

**Half Year Report**  
**December 31, 2015**  
**(Unaudited)**



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

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## **Vision**

To become synonymous with Savings.

## **Mission**

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

## **Core Values**

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

**MCB**  
**ISLAMIC INCOME FUND**

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## FUND'S INFORMATION

<b>Management Company</b>	MCB-Arif Habib Savings and Investments Limited 24 <sup>th</sup> Floor, Centrepoint, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi.	
<b>Board of Directors</b>	Mian Mohammad Mansha	Chairman
	Mr. Nasim Beg	Executive Vice Chairman
	Dr. Syed Salman Ali Shah	Director
	Mr. Haroun Rashid	Director
	Mr. Ahmed Jahangir	Director
	Mr. Samad A. Habib	Director
	Mr. Mirza Mahmood Ahmad	Director
<b>Audit Committee</b>	Mr. Haroun Rashid	Chairman
	Mr. Ahmed Jahangir	Member
	Mr. Samad A. Habib	Member
<b>Human Resource &amp; Remuneration Committee</b>	Dr. Syed Salman Ali Shah	Chairman
	Mr. Nasim Beg	Member
	Mr. Haroun Rashid	Member
	Mr. Ahmed Jahangir	Member
<b>Company Secretary &amp; Acting Chief Executive Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Financial Officer</b>	Mr. Asif Mehdi	
<b>Trustee</b>	Central Depository Company of Pakistan Limited CDC House, 99-B Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
<b>Bankers</b>	MCB Bank Limited Habib Bank Limited United Bank Limited Meezan Bank Limited Dubai Islamic Bank Pakistan Limited	
<b>Auditors</b>	KPMG Taseer Haidi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Building No. 2, Beaumont Road, Karachi-75530.	
<b>Legal Advisor</b>	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area, Phase VI, DHA, Karachi.	
<b>Transfer Agent</b>	MCB-Arif Habib Savings and Investments Limited 24 <sup>th</sup> Floor, Centrepoint, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi.	
<b>Rating</b>	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

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Dear Investor,

On behalf of the Board of Directors, I am pleased to present **MCB Islamic Income Fund's** accounts review for the first half ended December 31<sup>st</sup>, 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 5.87% as against its benchmark return of 4.3%.

During the period, the fund had been increasing its exposure from GoP Ijarah Sukuk, which stood at around 66.5% at period-end. The fund was 10.6% invested in Corporate Sukuk while most of the remaining exposure in cash and bank deposits at relatively attractive rates.

The Net Assets of the Fund as at December 31, 2015 stood at Rs. 1,064 million as compared to Rs. 1,261 million as at June 30, 2015 registering a decrease of 15.62%.

The Net Asset Value (NAV) per unit as at December 31, 2015 was Rs. 103.1537 as compared to opening NAV of Rs. 100.1908 per unit as at June 30, 2015 registering an increase of Rs.2.96 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.

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.

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

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### **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,**



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**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 Shahra-e-Faisal  
Karachi - 74400, Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: [www.cdcpakistan.com](http://www.cdcpakistan.com)  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)



## TRUSTEE REPORT TO THE UNIT HOLDERS

### MCB ISLAMIC INCOME FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of MCB Islamic Income Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited 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



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

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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 2015, the related condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' condensed fund 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 2015 and 31 December 2014 in the condensed interim financial information have not been reviewed by us and we do not express a conclusion on them.

**Date: 4 February 2016**

**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 2015**

	Note	(Unaudited) 31 December 2015	(Audited) 30 June 2015
(Rupees in '000)			
<b>Assets</b>			
Balances with banks	6	240,529	517,006
Investments	7	839,063	754,410
Income and profit receivable		9,326	20,907
Deposit and prepayments		121	229
Preliminary expenses and floatation costs		92	192
<b>Total assets</b>		<b>1,089,131</b>	<b>1,292,744</b>
<b>Liabilities</b>			
Payable to Management Company		1,094	1,365
Payable to Central Depository Company of Pakistan Limited - Trustee		174	153
Payable to Securities and Exchange Commission of Pakistan - annual fee		457	1,198
Accrued expenses and other liabilities	8	23,417	28,968
<b>Total liabilities</b>		<b>25,142</b>	<b>31,684</b>
<b>Net assets</b>		<b>1,063,989</b>	<b>1,261,060</b>
<b>Unit holders' fund</b>		<b>1,063,989</b>	<b>1,261,060</b>
(Number of units)			
<b>Number of units in issue</b>		<b>10,314,599</b>	<b>12,586,594</b>
(Rupees)			
<b>Net assets value per unit</b>		<b>103.15</b>	<b>100.19</b>

