

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.

PAKISTAN INCOME FUND

CONTENTS

Fund's Information	32
Report of the Directors of the Management Company	33
Report of the Trustee to the Unit Holders	35
Auditors Report to the Unit Holders on Review of Condensed Interim Financial Information	36
Condensed Interim Statement of Assets and Liabilities	38
Condensed Interim Income Statement (Un-audited)	39
Condensed Interim Distribution Statement (Un-audited)	40
Condensed Interim Statement of Movement In Unit Holders' Funds (Un-audited)	41
Condensed Interim Cash Flow Statement (Un-audited)	42
Notes to and forming part of the Condensed Interim Financial Informations (Un-audited)	43

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 Metropolitan Bank Limited Allied Bank Limited Deutsche Bank AG NIB Bank Limited United Bank Limited Standard Chartered Bank Limited Faysal Bank Limited Bank Al-Falah Limited	
Auditors	M. Yousuf Adil Saleem & Co. Chartered Accountants Cavis Court, A-35, Block 7 & 8, KCHSU, Shara e Faisal, Karachi-75350	
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 Pakistan 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 1H FY15. 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 1H FY15 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 1H FY15 (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 12.66% as against its benchmark return of 10.27%, an outperformance of 2.39%. At period-end, the fund was 25.4% invested in Treasury Bills, 28.7% in TFCs and 41.5% in PIBs.

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

Weighted average maturity of the fund increased to 2.4 years at period end compared to 2.2 years at June end.

The Net Asset of the Fund as at December 31, 2014 stood at Rs. 1,037 million as compared to Rs.1,008 million as at June 30 2014 registering an increase of 2.8%.

The Net Asset Value (NAV) per unit as at December 31, 2014 was Rs.55.36 as compared to opening NAV of Rs.52.04 per unit as at June 30, 2014 registering an increase of Rs. 3.32 per unit.

FUTURE OUTLOOK

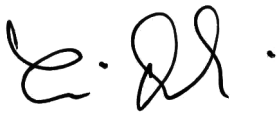
Economic activity is expected to gain momentum in 2015. The manufacturing activity will be driven by lower energy cost, weak raw material prices, improvement in gas supply situation and progress on the political front. In a major positive development, the government is planning to import LNG to ease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

PAKISTAN INCOME FUND

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

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



M. Yousuf Adil Saleem & Co
Chartered Accountants
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KCHSU, Sharea Faisal,
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AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of Pakistan Income Fund (the Fund) as at December 31, 2014, and the related condensed interim income statement, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in unit holders' fund together with the notes forming part thereof (here-in-after referred to as the 'interim financial information'), for the half year ended December 31, 2014. The Management Company (MCB Arif Habib Savings and Investments Limited) is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim income statement, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in unit holders' fund for the quarters ended December 31, 2014 and 2013 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2014.

Scope of Review

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

Member of
Deloitte Touche Tohmatsu Limited

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



M. Yousuf Adil Saleem & Co
Chartered Accountants

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2014 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants

Engagement Partner
Mushatq Ali Hirani

Dated: February 02, 2015
Karachi

Member of
Deloitte Touche Tohmatsu Limited

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT DECEMBER 31, 2014

		(Unaudited) December 31, 2014	(Audited) June 30, 2014
	Note	----- (Rupees in '000) -----	
Assets			
Balances with banks		5,932	263,245
Investments	5	1,022,425	703,027
Profit receivable		31,428	29,466
Advances, deposits and prepayments		9,222	42,043
Total assets		<u>1,069,007</u>	<u>1,037,781</u>
Liabilities			
Payable to Management Company		1,502	1,442
Payable to Central Depository Company of Pakistan Limited - Trustee		172	167
Payable to Securities and Exchange Commission of Pakistan		384	757
Payable on redemption of units		47	1,414
Accrued expenses and other liabilities	6	30,024	26,183
Total liabilities		<u>32,129</u>	<u>29,963</u>
Net assets		<u>1,036,878</u>	<u>1,007,818</u>
Unit holders' funds (as per statement attached)		<u>1,036,878</u>	<u>1,007,818</u>
Contingencies and commitments	7		
		(Number of units)	
Number of units in issue		<u>18,730,611</u>	<u>19,364,435</u>
		----- (Rupees) -----	
Net asset value per unit		<u>55.36</u>	<u>52.04</u>

