

Quarterly Report

September 30, 2015
(Unaudited)



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

AM2 Plus by PACRA

PAKISTAN INCOME FUND

CONTENTS

Fund's Information	27
Report of the Directors of Management Company	28
Condensed Interim Statement of Assets and Liabilities	30
Condensed Interim Income Statement (Un-audited)	31
Condensed Interim Distribution Statement (Un-audited)	32
Condensed Interim Statement of Movement in Unit Holders' Funds (Un-audited)	33
Condensed Interim Cash Flow Statement (Un-audited)	34
Notes to and forming part of the Condensed Interim Financial Statements (Un-audited)	35

FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings and 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 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	Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Yasir Qadri	Chairman Member Member Member Member
Company Secretary & Chief Financial Officer	Mr. Muhammad Saqib Saleem	
Trustee	Central Depository Company of Pakistan Limited CDC House, 99-B Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
Bankers	Habib Metropolitan Bank Limited MCB Bank Limited Bank Al Falah Limited Faysal Bank Limited Allied Bank Limited Standard Chartered Bank (Pakistan) Limited Deutsche Bank AG NIB Bank Limited United Bank Limited	
Auditors	Deloitte Yousuf Adil Chartered Accountants Cavish Court, A-35, Block 7 & 8, KCHSU, Sharae Faisal, Karachi-75350	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area, Phase VI, DHA, Karachi.	
Transfer Agent	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Rating	AM2 + Management Quality Rating assigned by PACRA	

REPORT OF THE DIRECTOR OF MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2015

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **Pakistan Income Fund's** accounts review for the first quarter ended September 30th, 2015.

Economy and Money Market Overview

Benefits of more than 50 percent drop year on year in crude oil prices are visible in the macroeconomic score card positively nudging the Balance of Payment, Foreign Exchange Reserves, Inflation, Interest rates and the Fiscal deficit. A net benefit of more than USD 1 billion is visible in the trade account during first two months of fiscal year which has offset the otherwise slower exports. In the same period, Balance of Payment Account also remained stable where a near USD 394 million Current Account deficit has been largely offset by Financial and Capital Account Inflows. During the same period last year, the country had a negative balance of payment of near USD 729 million mainly derived from a current account deficit of about USD 1,456 million. With controlled current account deficit, the support of IMF tranche, CSF flows and multilateral flows, reserves remained firm near USD 18.5 billion (Sep-18) mark giving resilience to PKR which underwent relatively lesser depreciation in the fragile environment prevailing in the emerging markets. Although, the local fuel prices were cushioned by increase in taxes, yet the drop in crude oil along with other commodity prices, kept the inflation contribution from food and other sectors at lower levels. During the first quarter, headline inflation average remained near 1.6% which along with strong external account position, created comfortable space for another 50 basis point cut in policy rate in September monetary policy. M2 growth remained mildly negative on FY15 to date basis (18-Sep) which reflects the seasonal adjustment where NDA continually supported by a net govt. borrowing of about PKR 255 billion with a muted contribution from NFA in absence of any major net inflows. Money markets remained cautiously optimistic about further cut in discount rate and its sustainability. Yield Curve has thus recently witnessed a slight increase in slope with longer dated bonds remaining relatively less responsive to the change in policy rate. Increasingly the markets continue to remain cautious primarily due to low quality of market liquidity which has been reliant on OMO injections and the expected uptick in inflation as 2nd half FY16 inflation is expected to remain near 6% largely due to low base effect.

Fund Performance

During the quarter under review, the fund generated annualized return of 9.43% as against its benchmark return of 7.51%, an out performance of 1.92%.

During the quarter exposure towards T-Bills was decreased to 24.7% while allocation in cash and equivalents decreased to 3.5% to better align with stable discount rate. The fund marginally reduced exposure towards TFC's to around 19.2%

The Net Assets of the Fund as at September 30, 2015 stood at Rs. 1,225 million as compared to Rs. 1,131 million as at June 30, 2015 registering an increase of 8.31%. The Net Asset Value (NAV) per unit as at September 30, 2015 was Rs. 54.69.

