.1 Details of the transactions with connected persons are as follows:

	Six months period ended 31 December		Quarter ended 31 December	
	2014	2013	2014	2013
	----- (Rupees in '000) -----			
Management Company				
Remuneration (including indirect taxes)	<u>10,296</u>	<u>17,439</u>	<u>4,953</u>	<u>8,939</u>
MCB Bank Limited				
Profit on bank deposits	<u>424</u>	<u>305</u>	<u>134</u>	<u>134</u>
Bank Charges	<u>27</u>	<u>51</u>	<u>4</u>	<u>30</u>
Central Depository Company of Pakistan Limited - Trustee				
Remuneration	<u>1,209</u>	<u>1,529</u>	<u>572</u>	<u>726</u>
<i>Other Related Parties:</i>				
Directors and Executives of the Management Company				
Issue of 67,159 units (2013: 56,653 units) and 43,195 units (2013: 22,697 units) for the six months and quarter ended respectively	<u>6,836</u>	<u>5,725</u>	<u>4,417</u>	<u>2,289</u>
Issue of Nil bonus units (2013: 3,034 bonus units) and bonus Nil units (2013: 1,553 units) for the six months and quarter ended respectively	<u>-</u>	<u>303</u>	<u>-</u>	<u>155</u>
Redemption of 78,925 units (2013: 23,217 units) and 36,733 units (2013: 6,531 units) for the six months and quarter ended respectively	<u>8,022</u>	<u>2,351</u>	<u>3,756</u>	<u>666</u>
Adamjee Life Assurance Company Limited (Amaanat Fund)				
Issue of 283,512 units (2013: 695,539 units) and 233,802 units (2013: 524,388 units) for the six months and quarter ended respectively	<u>29,000</u>	<u>70,300</u>	<u>24,000</u>	<u>53,000</u>
Issue of Nil bonus units (2013: 18,783 bonus units) and bonus Nil units (2013: 15,791 units) for the six months and quarter ended respectively	<u>-</u>	<u>1,878</u>	<u>-</u>	<u>1,579</u>
Redemption of Nil units (2013: 42,986 units) and Nil units (2013: 4,891 units) for the six months and quarter ended respectively	<u>-</u>	<u>4,350</u>	<u>-</u>	<u>500</u>
Adamjee Life Assurance Company Limited (Investment Secure Fund- I)				
Issue of Nil units (2013: 269,352 units) and Nil units (2013: Nil units) for the six months and quarter ended respectively	<u>-</u>	<u>27,000</u>	<u>-</u>	<u>-</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2014

	Six months period ended		Quarter ended	
	31 December		31 December	
	2014	2013	2014	2013
	----- (Rupees in '000) -----			
Issue of Nil bonus units (2013: 7 bonus units) and bonus Nil units (2013: Nil units) for the six months and quarter ended respectively	-	1	-	-
Redemption of Nil units (2013: 269,179 units) and Nil units (2013: Nil units) for the six months and quarter ended respectively	-	27,000	-	-
Adamjee Life Assurance Company Limited (Investment Secure Fund- II)				
Issue of Nil units (2013: 119,712 units) and Nil units (2013: Nil units) for the six months and quarter ended respectively	-	12,000	-	-
Issue of Nil bonus units (2013: 3 bonus units) and bonus Nil units (2013: Nil units) for the six months and quarter ended respectively	-	-	-	-
Redemption of Nil units (2013: 119,712 units) and Nil units (2013: Nil units) for the six months and quarter ended respectively	-	12,000	-	-
Mandate under Discretionary Portfolio Services*				
Issue of 246,972 units (2013: Nil units) and Nil units (2013: Nil units) for the six months and quarter ended respectively	25,000	-	-	-
Redemption of 246,972 units (2013: Nil units) and Nil units (2013: Nil units) for the six months and quarter ended respectively	25,011	-	-	-

* This represents investment portfolio of gratuity and pension funds managed by the fund on behalf of its related parties.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2014**

12.2 Amounts outstanding as at period / year end:

	(Unaudited) 31 December 2014 (Rupees in '000)	(Audited) June 30 2014
MCB Bank Limited		
Balance with bank	22,563	16,293
Profit receivable on bank deposits	<u>40</u>	<u>2,311</u>
Management Company		
Management fee payable	1,172	1,264
Sindh sales tax payable on management fee	<u>176</u>	<u>202</u>
Front-end load payable	<u>3,493</u>	<u>2,997</u>
Central Depository Company of Pakistan Limited-Trustee		
Remuneration payable	<u>184</u>	<u>803</u>
Directors and executives of the Management Company		
Units held 50,848 units (June 2014: 62,615 units)	<u>5,220</u>	<u>6,263</u>
Adamjee Life Assurance Company Limited (Amaanat Fund)		
Units held: 777,986 (June 2014 494,473 units)	<u>79,871</u>	<u>49,462</u>
	(Unaudited) 31 December 2014 (Rupees in '000)	(Audited) June 30 2014
Adamjee Life Assurance Company Limited (Investment Secure Fund - I)		
Units held: 188 units (June 2014: 188 units)	<u>19</u>	<u>19</u>
Adamjee Life Assurance Company Limited (Investment Secure Fund- II)		
Units held: 83 units (June 2013: 83 units)	<u>8</u>	<u>8</u>

13. DATE OF AUTHORISATION

This condensed interim financial information has been authorised for issue in the meeting of the Board of Directors of the Management Company held on 02 February, 2015


Chief Executive Officer

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


Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

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