The annexed notes from 1 to 12 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 (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2014

		Half year ended		Quarter ended	
		December 31,		December 31,	
		2014	2013	2014	2013
Note		----- (Rupees in '000) -----			
Income					
		31,853	27,024	20,958	13,877
		20,312	23,681	12,691	12,173
		4,694	3,606	3,208	1,440
		143	(1,224)	(7,226)	227
		57,002	53,087	29,631	27,717

The annexed notes from 1 to 12 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 (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2014

	Half year ended December 31,		Quarter ended December 31,	
	2014	2013	2014	2013
	----- (Rupees in '000) -----			
Undistributed income brought forward	39,675	64,923	66,579	39,894
Net element of loss and capital losses included in the prices of units issued less those in units redeemed - amount representing unrealised income	(1,309)	(2,853)	(584)	(1,088)
Total comprehensive income for the period	62,058	33,559	34,429	16,360
	60,749	30,706	33,845	15,272
Distributions to the unit holders of the Fund:				
Final bonus distribution for the year ended June 30, 2013 at Rs. 1.16 per unit (Date of distribution July 4, 2013)	-	(23,828)	-	-
Interim distribution of bonus units for the quarter ended September 30, 2013 at Rs 0.86 per unit (Date of distribution September 27, 2013)	-	(16,635)	-	-
Interim distribution of bonus units for the half year ended December 31, 2013 at Rs 1.9286 per unit (Date of distribution December 26, 2013)	-	(18,827)	-	(18,827)
	-	(59,290)	-	(18,827)
Undistributed income carried forward	100,424	36,339	100,424	36,339

The annexed notes from 1 to 12 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' FUNDS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2014

	Half year ended December 31,		Quarter ended December 31,	
	2014	2013	2014	2013
------(Rupees in '000)-----				
Net assets at beginning of the period	1,007,818	1,091,897	1,016,940	1,022,738
Issue of 1,429,226 units (2013: 1,729,648 units) and 769,230 units (2013: 833,810 units) for the half year and quarter ended respectively	76,932	90,758	42,158	43,708
Redemption of 2,063,050 units (2013: 4,297,229 units) and 1,047,379 units (2013: 1,745,273 units) for the half year and quarter ended respectively	(110,687)	(225,020)	(57,177)	(91,141)
Issue of Nil (2013: 1,141,230) bonus units and Nil (2013: 363,104 units) during the half year and quarter respectively	-	59,290	-	18,827
	(33,755)	(74,972)	(15,019)	(28,606)
Element of loss and capital losses included in prices of units issued less those in units redeemed				
- amount representing loss transferred to - income statement	757	801	528	330
- amount representing loss that forms part of unit holders'- fund transferred to distribution statement	1,309	2,853	584	1,088
	2,066	3,654	1,112	1,418
Element of loss and capital losses included in prices of units issued less those in units redeemed - amount representing unrealised income	(1,309)	(2,853)	(584)	(1,088)
Net income for the period transferred from the distribution statement				
Capital gain / (loss) on sale of investments - net	143	(1,224)	(7,226)	227
Net unrealised appreciation /(diminution) in fair value of investments classified as 'at fair value through profit or loss'	15,419	(428)	9,000	(560)
Other net income for the period	43,871	35,211	30,647	16,693
Distributions made during the period (Refer distribution statement)	-	(59,290)	-	(18,827)
	59,433	(25,731)	32,421	(2,467)
Unrealised appreciation on re-measurement of investments classified as 'available for sale'	2,625	-	2,008	-
Net assets at end of the period	1,036,878	991,995	1,036,878	991,995