Future Outlook

Oil prices have improved the economic scorecard significantly particularly the external account and inflation while providing an opportunity to address the chronic energy issues along with fiscal management. Most of the indicators have improved passively however critical indicators which still lack significant improvement include Credit off take and Capital Expenditure along with FDI. Despite conducive macro environment, growth is yet to pick up and we hope the China Pakistan Corridor provides the required growth impetus for investment to pick up. Government still remains significantly dependent on domestic borrowing to fund fiscal deficit and still progress has remained slow on key reforms including energy, privatization and revenue generation. Security situation has also improved which however remains a long and continuing challenge with potential risks to infrastructure plans going forward.

REPORT OF THE DIRECTOR OF MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2015

With stable macro environment and pace expected to pick up on the infrastructure projects, we expect the environment to remain conducive for capital markets. We expect the full year inflation to remain below 4.5% as remainder year inflation is expected to gradually pick up and thus provides a stable interest rate outlook. Budgeted target for economic growth appear achievable while fiscal deficit may marginally exceed due to challenges in revenue collection despite significant reduction in subsidies.

With Policy Rate at 6% and SBP committed to contain the money market volatility and liquidity through continuous OMO support, we expect stable environment for short term papers and medium term bonds while longer dated bonds would respond to further confirmations on external account including trade account and exchange rate which in turn would remain dependent on commodity prices and multilateral flows.

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
Dated: October 16, 2015

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT SEPTEMBER 30, 2015

		(Unaudited) September 30, 2015	(Audited) June 30, 2015
	Note	(Rupees in '000)	
ASSETS			
Balances with banks		44,621	226,662
Investments	8.	1,196,054	924,942
Profit receivable		10,542	15,932
Advance, deposit and prepayments		8,292	8,580
Total assets		1,259,509	1,176,116
LIABILITIES			
Payable to the Management Company		1,741	1,963
Payable to the Central Depository Company of Pakistan Limited - Trustee		199	174
Payable to the Securities and Exchange Commission of Pakistan - annual fee		222	794
Payable on redemption of units		47	47
Accrued expenses and other liabilities	9.	32,245	41,690
Total liabilities		34,454	44,668
NET ASSETS		1,225,055	1,131,448
Unit holders' fund		1,225,055	1,131,448
Contingencies and Commitments		6.	
		(Number of units)	
NUMBER OF UNITS IN ISSUE		22,400,069	21,181,575
		(Rupees)	
NET ASSET VALUE PER UNIT		54.69	53.42


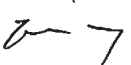
The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.

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


Chief Executive Officer


Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015

		September 2015	2014
	Note	(Rupees in '000)	
INCOME			
Income from government securities		17,540	10,895
Income from term finance certificates		7,542	10,673
Profit on bank deposits and term deposit receipts		1,984	1,487
Capital gain on sale of investments - net		1,403	7,369
		28,469	30,424
Net unrealised appreciation on re-measurement of investments at fair value through profit or loss		1,138	6,418
Total income		29,607	36,842
EXPENSES			
Remuneration of Management Company		4,449	3,822
Sales tax and Federal Excise Duty on remuneration of Management Company		1,434	1,277
Remuneration of Central Depository Company of Pakistan Limited - Trustee		531	431
Securities and Exchange Commission of Pakistan - annual fee		222	191
Settlement and bank charges		147	103
Fees and subscription		100	48
Auditors' remuneration		172	126
Printing and related costs		43	-
Provision against non-performing investments - net		1,699	3,052
Total expenses		8,797	9,050
Net income from operating activities		20,810	27,792
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed			
Arising from capital gain and unrealised gain		493	(49)
Arising from other income		(44)	(180)
Provision for Workers' Welfare Fund	9.1.	-	(551)
Net income for the period before taxation		21,259	27,012
Taxation	10.	-	-
Net income for the period after taxation		21,259	27,012
Other comprehensive income for the period			
Net unrealised appreciation in value of investments classified as 'available for sale'		7,058	617
Total comprehensive income for the period		28,317	27,629
Earnings per unit	7.		
The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.			
MCB-Arif Habib Savings and Investments Limited (Management Company)			
			
Chief Executive Officer		Director	

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015

	September 2015	2014
Note	(Rupees in '000)	
Undistributed income brought forward:	72,448	39,675
Net element of gain / (loss) and capital gains / (losses) for the year included in prices of units issued less those in units redeemed - transferred to Distribution Statement	4,367	(725)
Total comprehensive income for the period	28,317	27,629
	32,684	26,904
Undistributed income carried forward	105,132	66,579

