



**MCB-ARIF HABIB**  
Savings and Investments Limited

# QUARTERLY REPORT

SEPTEMBER  
**2017**  
(UNAUDITED)

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



# **Pakistan Income Fund**

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## FUND'S INFORMATION

<b>Board of Directors</b>	Mian Muhammad Mansha Mr. Nasim Beg Mr. Muhammad Saqib Saleem Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Qamar Beg	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
<b>Audit Committee</b>	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Mirza Qamar Beg Mr. Nasim Beg	Chairman Member Member Member
<b>Human Resource &amp; Remuneration Committee</b>	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member
<b>Chief Executive Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Financial Officer &amp; Company Secretary</b>	Mr. Abdul Basit	
<b>Trustee</b>	<b>Central Depository Company of Pakistan Ltd.</b> CDC House, 99-B, Block 'B'S.M.C.H.S Main Shahra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcpakistan.com	
<b>Bankers</b>	MCB Bank Limited Allied Bank Limited Habib Metropolitan Bank Limited Bank Al-Habib Limited Bank Al-Falah Limited Faysal Bank Limited Zarai Taraqati Bank Limited JS Bank Limited NRSP Micro Finance Bank Limited Mobilink Micro Finance Bank Limited U Micro Fiance Bank Limited Khushali Micro Finance Bank Limited Tameer Micro Finance Bank Limited NIB Bank Limited United Bank Limited Habib Bank Limited Finca Micro Finance Bank Limited	
<b>Auditors</b>	<b>A.F Ferguson &amp; Co.</b> Chartered Accountants (A Member Firm of PWC Network State Life Building 1-C I.I. Chundrigar Road, Karachi.	
<b>Legal Advisor</b>	<b>Bawaney &amp; Partners</b> 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A.,Karachi	
<b>Transfer Agent</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi-74900	
<b>Rating</b>	Asset Manager: "AM2++"(PACRA) Entity Ratings: "AA-" Long Term (PACRA) "A1+" Short Term (PACRA)	

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2017

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **Pakistan Income Fund's** accounts review for the year ended September 30th, 2017.

### ECONOMY AND MONEY MARKET OVERVIEW

The economic scorecard in first quarter of FY18 posted a mixed picture relative to several economic indicators. The LSM grew at an astounding pace of 13% YoY, boosted by growth in Steel, Auto and Food & Beverages sector. Add to this the agricultural sector growth (being reflected in cotton crop, sugar crop and wheat crop bumper numbers coming in), we are well on our way to meet the 6% target GDP growth for FY18.

CPI for the first quarter averaged at a moderate level of 3.4% YoY, supported by lower oil prices, stable food prices and a higher base effect. Going forward we expect inflation to remain under control, averaging below 4.5% for FY18, as stable commodity prices along with a contained currency to rein in inflation. As a result of the stable indicators, the monetary policy committee maintained a status quo in its first meeting held for the current fiscal year.

Indicators that have started to sound a warning alarm include the widening fiscal deficit and current account deficit (CA). On the back of rising overall imports bill, the CA deficit for 2MFY18 has doubled from USD 1.3bn in SPLY to USD 2.6bn. As a result of the financing gap, the foreign exchange reserves of the country fell by USD 1.3 billion during the 1QFY18.

Fiscal account which was one source of comfort turned out to be a red herring. Fiscal deficit for FY17 was recorded at ~ PKR 1.8 tn and provinces recorded an unexpected deficit on account of election preparation spending. Keeping this in view we remain skeptical on the government's ability to meet the target of 4.1% of GDP.

PIB yields during the quarter inched up by ~45 bps for 3 year, and 56 bps for 5 year bonds. Political uncertainty along with deterioration in the external account kept the market participants at bay from long tenor bonds. Furthermore, the bearish sentiment was also backed by SBP in its MPS, which highlighted its concerns on external account as trade deficit widened.

### FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 4.66% as against its benchmark return of 6.00%.

At period-end, the fund was 4.1% invested in Treasury Bills, 17% in TFCs, 14.5% in TDRs and 41.9% in Cash. Weighted average maturity of the fund remained same at 1 year at period end as per our outlook on the monetary cycle.