The annexed notes from 1 to 12 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 (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2014

	Half year ended December 31,		Quarter ended December 31,	
	2014	2013	2014	2013
	----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	59,433	33,559	32,421	16,360
<i>Adjustments</i>				
Net unrealised (appreciation) /diminution in value of investments classified as 'at fair value through profit or loss'	(15,419)	428	(9,000)	560
Net element of loss and capital losses prices of units issued less those in units redeemed	757	801	528	330
Reversal of provision against non-performing debt securities	(1,248)	(41)	(1,248)	(41)
	<u>43,523</u>	<u>34,747</u>	<u>22,701</u>	<u>17,209</u>
(Increase) / decrease in assets				
Investments	(300,106)	(197,797)	(256,877)	(101,707)
Receivable against sale of investments	-	5,038	-	(1)
Profit receivable	(1,962)	367	(13,659)	(6,950)
Advances, deposits and prepayments	32,821	(27,001)	(622)	56
	<u>(269,247)</u>	<u>(219,393)</u>	<u>(271,158)</u>	<u>(108,602)</u>
Increase /(decrease) in liabilities				
Payable to Management Company	60	1,178	(214)	1,683
Payable to Central Depository Company of Pakistan Limited - Trustee	5	(11)	5	2
Payable to Securities and Exchange Commission of Pakistan - fee	(373)	(568)	193	190
Payable against sale of investments	-	-	-	(1,410)
Payable on redemption of units	(1,367)	-	-	-
Accrued expenses and other liabilities	3,841	5,741	3,066	3,129
	<u>2,166</u>	<u>6,340</u>	<u>3,050</u>	<u>3,594</u>
Net cash used in operating activities	<u>(223,558)</u>	<u>(178,306)</u>	<u>(245,407)</u>	<u>(87,799)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from issuance of units	76,932	90,758	42,158	43,708
Payments on redemption of units	(110,687)	(225,020)	(57,177)	(91,141)
Net cash used in financing activities	<u>(33,755)</u>	<u>(134,262)</u>	<u>(15,019)</u>	<u>(47,433)</u>
Net decrease in cash and cash equivalents during the period	(257,313)	(312,568)	(260,426)	(135,232)
Cash and cash equivalents at beginning of the period	263,245	504,706	266,358	327,370
Cash and cash equivalents at end of the period	<u>5,932</u>	<u>192,138</u>	<u>5,932</u>	<u>192,138</u>

The annexed notes from 1 to 12 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 (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2014

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Pakistan Income Fund ("the Fund") was established under a Trust Deed executed between Arif Habib Investments Limited as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on October 23, 2001 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on February 28, 2002 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).
- 1.2 Pursuant to the merger of MCB Asset Management Company Limited with and into Arif Habib Investments Limited (AHIL), the name of AHIL had been changed to MCB-Arif Habib Savings and Investments Limited effective from June 27, 2011.
- 1.3 The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.
- 1.4 The Fund is an open-ended mutual fund and has been categorised as "Income Scheme" and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering to the Fund. The units are listed on Lahore Stock Exchange.
- 1.5 The Fund primarily invests in money market and other short-term instruments which includes short-term corporate debt and government securities, repurchase agreements and spread transactions. The Fund may also invest a portion of the fund in medium term assets in order to provide higher return to the unit holders.
- 1.6 The Pakistan Credit Rating Agency (PACRA) Limited has assigned Management quality rating of AM2 dated April 10, 2014 to the Management Company and "A+(f)" as stability rating dated February 20, 2014 to the Fund.
- 1.7 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2. STATEMENT OF COMPLIANCE