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


 Chief Executive Officer

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


 Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

	September 2015	2014 (Rupees in '000)
Net assets at beginning of the year	1,131,448	1,007,818
Issue of 3,413,655 units (2014: 659,996 units)	174,548	34,774
Redemption of 2,210,977 units (2014: 1,015,671 units)	(108,809)	(53,510)
	65,739	(18,736)
Element of (income) loss and capital losses included in prices of units issued less those in units redeemed		
· amount representing (income) / loss and capital (gains) / losses - transferred to income statement		
Arising from capital gain and unrealised gain	(493)	49
Arising from other income	44	180
· amount representing gains / (loss) that form part of unit holders' fund - transferred to distribution statement	4,367	725
	3,918	954
Element of (gain) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - amount representing unrealised income	(4,367)	(725)
Net income for the period transferred from the distribution statement		
Capital gain on sale of investments	1,403	7,369
Net unrealised appreciation on re-measurement of investment classified as 'financial assets at fair value through profit or loss'	1,138	6,418
Other net operating income	18,718	13,225
	21,259	27,012
Net unrealised appreciation on re-measurement of investment classified as 'available for sale'	7,058	617
	1,225,055	1,016,940

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


Chief Executive Officer

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


Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2015

	September 2015	2014
	(Rupees in '000)	
Note		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	21,259	27,012
Adjustments for non - cash charges and other items		
Net unrealised appreciation in value of investments classified as 'at fair value through profit or loss'	(1,138)	(6,418)
Net element of loss and capital losses prices of units issued less those in units redeemed		
Arising from capital gain and unrealised gain	(493)	49
Arising from other income	44	180
Provision against non-performing investments - net	1,699	3,052
	<u>21,371</u>	<u>24,426</u>
(Increase) / decrease in assets		
Investments (made) - net	(264,615)	(46,282)
Profit receivable	5,390	11,697
Advance, deposit and prepayments	288	33,443
	(258,937)	(1,142)
Increase / (decrease) in liabilities		
Payable to the Management Company	(222)	176
Payable to the Central Depository Company of Pakistan Limited - Trustee	25	-
Payable to the Securities and Exchange Commission of Pakistan - annual fee	(572)	(566)
Payable on redemption of units	-	(1,367)
Accrued expenses and other liabilities	(9,445)	322
	(10,214)	(1,435)
Net cash (used) in operating activities	(247,780)	21,849
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipt from sale and redemption of units	65,739	(18,736)
Net cash used in financing activities	65,739	(18,736)
Net (decrease) / increase in cash and cash equivalents during the period	(182,041)	3,113
Cash and cash equivalents at the beginning of the year	226,662	263,245
Cash and cash equivalents at the end of the period	44,621	266,358

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


Chief Executive Officer

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


Director

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Pakistan Income Fund ("the Fund") was established under a Trust Deed executed between Arif Habib Investments Limited (now MCB-Arif Habib Savings and Investments Limited) as "Management Company" and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on October 23, 2001 and was approved by the Security 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.
- 1.2** The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.
- 1.3** The Fund is an open ended mutual fund and has been categorised as "Income Scheme" and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering to the Fund. The units are listed on the Karachi Stock Exchange.
- 1.4** The Fund primarily invests in money market and other instruments which includes corporate debt and government securities, repurchase agreements and spread transactions. The Fund may also invest a portion of the fund in medium term assets in order to provide higher return to the unit holders.
- 1.5** The Pakistan Credit Rating Agency (PACRA) Limited has assigned Management quality rating of AM2+ dated April 07, 2015 to the Management Company and "A+(f)" as stability rating dated March 19, 2015 to the Fund.
- 1.6** Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2. STATEMENT OF COMPLIANCE

- 2.1** This condensed financial information have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of Trust Deed, 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). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.
- 2.2** The comparative in the statement of assets and liabilities presented in the condensed interim financial information as at 30 September 2015 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2015, where as the comparatives in the condensed interim income statement, condensed interim cash flow statement, condensed interim distribution statement and condensed interim statement of movement in unit holders' funds are stated from unaudited condensed interim financial information for the quarter ended 30 September 2014.

2.2 Basis of measurement

These condensed financial information have been prepared under the historical cost convention except for certain investments which have been marked to market and carried at fair value in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments' : Recognition and Measurement'.