The Net Assets of the Fund as at September 30, 2017 stood at Rs. 1,550 million as compared to Rs. 1,722 million as at June 30, 2017 registering a decrease of 10%.

The Net Asset Value (NAV) per unit as at September 30, 2017 was Rs.54.3939 as compared to opening NAV of Rs.53.7626 per unit as at June 30, 2017 registering an increase of Rs. 0.6313 per unit.

### FUTURE OUTLOOK

While the government has been able to stabilize the economy, its ambitious plan to revive the growth can come in doldrums if it is not able to contain the twin deficits. We project a current account deficit of USD 17 billion for the FY18, and as such the ability of government to manage inflows will be highly tested. Nevertheless, our in-house projections estimate a financing gap of USD 6 billion which will gobble up the existing foreign exchange reserves. On the whole, cracks have started appearing in the economic façade which warrant immediate policy measure by the government of Pakistan if the economic progress is expected to be kept on track.

Going forward, we expect market to remain volatile in the short run, as political uncertainty along with twin deficits continue to haunt the basic macroeconomic fundamentals. We believe certain policy adjustments are necessary to maintain the direction of economic growth. Nevertheless, market valuations remain at a very attractive level, and they will sooner or later come into play. The risk premiums (difference between earnings yield and 10-year interest rates) are at historically high level, suggesting market to remain very cheap. Furthermore, KSE-100 trades at a forward P/E of 7.9x, at a steep discount of 35% from its emerging market peer group. Enduring themes that should play out over the medium-term regardless of the political situation include (i) PKR depreciation and higher interest rates (ii) CPEC and continued GoP support for the textiles sector that would encourage exports. We advice local investors to carefully watch the economic trends and build exposure on any weakness.

On the fixed income front, market is expected to remain cautious on back of a precarious external account position along with an uptick in inflation trajectory. Visibility on economic front, in particular to balance of payments, would guide further participation towards fixed income markets.

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2017

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### ACKNOWLEDGMENT

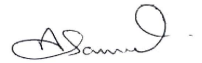
The Board is thankful to the Fund's valued investors, the Securities and Exchange Commission of Pakistan and the Trustees of the Fund for their continued cooperation and support. The Directors also appreciate the efforts put in by the management team.

On behalf of Directors,



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**Muhammad Saqib Saleem**  
Chief Executive Officer  
October 20, 2017



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**Samad A. Habib**  
Director

## ڈائریکٹرز رپورٹ برائے سہ ماہی اختتام پذیر 30 ستمبر 2017ء

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی طرف سے پاکستان انکم فنڈ 30 ستمبر 2017ء کو ختم ہونے والی سہ ماہی کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

### معیشت اور بازار زر کا مجموعی جائزہ

مالی سال 2018ء کی پہلی سہ ماہی میں معاشی اشاریوں میں ملا جلا رجحان پایا گیا اور اکاؤنٹ سکور کارڈ میں صورتحال مختلف معاشی علامات کی بنیاد پر چلی رہی۔ LSM نے توقعات سے زیادہ یعنی 13% YoY کے ساتھ فروغ پایا جس میں بنیادی کردار اسٹیل، آٹو اور غذائی اشیاء و مشروبات کی کارکردگی نے ادا کیا۔ علاوہ ازیں زرعی سیکٹر کی ترقی کے مطابق (جو کہ کپاس، چینی اور گیہوں کی فصلوں کے آنے والے اعداد و شمار سے ظاہر ہے) ہم پورے 2018ء کیلئے اپنا ہدف GDP 6% گروتھ حاصل کرنے کی راہ پر گامزن ہیں۔ پہلی سہ ماہی میں CPI اوسطاً 3.4% YoY پر رہا جسے تیل کی قیمت میں کمی اور غذائی اشیاء کی مستحکم قیمتوں سے سہارا ملا۔ ہمیں امید ہے کہ آگے افراط زر مقررہ حد میں رہے گا جس کا اوسط مالی سال 2018ء میں 4.5% سے کم رہنے کا امکان ہے کیونکہ کموڈٹی کی مستحکم قیمتوں کیساتھ روپے کی مضبوط قدر افراط زر کو قابو میں رکھے گی۔ لہذا ان سب انڈیکٹرز کے نتیجے میں مالیاتی پالیسی کمیٹی نے رواں مالی سال کیلئے ہونے والی اپنی پہلی میٹنگ میں شرح سود کو برقرار رکھا۔