The annexed notes 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

Statement under Section 241(2) of the Companies Ordinance, 1984

"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 (UNAUDITED)

## FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2015

	Note	Six months period ended		Quarter ended	
		31 December		31 December	
		2015	2014	2015	2014
		----- (Rupees in '000) -----			
<b>Income</b>					
Capital loss on sale of investment - net		(2,352)	(6,728)	(2,955)	(6,053)
Income from government securities		19,141	57,521	7,501	29,831
Income from unlisted debt securities - term finance certificates		4,794	6,768	2,460	3,528
Profit on bank deposits		15,723	20,098	8,187	6,446
Back end load		-	1	-	1
Net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss'		5,084	(15,539)	6,244	(6,971)
<b>Total income</b>		<b>42,390</b>	<b>62,121</b>	<b>21,437</b>	<b>26,782</b>
<b>Expenses</b>					
Remuneration of Management Company		3,958	7,718	1,780	3,713
Sales tax and federal excise duty on remuneration of Management Company		1,276	2,578	574	1,240
Remuneration of Central Depository Company of Pakistan Limited - Trustee		986	1,209	466	572
Sindh Sales tax on remuneration of trustee	9	93	-	65	-
Annual fee - Securities and Exchange Commission of Pakistan		457	689	222	316
Provision for Workers' Welfare Fund		-	811	-	290
Amortisation of preliminary expenses and floatation costs		101	101	51	51
Auditors' remuneration		348	295	177	101
Settlement and bank charges		94	185	67	68
Fees and subscription		147	120	74	60
Shariah advisory fee		107	-	107	-
Allocated expenses	10	123	-	123	-
Printing and related charges		39	87	(10)	37
<b>Total expenses</b>		<b>7,729</b>	<b>13,793</b>	<b>3,696</b>	<b>6,448</b>
		<b>34,661</b>	<b>48,328</b>	<b>17,741</b>	<b>20,334</b>
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed:	3.2				
- arising from capital (loss) / gain and unrealised (loss) / gain		(217)	2,218	225	2,093
- arising from other income		(3,880)	(10,816)	(3,841)	(8,211)
		(4,097)	(8,598)	(3,616)	(6,118)
<b>Net income for the period before taxation</b>		<b>30,564</b>	<b>39,730</b>	<b>14,125</b>	<b>14,216</b>
Taxation	11	-	-	-	-
<b>Net income for the period after taxation</b>		<b>30,564</b>	<b>39,730</b>	<b>14,125</b>	<b>14,216</b>
<b>Earnings per unit</b>	12				

The annexed notes 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

Statement under Section 241(2) of the Companies Ordinance, 1984

"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 (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2015**

	Six months period ended 31 December		Quarter ended 31 December	
	2015	2014	2015	2014
	----- (Rupees in '000) -----			
Undistributed income brought forward	2,919	670	19,247	26,106
Net income for the period	30,564	39,730	14,125	14,216
Net element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - transferred to Distribution Statement	(435)	(177)	(324)	(99)
<b>Undistributed income carried forward</b>	<b>33,048</b>	<b>40,223</b>	<b>33,048</b>	<b>40,223</b>

The annexed notes 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

Statement under Section 241(2) of the Companies Ordinance, 1984

"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' FUND (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2015**