2.3 Functional and presentation currency

These condensed financial information are presented in Pak Rupees which is the Fund's functional and presentation currency.

- 2.4** The Directors of the asset management company declare the condensed interim financial information give true and fair view of the fund

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

3. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual published financial statement of the Fund for the period ended 30 June 2015.

- 3.1** The accounting policies adopted for the preparation of these condensed interim financial statement are the same as those applied in the preparation of the annual published condensed interim financial statement of the Fund for the period ended 30 June 2015.
- 3.2** 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 result in change to the Fund's operation or a change in accounting policies of the Fund.

4 ESTIMATES AND JUDGEMENTS

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, the significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to financial statements as at and for the year ended 30 June 2015.

5 FINANCIAL RISK MANAGEMENT

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

6. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at September 30, 2015 and June 30, 2015

7. EARNINGS PER UNIT

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

		(Unaudited) September 30, 2015	(Audited) June 30, 2015
8. INVESTMENTS			
		(Rupees in '000)	
<i>At fair value through profit or loss</i>			
Government securities	8.1	310,636	525,956
Listed debt securities	8.2	109,640	109,271
Unlisted debt securities	8.3	132,482	132,041
		552,757	767,268
<i>Available for sale</i>			
Government securities	8.4	543,297	157,674
		543,297	157,674
Loans and receivables - Term Deposit Receipt		100,000	-
		1,196,054	924,942

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

8.1 Government securities - held for trading

Name of investee company	Face Value				Balance as at September 30, 2015			Market value as a percentage of net assets %	Market value as a percentage of total investment %
	As at July 1, 2015	Purchased during the period	Disposed during the period	Matured during the period	As at September 30, 2015	Carrying Value	Market value		
-----Rupees in '000'-----									
Treasury Bills - 6 months	150,000	425,000	360,000	215,000	-	-	-	-	-
Treasury Bills - 3 months	337,500	187,500	187,500	150,000	187,500	186,519	186,568	49	16
Treasury Bills - 12 months	-	325,000	200,000	-	125,000	124,061	124,068	7	10
Pakistan Investment Bonds -10 years	37,500	-	37,500	-	-	-	-	-	-
Total - September 30, 2015	525,000	937,500	785,000	365,000	312,500	310,579	310,636	56	26.00
<hr/>									
Total - June 30, 2015	300,000	2,692,000	1,503,700	963,300	525,000	522,455	525,956	3,501	56.86

8.2

Listed debt securities

Less: Provision on July 1

Pace Pakistan Limited

Telecard Limited

Trust Investment Bank Limited - III

Less: Provision charged during the year

Pace Pakistan Limited

Telecard Limited

Trust Investment Bank Limited - III

Add: Reversals during the year

Telecard Limited

(Unaudited)
September 30,
2015
Rupees in '000

(Audited)
June 30,
2015
Rupees in '000

8.2.1	192,959	192,590
	39,751	39,751
	26,402	28,275
	17,166	17,166
	83,319	85,192
	-	-
	-	-
	-	-
	-	1,873
	109,640	109,271

8.2.1.1 Listed 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					Balance as at September 30, 2015			Market value as a percentage of net assets %	Market value as a percentage of total investment %
	As at July 1, 2015	Purchased during the period	Matured during the period	Disposed during the period	As at September 30, 2015	Carrying value*	Market value	Appreciation / (diminution)		

*Carrying value before provision - Provision detail are specified in note 8.2

8.3 Unlisted debt securities

Less: Provision of Maple Leaf Cement Factory Limited

On 1 July

Charged during the year

Reversal during the year

(Un-audited) September 30, 2015	(Audited) June 30, 2015
(Rupees in '000)	
132,482	132,041
-	-
-	-
-	-
132,482	132,041