انڈیکٹرز جنہوں نے انتہائی گھٹی بجائی شروع کر دی ان میں شامل ہیں وسیع ہوتے ہوئے فیکل اور کرنٹ خسارہ جات شامل ہیں (CA)۔ بنیادی طور پر بڑھتے ہوئے امپورٹ بل کی وجہ سے اس سال کے پہلے دو ماہ میں ہی ڈیفیسٹ 1.3 بلین ڈالر سے دو گنا ہو کر 2.6 بلین ڈالر ہو گیا۔ اس مالیاتی خلا کے نتیجے میں 1QFY18 کے دوران ملک کے غیر ملکی زرمبادلہ کے ذخائر میں 1.3 بلین ڈالر کی کمی ہوئی۔

فیکل اکاؤنٹ جو کہ پرسکون طور پر چل رہا تھا خطرے میں نظر آیا۔ FY17 میں فیکل ڈیفیسٹ 1.8 ٹریلین روپے پر ریکارڈ کیا گیا اور صوبائی سطح پر آنے والے الیکشن کی وجہ سے غیر متوقع خسارہ ریکارڈ کیا گیا۔ اس صورتحال کو سامنے رکھتے ہوئے ہم حکومت کا 4.1% معاشی ترقی کا ہدف پورا کرنے کی صلاحیت پر غیر یقینی کا شکار ہیں۔

PIB کا منافع اس سہ ماہی کی دوران نہایت ہی سست رفتاری سے تین سالہ بانڈز کیلئے 45 bps اور پانچ سالہ بانڈز کیلئے 56bps بڑھا۔ سیاسی عدم استحکام اور بیرونی اکاؤنٹ کی نازک صورتحال نے مارکیٹ کے شراکت داروں کو طویل المیعاد بانڈز سے دور رکھا۔ مزید برآں SBP کے MPS میں روپے نے Bearish Sentiment کو سہارا دیا جس نے اپنے تحفظات کا اظہار بیرونی اکاؤنٹ پر کیا کیونکہ مالیاتی خسارہ وسعت اختیار کر گیا تھا۔

## ڈائریکٹر رپورٹ برائے سہ ماہی اختتام پذیر 30 ستمبر 2017ء

### فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع مقررہ معیار %6.00 کے مقابلے میں %4.66 تھا۔ اختتام مدت پر فنڈ کی سرمایہ کاری 17 فیصد TFCs میں، 41.9 فیصد نقد میں، 14.5 فیصد TDRs میں اور %4.1 ٹی بلز میں تھی۔ فنڈ کی weighted اوسط میچورٹی اختتام مدت پر مالی مرحلے کے مطابق بدستور وہی رہی جو پہلے تھی۔

30 ستمبر 2017ء کو فنڈ کے net اثاثہ جات کی مالیت 1,550 ملین روپے تھی، جو 30 جون 2017ء پر 1,722 ملین روپے مالیت کے مقابلے میں %10 کم ہے۔

30 ستمبر 2017ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 54.3939 روپے تھی، جو 30 جون 2017ء پر 53.7626 روپے فی یونٹ قدر کے مقابلے میں 0.6313 روپے فی یونٹ زیادہ ہے۔