	Six months period ended 31 December		Quarter ended 31 December	
	2015	2014	2015	2014
	----- (Rupees in '000) -----			
Net assets at the beginning of the period	1,261,060	2,054,563	1,220,187	1,842,355
Issue of 3,109,531 units (2014: 3,707,115 units) and 1,857,394 units (2014: 1,844,549 units) for the six months and quarter ended respectively	302,508	376,534	189,261	188,475
Redemption of 5,381,526 units (2014: 9,146,632 units) and 3,557,390 units (2014: 4,907,620 units) for the six months and quarter ended respectively	(534,241)	(929,259)	(363,200)	(500,998)
	(231,733)	(552,725)	(173,939)	(312,523)
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 realised capital (gains) / losses transferred to the income statement:				
- arising from capital (loss) / gain and unrealised (loss) / gain	217	(2,218)	(225)	(2,093)
- arising from other income	3,880	10,816	3,841	8,211
- Amount representing unrealised capital (gains) / losses - transferred to the Distribution Statement	435	177	324	99
	4,532	8,775	3,940	6,217
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - transferred to Distribution Statement	(435)	(177)	(324)	(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 on sale of investments)	27,833	61,997	10,837	27,240
Capital loss on sale of investments	(2,352)	(6,728)	(2,955)	(6,053)
Net unrealised appreciation / (diminution) in value of investments classified as 'at fair value through profit or loss'	5,084	(15,539)	6,243	(6,971)
	30,565	39,730	14,125	14,216
Net assets as at the end of the period	1,063,989	1,550,166	1,063,989	1,550,166
Net assets value per unit as at beginning of the period	100.19	100.03	101.56	101.44
Net assets value per unit as at end of the period	103.15	102.66	103.15	102.66

The annexed notes 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

Statement under Section 241(2) of the Companies Ordinance, 1984

"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 SIX MONTH PERIOD AND QUARTER ENDED DECEMBER 31, 2015

	Six months period ended 31 December		Quarter ended 31 December	
	2015	2014	2015	2014
	(Rupees in '000)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income for the period before taxation	30,564	39,730	14,125	14,216
<i>Adjustments for non-cash charges and other items:</i>				
Net unrealised (appreciation) / diminution in fair value of investments classified as 'at fair value through profit or loss'	(5,084)	15,539	(6,243)	6,971
Amortisation of preliminary expenses and floatation costs	101	101	51	51
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed:				
- arising from capital (loss) / gain and unrealised (loss) / gain	217	(2,218)	(225)	(2,093)
- arising from other income	3,880	10,816	3,841	8,211
	4,097	8,598	3,616	6,118
Provision for Workers' Welfare Fund	-	811	-	290
	29,678	64,779	11,549	27,646
<b>Decrease / (increase) in assets</b>				
Investments	(79,569)	234,496	(26,764)	(111,441)
Advance against subscription of Corporate Sukuk	-	-	-	118,000
Income and profit receivable	11,581	(1,115)	(703)	(11,302)
Deposit and prepayments	108	(20)	75	60
	(67,880)	233,361	(27,392)	(4,683)
<b>Increase / (decrease) in liabilities</b>				
Payable to Management Company	(271)	378	(1)	817
Payable to the Central Depository Company of Pakistan Limited - Trustee	21	(42)	(3)	(20)
Payable to Securities and Exchange Commission of Pakistan - Annual fee	(741)	(1,128)	222	316
Dividend payable	-	(31)	-	-
Accrued expenses and other liabilities	(5,551)	6,382	(1,183)	5,419
units redeemed:	(6,542)	5,559	(965)	6,532
<b>Net cash (used in) / generated from operating activities</b>	(44,744)	303,699	(16,808)	29,495
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Receipts from issuance of units	302,508	376,534	189,260	188,476
Payments on redemption of units	(534,241)	(929,259)	(363,201)	(500,998)
<b>Net cash used in financing activities</b>	(231,733)	(552,725)	(173,941)	(312,522)
Net decrease in cash and cash equivalents during the period	(276,477)	(249,026)	(190,749)	(283,027)
Cash and cash equivalents at beginning of the period	517,006	597,684	431,278	631,685
<b>Cash and cash equivalents at end of the period</b>	240,529	348,658	240,529	348,658

The annexed notes 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

Statement under Section 241(2) of the Companies Ordinance, 1984

"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 SIX MONTH PERIOD AND QUARTER ENDED DECEMBER 31, 2015

## 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 currently situated at 8th floor, Techno city corporate tower, Hasrat Mohani Road, Karachi, Pakistan. With effect from 08 February 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.