- 2.1 This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP) shall prevail.
- 2.2 This condensed interim financial information comprise of condensed interim statement of assets and liabilities, condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement together with the notes forming part thereof. The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34, 'Interim Financial Reporting'. It does not include all the information and disclosures made in the annual published financial statement and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2014. Comparative information of the condensed interim income statement, condensed interim cash flow statement, condensed interim distribution statement and condensed interim statement of movement in unit holders' fund for the quarters ended December 31, 2014 and December 31, 2013 are un-audited and have been included to facilitate comparison.
- 2.3 This condensed interim financial information is un-audited. However, limited scope review has been performed by the statutory auditors in accordance with the requirements of clause (xxi) of the Code of Corporate Governance and this condensed interim financial information are being circulated to the unit holders as required under the NBFC Regulations.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2014

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

2.5 The directors of the asset management company declare that this condensed interim financial information give a true and fair view of the Fund.

3. SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

3.1 The accounting policies and methods of computation adopted in preparation of this condensed interim financial information are same as those applied in preparation of financial statements of the Fund for the year ended June 30, 2014.

3.2 The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, significant judgments made by management in applying accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the financial statements as at and for the year ended June 30, 2014.

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

4. FINANCIAL RISK MANAGEMENT

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

5. INVESTMENTS

(Unaudited) (Audited)
December 31, June 30,
2014 2014
---- (Rupees in '000) ----

At fair value through profit or loss

Government securities	5.1	645,886	301,916
Listed debt securities	5.2	177,204	205,690
Unlisted debt securities	5.3	130,119	128,831
		953,209	636,437

Available for sale

Government securities	5.4	69,216	66,590
		1,022,425	703,027

Half Year Report - December 31, 2014

45

Pakistan Income Fund

Listed debt securities

Less: Provision charged during the period
Pace Pakistan Limited
Telecard Limited
Trust Investment Bank Limited - III

Add: Reversals during the period
Telecard Limited

5.2.1 Listed debt securities - term finance certificates

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

* Carrying value before provision - Provision detail is specified in note 5.2

*** Market value after provision - Provision detail is specified in note 5.2

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2014

5.3 Unlisted debt securities

Less: Provision of Maple Leaf Cement Factory Limited
At July 01
Charged during the period
Reversal during the period
At June 30

(Unaudited) December 31, 2014	(Audited) June 30, 2014
130,119	128,831
-	1,075
-	-
-	(1,075)
130,119	128,831

5.3.1 Unlisted debt securities - term finance certificates

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

Name of investee company	Number of Certificates					As at December 31, 2014			Market value as a percentage of total investment
	As at July 1, 2014	Purchased during the year	Matured during the year	Disposed during the year	As at December 31, 2014	Carrying value*	Market value	Appreciation / (diminution)	
									Rupees in '000----- %
Bank Al-Habib Limited - TFC-4 (30-06-11) Fixed	1,000	-	-	-	1,000	5,589	5,725	136	0.56
Bank Alfalah Limited - TFC4 (02-12-09) Floating	4,500	-	-	-	4,500	23,158	23,237	79	2.27
Engro Fertilizer Limited - PPFC-1 (18-03-08)	20,100	-	-	-	20,100	98,627	99,998	1,371	9.78
Maple Leaf Cement Factory Limited- Sukuk (03-12-07)	500	-	-	-	500	1,143	1,159	16	0.11
Total as at December 31, 2014	26,100	-	-	-	26,100	128,517	130,119	1,602	12.73
Total as at June 30, 2014	29,100	-	-	3,000	26,100	124,545	128,831	4,286	18.33

* Carrying value before provision - Provision detail is specified in note 5.3

5.4 Government securities - 'available for sale'

Issue date	Face value					As at December 31, 2014			Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 1, 2014	Purchased during the period	Disposed during the period	Matured during the period	As at December 31, 2014	Carrying value	Market value	Appreciation / (diminution)		
									Rupees in '000----- %	%
Pakistan Investment Bond - 3 years	67,500	-	-	-	67,500	66,591	69,216	2,625	6.68	6.77
Total as at December 31, 2014						66,591	69,216	2,625	6.68	6.77
Total as at June 30, 2014						66,483	66,590	107	6.61	9.47