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015

8.3.1 Unlisted debt securities - term finance certificates and other securities

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

Name of investee company	Number of Certificates				Balance as at September 30, 2015			Market value as a percentage of net assets %	Market value as a percentage of total investment %
	As at July 1, 2015	Purchased during the period	Matured during the period	Disposed during the period	As at September 30, 2015	Carrying value*	Market value (diminution)		
-----Rupees in '000-----									
Bank Al-Habib Limited. - TFC-4 (30-06-11) Fixed	1,000	-	-	-	1,000	5,612	5,579	(34)	0.46
Bank Alfalah Limited - TFC4 (02-12-09) Floating	4,500	-	-	-	4,500	23,236	22,976	(260)	1.88
Engro Fertilizer Limited - PPTFC-1 (18-03-08)	20,100	-	-	-	20,100	102,259	103,113	854	8.42
Maple Leaf - Sukuk (03-12-07)	500	-	-	-	500	832	814	(18)	0.07
Total - September 2015	26,100	-	-	-	26,100	131,939	132,482	542	10.81
Total - June 2015	26,100	-	-	-	26,100	128,174	132,041	3,867	14.28

8.4 Government securities - available for sale

Name of investee company	Face Value				Balance as at September 30, 2015			Market value as a percentage of net assets %	Market value as a percentage of total investment %
	As at July 1, 2015	Purchased during the period	Disposed during the period	Matured during the period	As at September 30, 2015	Carrying Value	Market value		
-----Rupees in '000'-----									
Pakistan Investment Bonds -03 years	42,500	114,000	42,500	-	114,000	117,701	118,919	1,218	9.71
Pakistan Investment Bonds -05 years	-	459,000	102,500	-	356,500	385,517	389,647	4,130	31.81
Pakistan Investment Bonds -10 years	107,400	-	77,000	-	30,400	34,440	34,731	292	2.84
Total - September 30, 2015	149,900	573,000	222,000	-	500,900	537,657	543,297	5,640	44

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2015

8.5 DETAILS OF NON-COMPLIANT INVESTMENT WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE 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 June 30, 2015, the Fund is non-compliant with the above mentioned requirement in respect of the following investments. The securities were in compliance of the circular (i.e. investment grade) at the time of purchase and were subsequently downgraded to non investment grade by MUFAP on default by respective issuer in repayment of coupon due on respective dates.

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	b) Pace Pakistan Limited	39,751	39,751	-	0.00%	0.00%
Investment in debt securities	c) Telecard Limited	26,402	26,402	-	0.00%	0.00%
Investment in debt securities	e) Trust Investment Bank Limited - III	17,166	17,166	-	0.00%	0.00%

		(Un-audited) September 30, 2015	(Audited) June 30, 2015
9. ACCRUED EXPENSES AND OTHER LIABILITIES	Note	(Rupees in '000)	
Provision for Workers' Welfare Fund	9.1.	24,327	24,327
Federal excise duty payable on management fee	9.2.	6,705	5,790
Withholding tax on dividend and other		22	10,208
Auditors' remuneration		141	399
Federal excise duty payable on sale load		199	185
Brokerage payable		77	57
Zakat payable		165	165
Others		609	559
		32,245	41,690

9.1. PROVISION FOR WORKERS' WELFARE FUND

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) I 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 Collective Investment Schemes (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 SHC issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity. In 2014, the Peshawar High Court (PHC) has also held these amendments to be ultra vires as they lacked the essential mandate to be introduced and passed through the Money Bill under the Constitution.

The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding Collective Investment Schemes (CIS) from the definition of Industrial Establishment, and consequently CIS are no more liable to pay contribution to WWF with effect from July 01, 2015. Owing to the fact that the decision of SHC on the applicability of WWF to the CISs is currently pending for adjudication, the Management Company has decided to make and retain provision of WWF in its books of account and financial statements till June 30, 2015 which aggregates to Rs. 24.33 million. Had the said provision of WWF not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 1.09 per unit.

- 9.2. The Finance Act 2013 introduced an amendment to Federal Excise Act 2005 whereby, with effect from June 13, 2013, Federal Excise Duty (FED) has been imposed at the rate of 16% of the services rendered by assets management companies. The Management Company is of the view that since the remuneration and sales load are already subject to provincial sales tax at the rate of 14%, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honourable Sindh High Court (SHC), challenging the levy of Federal Excise Duty on Asset Management Company services after the eighteenth amendment in the Constitution of Pakistan. In this respect, the SHC has issued a stay order against the recovery of FED and the hearing of the petition is still pending. The management, as a matter of abundant caution, has decided to retain and continue with the provision of FED and related additional taxes in the books of account aggregating to Rs. 6.9 million as at September 30, 2015. In case, the suit is decided against the Fund the same would be paid to the Management Company, which will be responsible for submitting the same to the taxation authorities. Had the said provision of FED and related additional taxes were not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 0.31 per unit as at September 30, 2015.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2015

10. TAXATION

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 by the year end to the unit holders, therefore, no provision for taxation has been recorded in this condensed interim financial information.