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 Pakistan Stock Exchange limited (formerly listed on 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 2015.

**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 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 2015 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2015, 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 2014.

### 2.1.5 Functional and presentation currency

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



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

**3. SIGNIFICANT ACCOUNTING POLICIES**

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 2015. At present the Fund has no item to be reported in other comprehensive income; hence income for the period equals to total comprehensive income for the period. During the period IFRS 13 Fair Value Measurement, became effective. Further, amendments to certain existing standards, new 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.

**3.1 Change in accounting policy- fair value measurement**

IFRS 13 Fair Value Measurement establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces an expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments: Disclosures. As a result, the Fund has included additional disclosures in this regard in note 7.3 to the interim financial information. In accordance with the transitional provisions of IFRS 13, the Fund has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosure. Notwithstanding the above, the change had no significant impacts on the measurements of the Fund's assets and liabilities.

**3.2** The Element of Income arising on issuance and redemption of units is bifurcated in to portion attributable to capital gain / losses (realised and unrealised) and other income appearing in book of accounts of the Funds. Accordingly corresponding figures have been aligned with the current presentation.

**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 2015.

**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 2015.

**6. BALANCES WITH BANKS**

	(Unaudited) 31 December 2015	(Audited) 30 June 2015
	(Rupees in '000)	
Balances with bank		
- Current account	5,319	22,558
- Savings account	235,210	494,448
	<u>240,529</u>	<u>517,006</u>

**7. INVESTMENTS**

**'At fair value through profit and loss'-held for trading**

Government securities	7.1	723,808	635,190
Unlisted debt securities - term finance certificates	7.2	115,255	119,220
		<u>839,063</u>	<u>754,410</u>



**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
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**7.1 Government securities - Government of Pakistan Ijara Sukuk**

Issue date	Profit rate (%)	Tenor	Face value		Balance as at 31 December 2015			Market value as a percentage of net assets	Market value as a percentage of total investments
			As at 1 July 2015	Purchased during the period	Disposed / matured during the period	As at 31 December 2015	Carrying value		
(Rupees in '000)									
<i>Government of Pakistan</i>									
<i>Ijara Sukuk</i>									
26 December 2011	6.94%	3 years	-	100,000	100,000	-	-	-	-
28 June 2012	6.94%	3 years	11,000	-	11,000	-	-	-	-
18 September 2012	7.87%	3 years	435,200	-	435,200	-	-	-	-
02 March 2012	8.34%	3 years	100,000	-	100,000	-	-	-	-
28 March 2013	6.15%	3 years	20,300	10,500	-	30,800	30,986	30,923	(63)
25 June 2014	4.75%	3 years	65,500	134,000	78,000	121,500	121,500	121,500	-
18 December 2015	5.89%	3 years	-	665,000	100,000	565,000	565,330	571,385	6,055
<b>31 December 2015</b>							<b>717,816</b>	<b>723,808</b>	<b>5,992</b>
30 June 2015							645,592	635,190	(10,402)

**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 2015			Market value as a percentage of net assets	Market value as a percentage of total investments	
		As at 1 July 2015	Purchased during the period	Disposed / matured during the period	As at 31 December 2015	Carrying value	Market value			
Engro Fertilizers Limited 31 December 2015	8.78%	23,600	-	-	23,600	116,164	115,255	(909)	10.83	13.74
						116,164	115,255	(909)		
						115,050	119,220	4,170		
30 June 2015										

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH PERIOD AND QUARTER ENDED DECEMBER 31, 2015

7.3 The additional disclosure due to the adoption of IFRS 13 Fair value measurement are as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value of underlying financial assets are determined based on requirements of Regulation 66 of Non-Banking Finance Companies and Notified Entities Regulations, 2008 and directives if any, issued by the Securities and Exchange Commission of Pakistan, of debt instruments other than Government Securities, which are unlisted or listed but not traded regularly on stock exchange be valued at rates notified by Mutual Funds Association of Pakistan.