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2014

	Note	(Un-Audited) December 31 2014	(Audited) June 30 2014
5.5 Net unrealised appreciation in value of investments at fair value through profit or loss			
Market value of investments	5.1, 5.2.1, 5.3.1	953,209	636,437
Carrying value of investments	5.1, 5.2.1, 5.3.1	(937,790)	(631,378)
		15,419	5,059

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

In accordance with Clause (v) of the investment criteria laid down for 'Income Scheme' in Circular no. 7 of 2009, the Fund is required to invest in any security having rating not lower than the investment grade (credit rating of BBB and above). However, as at 31 December 2014, the Fund is non-compliant with the above mentioned requirement in respect of the following investments. The securities were in compliance of the circular (i.e. investment grade) at the time of purchase and were subsequently downgraded to non investment grade by MUFAP on default by respective issuer in repayment of coupon due on respective dates. The Fund holds 100% provision against such investment as enumerated below:

Category of non-compliant investment	Type of Investment / Name of Company	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
		-----Rupees in '000'-----			%	%
Investment in debt securities	a) Pace Pakistan Limited	39,751	39,751	-	0.00	0.00
Investment in debt securities	b) Telecard Limited	27,027	27,027	-	0.00	0.00
Investment in debt securities	c) Trust Investment Bank Limited - III	17,166	17,166	-	0.00	0.00

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2014

6. ACCRUED EXPENSES AND OTHER LIABILITIES

		(Unaudited) December 31, 2014	(Audited) June 30, 2014
	Note	---- (Rupees in '000) ----	
Provision for Workers' Welfare Fund	6.1	23,199	21,985
Provision for Federal Excise Duty and related tax on management fee	6.2	4,386	2,972
Sales load		448	86
Auditors' remuneration		221	385
Zakat		165	159
Brokerage		7	36
Capital gain tax		9	7
Other		1,589	553
		30,024	26,183

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

In 2011, a single judge of the Lahore High Court (LHC) issued a judgment in response to a petition in similar case whereby the amendments introduced in WWF Ordinance through Finance Acts, 2006 and 2008 have been declared unconstitutional and therefore struck down.

However in 2013, the Larger Bench of the Sindh High Court (SHC) issued a judgment in response to a petition in another similar case in which it was held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

However, as per advice of legal council the stay granted to CISs remains intact and constitution petitions filed by CISs to challenge the WWF contribution have not been affected by the SHC judgement. In view of the aforementioned developments and uncertainties created by decision of SHC, the management company as a matter of prudence has charged provision for WWF amounting to Rs. 23.199 million till December 31, 2014. Had the said provision of WWF not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 1.24 per unit.

- 6.2** The Finance Act 2013 introduced an amendment to Federal Excise Act 2005 where by Federal Excise Duty (FED) has been imposed at the rate of 16% of the services rendered by assets management companies. In this regard, a Constitutional Petition has been filed by certain Collective Investment Schemes through their trustees in the Honourable Sindh High Court (SHC), challenging the levy of FED on Asset Management services after the eighteenth amendment. The SHC in its short order of September 2013 directed the FBR not to take any coercive action against the petitioners pursuant to impugned notices till next date of hearing. In view of uncertainty regarding the applicability of FED on asset management services, the management, as a matter of prudence, has decided to retain and continue with the provision of FED and related taxes in financial information aggregating to Rs. 4.386 million as at December 31, 2014. In case, the suit is decided against the fund the same would be paid to management company, who will be responsible for submitting the same to authorities. Had the said provision of FED and related taxes were not recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 0.23 per unit as at December 31, 2014.

7. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at December 31, 2014 and June 30, 2014 other than those stated in note 8 to the condensed interim financial information.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2014

8. TAXATION

- 8.1** The Fund's income is exempt from Income Tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 (the Ordinance) 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. 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 Ordinance. As the management intends to distribute at least 90% of income earned during current year to the unit holders, therefore, no provision for taxation has been recorded in these financial statement.
- 8.2** The income tax returns till the tax year 2014 have been filed and are deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (the Ordinance) except for tax years 2008 and 2012 for which Order under section 122(5A) of the Ordinance has been received that the Fund is not entitled to the exemption from income tax on the basis that the distribution of bonus shares should not be included in calculation of distribution of 90% of declared profit required to claim exemption from income tax. This issue has also been raised by the department in other mutual funds. The Fund filed a petition in the Sindh High Court (SHC) against the demands raised in this respect and has obtained a stay order against the payment of tax demand. Other Mutual Funds are also contesting the same at different appellate forums of Federal Board of Revenue. The Commissioner Inland Revenue (Appeals) has also decided in favour of the fund wherein the earlier notices served by Tax authorities have been annulled. The management, based on the tax advise obtained by Mutual Funds Association of Pakistan from various tax advisors, is confident that the case would ultimately be decided in favor of the Fund and therefore no provision is required to be made in this condensed interim financial information.

9. EARNINGS PER UNIT

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

10. TRANSACTIONS WITH CONNECTED PERSONS

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

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

10.1 Details of transactions with connected persons are as follows:

	Half year ended December 31,		Quarter ended December 31,	
	2014	2013	2014	2013
	----- (Rupees in '000) -----			
MCB-Arif Habib Savings and Investment Limited				
- Management Company				
Remuneration for the period including indirect taxes	10,249	10,440	5,150	5,108
Central Depository Company of Pakistan Limited - Trustee				
Remuneration for the period	864	869	433	430
CDS charges	-	6	-	4
MCB Bank Limited				
Profit on bank deposits	492	415	171	280
Bank Charges	8	3	6	2
Next Capital				
Brokerage *	9	-	5	-

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2014**

	Half year ended December 31,		Quarter ended December 31,	
	2014	2013	2014	2013
	----- (Rupees in '000) -----			
Mandate under Discretionary Portfolio Services				
Redemption of 54,895 units (2013: Nil units) and 54,895 units (2013: Nil units) for the half year and quarter ended respectively	3,000	-	3,000	-
Directors, executives and employees of the Management Company				
Issue of 44 units (2013: 195 units) and 44 units (2013: Nil units) for the half year and quarter ended respectively	2	10	2	-
Issue of Nil bonus units (2013: 1,041 units) and Nil units (2013: 16 units) for the half year and quarter ended respectively	-	54	-	1
Redemption of Nil units (2013: 27,877 units) and Nil units (2013: 24,559 units) for the half year and quarter ended respectively	-	1,461	-	1,288

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

	(Unaudited) December 31 2014	(Audited) June 30 2014
	----(Rupees in '000)----	
10.2 Amounts outstanding as at period / year end:		
MCB-Arif Habib Savings and Investment Limited		
- Management Company		
Remuneration payable	1,306	1,243
Sales tax payable on management fee	196	199
Sales load payable	448	86
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	172	167
Security deposit	200	200
MCB Bank Limited		
Bank balance	1,433	2,518
Profit receivable on bank deposits	65	36
Adamjee Life Assurance Company Limited		
Units held 687,445 (June 30, 2014: 687,445)	35,775	35,775
Mandate under Discretionary Portfolio Services		
Units held 62,570 (June 30, 2014: 117,464)	3,464	6,113
Directors, executives and employees of the Management Company		
Units held 929 (June 30, 2014: 885)	51	44

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2014

11. RECLASSIFICATION

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

	From	To	June 30, 2014 (Rupees in '000)
Sales tax on FED payable on management fee	Payable to Management Company	Accrued expenses and other liabilities	189

12. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on 02 February, 2015 by the Board of Directors of the Management Company.


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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