The income tax returns till the tax year 2013 have been filed and are deemed to be assessed under section 120 of the Income Tax 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. The issue involved 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 have obtained a stay order against the payment of tax demand. The Mutual Funds are also contesting the same at different appellate forums of Federal Board of Revenue. The management based on the tax advice obtained by Mutual Funds Association of Pakistan from various tax advisors and under legal guidance of more than one legal counsels, is confident that the case would ultimately be decided in favor of the Fund and therefore no provision is required to be made in these condensed interim financial information.

11. TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES

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

The transactions with connected persons are in the normal course of business and at contracted rates.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of the Non-Banking Finance Companies & Notified Entities Regulations, 2008 and the Trust Deed respectively.

	September 30, 2015	September 30, 2014
	(Rupees in '000)	
11.1 Details of transactions with related parties / connected persons are as follows:		
Management Company		
Remuneration of management company including indirect taxes	5,883	5,098
Central Depository Company of Pakistan Limited		
Remuneration and settlement charges for the year	531	534
MCB Bank Limited		
Profit on Bank Deposits	285	321
Bank charges	7	2
Next Capital		
Brokerage*	13	4
Mandate under Discretionary Portfolio Services		
Nil Units held (2014: 117,464 units)	-	6,135
Directors and Executives of the Management Company		
Redemption of 6,740 units (2014: Nil units)	364	-

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

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

11.2 Amounts outstanding at period end	(Un-audited) September 30, 2015	(Audited) June 30, 2015
Management Company		
Remuneration payable	1,502	1,439
Sales tax payable on management fee	210	320
Legal and professional charges payable	-	100
Sales load payable	29	104
Central Depository Company of Pakistan Limited - Trustee		
Remuneration and settlement charges payable	177	174
Security Deposits	200	200
MCB Bank Limited		
Bank Balance	5,155	90,801
Profit receivable on bank deposits	51	154
Arif Habib Limited		
Brokerage	-	1
Invest Capital Markets Limited		
Brokerage	-	42
Next Capital Limited		
Brokerage	6	2
Summit Capital Private Limited		
Brokerage	2	1
Adamjee Life Assurance Company Limited - Employees gratuity fund		
Nil units held (2015: 19,488)	-	1,041
Directors and Executives of the Management Company		
Units held 693 (2015: 904 units)	38	48

12. 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, 2015 (Rupees in '000)
Sale Load Payable	Accrued expenses and other liabilities	Payable to Management Company	104
Federal excise duty and related tax	Federal excise duty and related tax	Federal excise duty payable on sale load	185

13. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial information were authorised for issue on **October 16, 2015** by the Board of Directors of the Management Company.

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



Chief Executive Officer

Director

www.jamapunji.pk



سرمایہ کاری سمجھداری کے ساتھ



Be aware, Be alert, Be safe

Learn about investing at
www.jamapunji.pk

Key features:

- Licensed Entities Verification
- Scam meter*
- Jamapunji games*
- Tax credit calculator*
- Company Verification
- Insurance & Investment Checklist
- FAQs Answered

- Stock trading simulator
(based on live feed from KSE)
- Knowledge center
- Risk profiler*
- Financial calculator
- Subscription to Alerts (event notifications, corporate and regulatory actions)
- Jamapunji application for mobile device
- Online Quizzes



Jama Punji is an Investor
Education Initiative of
Securities and Exchange
Commission of Pakistan

jamapunji.pk

[@jamapunji_pk](https://twitter.com/jamapunji_pk)

*Mobile apps are also available for download for android and ios devices



find us on



by typing: **Bachat Ka Doosra Naam**

MCB-Arif Habib Savings and Investments Limited

Head Office: 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.

UAN: 11-11-622-24 (11-11-MCB-AH): Karachi, Lahore, Islamabad.

UAN: 111-468-378 (111-INVEST): Karachi, Lahore, Islamabad & Multan.

BACHAT CENTER: 0800-622-24 (0800-MCB-AH), Fax: (+92-21) 32276898, 32276908

URL: www.mcbah.com, Email: info@mcbah.com