The fair value of financial assets traded in active market i.e. listed securities are based on the quoted market price at determined by stock exchange in accordance with its regulations.

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

Level 1 — Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.

Level 2 — Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable).

Level 3 — Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

As at 31 December 2015, the Fund held the following classes of financial instruments measured at fair value:

## Financial assets measured at fair value

	Fair value			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
<b>31 December 2015</b>				
<b>Investments:</b>				
- Government Securities	-	723,808	-	723,808
- Unlisted debt securities - term finance certificates		-	115,255	115,255

The fair value of the financial assets comprising balances with banks and income receivables as well as financial liabilities comprising payable to Management company, payable to Central Depository Company of Pakistan Limited, payable to Securities and Exchange Commission of Pakistan and other liabilities approximates their carrying amounts.

For financial instruments that are recognised at fair value on a recurring basis, the Fund determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the six-month period ended 31 December 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

## Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy

	31 December 2015 (Rupees in '000)
<b>Unlisted debt securities - term finance certificates</b>	
<b>Opening balance</b>	116,164
Net unrealised loss recognised in income statement during the period	(909)
<b>Closing balance</b>	<u>115,255</u>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
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8. ACCRUED EXPENSES AND OTHER LIABILITIES		(Unaudited) 31 December 2015 (Rupees in '000)	(Audited) 30 June 2015
Federal excise duty payable and other related taxes on management fee	8.1	8,078	7,285
Federal excise duty payable and other related taxes on sales load	8.1	2,971	2,855
Provision for Workers' Welfare Fund	8.2	11,490	11,490
Zakat payable		377	377
Auditors' remuneration		316	394
Printing charges payable		66	152
Capital gain tax payable		82	199
Withholding tax payable on dividend		-	6,201
Brokerage payable		37	15
		<b>23,417</b>	<b>28,968</b>

**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. 8.078 million and Rs. 2.97 million on account of management fee and sales load, as at 31 December 2015. 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 Rs. 0.78 per unit as at 31 December 2015.

**8.2 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.

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH PERIOD AND QUARTER ENDED DECEMBER 31, 2015

Furthermore, in the Finance Act 2015, the mutual funds have been excluded from the levy of WWF. As this change has been made in the definition of the term 'Industrial Establishment' as defined in the Workers' Welfare Fund Ordinance, 1971, the change may appear to apply prospectively. Accordingly, management is of the view that this change is applicable from 01 July 2015. Hence, the matter regarding previous years would either need to be clarified by FBR or would be resolved through courts. Management Company, as a matter of abundant precaution, has decided to retain the provision for WWF amounting to Rs. 11.490 million in these condensed interim financial information. During the six months period ended 31 December 2015 the Fund charged Rs. Nil on account of WWF. Had the said provision of WWF not been recorded in the books of account of the Fund, the Net Asset Value (NAV) of the Fund would have been higher by Rs. 1.114 per unit as at 31 December 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 13 June 2015 has amended the definition of services of shares, securities and derivatives and included the custodianship services as well. Accordingly, sindh sales tax at the rate of 14% is also charged on trustee fee.

Accordingly, the Fund has made an accrual of Rs. 93 million on account of sindh sales tax on services chargeable on custodianship services.

### 10 ALLOCATED EXPENSES

In the current period a statutory notification (S.R.O. No 1160 (1) /2015 dated 25 November 2015 was issued by the Securities and Exchange Commission of Pakistan (SECP), which introduced amendments in Non -Banking Finance Companies and Notified Entities Regulations, 2008. As a result of these amendments, the Management Company may charge fees and expenses related to registrar services, accounting, operations and valuation services related to Collective Investment Scheme (CIS) upto maximum of 0.1% of average annual net assets of the scheme. Accordingly, such expenses have been charged effective from 27 November 2015.

### 11 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of atleast 90 percent of accounting income, the income distributed through bonus units shall not be 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 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. The Fund has not recorded any tax liability in respect of income relating to the current period as the management company intends to distribute at least 90 percent of the Fund's accounting income for the year ending June 30, 2016 as reduced by capital gains (whether realised or unrealised) to its unit holders.

### 12 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.

### 13 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 AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
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13.1 Details of the transactions with connected persons / related parties are as follows:	Six months period ended		Quarter ended	
	31 December		31 December	
	2015	2014	2015	2014
	----- (Rupees in '000) -----			
<b>MCB-Arif Habib Savings and Investments limited - Management Company</b>				
Remuneration (including indirect taxes)	<u>5,234</u>	<u>10,296</u>	<u>2,354</u>	<u>4,953</u>
Allocated expenses(including indirect taxes)	<u>123</u>	<u>-</u>	<u>-</u>	<u>-</u>
Shariah advisory fee	<u>107</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>MCB Bank Limited</b>				
Profit on bank deposits	<u>442</u>	<u>424</u>	<u>295</u>	<u>134</u>
Bank Charges	<u>18</u>	<u>27</u>	<u>11</u>	<u>4</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>				
Remuneration (including indirect taxes)	<u>1,079</u>	<u>1,209</u>	<u>531</u>	<u>572</u>
<i>Other related parties:</i>				
<b>Directors and Executives of the Management Company</b>				
Issue of 59,529 units (2014: 67,159 units) and 2,478units (2014: 43,195 units) for the six months and quarter ended respectively	<u>6,015</u>	<u>6,836</u>	<u>252</u>	<u>4,417</u>
Redemption of 65,653units (2014: 78,925 units) and 5,022units (2014: 36,733 units) for the six months and quarter ended respectively	<u>6,630</u>	<u>8,022</u>	<u>512</u>	<u>3,756</u>
<b>Adamjee Life Assurance Company Limited (Amaanat Fund)</b>				
Issue of 294,261 units (2014: 283,512 units) and 195,796 units (2014: 233,802 units) for the six months and quarter ended respectively	<u>30,000</u>	<u>29,000</u>	<u>20,000</u>	<u>24,000</u>
Redemption of 1,274,940 units (2014: Nil units) and 1,055,413units (2014: Nil units) for the six months and quarter ended respectively	<u>130,000</u>	<u>-</u>	<u>108,000</u>	<u>-</u>
<b>Mandate under Discretionary Portfolio Services*</b>				
Issue of Nil units (2014: 246,972 units) and Nil units (2014: Nil units) for the six months and quarter ended respectively	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
Redemption of Nil units (2014: 246,972 units) and Nil units (2014: Nil units) for the six months and quarter ended respectively	<u>-</u>	<u>25,011</u>	<u>-</u>	<u>-</u>

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

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

**13.2 Amounts outstanding as at period / year end:**

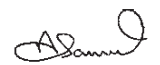
	(Unaudited) 31 December 2015	(Audited) June 30 2015
	(Rupees in '000)	
<b>MCB Bank Limited</b>		
Balance with bank	8,489	47,732
Profit receivable on bank deposits	-	50
<b>MCB-Arif Habib Savings and Investments limited - Management Company</b>		
Management fee payable	634	718
Sindh sales tax payable on management fee	89	178
Front-end load payable	123	321
Sindh sales tax payable on front end load	18	48
Allocated expenses payable	123	-
Shariah Advisory fee payable	107	-
Legal and professional charges	-	100
<b>Central Depository Company of Pakistan Limited-Trustee</b>		
Remuneration payable	153	153
Sindh sales tax payable on trustee fee	21	-
<b>Directors and executives of the Management Company</b>		
Units held 49,238 units (June 2015: 55,362 units)	5,079	5,547
<b>Adamjee Life Assurance Company Limited (Amaanat Fund)</b>		
Units held: 368,054 (June 2015 1,348,733 units)	37,966	135,131

**14 General**

- 14.1** Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and better presentation. The effect of rearrangement / reclassification is not considered to be material.
- 14.2** This condensed interim financial information has been authorised for issue in the meeting of the Board of Directors of the Management Company held on February 04, 2016.

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

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

Statement under Section 241(2) of the Companies Ordinance, 1984

"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**

## **MCB-Arif Habib Savings and Investments Limited**

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