### مستقبل کا منظر

گوکہ حکومت اب تک معیشت کو مستحکم رکھنے میں خاصی کامیاب رہی ہے۔ تاہم خدشات ہیں کہ جڑواں خساروں کو سنبھالنا ایک چیلنج ثابت ہو سکتا ہے۔ ہمارے اندازوں کے مطابق کرنٹ اکاؤنٹ خسارہ FY18 میں 17 بلین ڈالر کے قریب ہوگا، جو جمع شدہ زرمبادلہ کو تیزی کے ساتھ کم کرنے کی صلاحیت رکھتا ہے۔ اگر سارے حالات کو دیکھا جائے تو معاشی افق پر واضح اور تسلسل کے ساتھ پالیسیوں پر کام کرنے کی فوری ضرورت ہے تاکہ ہم اپنی معاشی ترقی کی راہ پر گامزن رہ سکیں۔

مزید برآں، رجحان کے مطابق ابھی کچھ عرصے تک مارکیٹ غیر مستحکم رہ سکتی ہے کیونکہ سیاسی عدم استحکام بشمول جڑواں خساروں کے بنیادی مالیاتی بنیادوں پر اثر انداز ہوتا رہے گا۔ ہمارا یقین ہے کہ معاشی ترقی کی سمت کو برقرار رکھنے کیلئے کچھ پالیسی ترامیم ضروری ہیں۔ اس کے باوجود اسٹاک مارکیٹ کے اعداد و شمار پُرکشش سطح پر ہیں اور جلد یا بدیر شیرازی قیمتوں میں بہتری آسکتی ہے۔ خدشات کے پریئم (دس سالہ شرح منافع اور آرنگ سیلڈ کی تفریق Equity Risk Premium) تاریخ کی اونچی سطح کے قریب ہونے کے باعث مارکیٹ کو بہت سستارہنے کا اشارہ دے رہے ہیں۔ اس کے ساتھ ساتھ کے ایس ای 100، 7.9x PE Ratio پر اپنے ایمرجنگ مارکیٹ پیئر گروپ سے پینتیس فیصد سے زائد ڈسکاؤنٹ پر تجارت کر رہا ہے۔ سیاسی صورتحال سے قطع نظر ان پائیدار عوامل کو میڈیم ٹرم سے وسیع ہو کر دیکھنا چاہیے (i) پاکستانی روپے کی قیمت میں کمی اور سود کی اعلیٰ شرح (ii) سی پیک، اور ٹیکسٹائل کے شعبے کے لیے حکومت پاکستان کا تعاون جو کہ برآمدات کی حوصلہ افزائی کرے گا۔ ہم مقامی سرمایہ کاروں کو معاشی رجحانات پر خصوصی توجہ دیتے ہوئے کسی بھی گراؤٹ کو شیراز جمع کرنے کا موقع سمجھ کر سرمایہ کاری کرنے کا مشورہ دے رہے ہیں۔

فلسفہ انکم مارکیٹ میں غیر معمولی بیرونی اکاؤنٹس کی محتاط پوزیشن پر رہنے کی امید ہے۔ معاشی محاذ پر صورتحال، خاص طور پر ادائیگیوں کا توازن، فلسفہ انکم مارکیٹوں کی سمت تعین کرنے میں اہم کردار ادا کرے گا۔

ڈائریکٹر ز رپورٹ  
برائے سہ ماہی اختتام پذیر 30 ستمبر 2017ء

اظہارِ تشکر

بورڈ فنڈ کے گراں قدر سرمایہ کاروں، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور فنڈ کے ٹرسٹیز کی مسلسل معاونت اور پشت پناہی کے لئے  
شکر گزار ہے۔ علاوہ ازیں، ڈائریکٹر مینجمنٹ ٹیم کی کوششوں کو بھی خراج تحسین پیش کرتے ہیں۔

برائے اور مین جانب پورڈ



صدر اے۔ حبیب  
ڈائریکٹر



محمد ثاقب سلیم  
چیف ایگزیکٹو آفیسر  
20 اکتوبر 2017ء

# CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2017

	Note	30 September 2017 (Unaudited) (Rupees in '000)	30 June 2017 (Audited)
<b>ASSETS</b>			
Balances with banks	4	666,188	1,194,719
Investments	5	594,388	488,911
Receivable against margin trading system		222,131	17,519
Receivable against sale of investment		78,628	-
Receivable from National Clearing Company of Pakistan Limited		9,357	18,354
Dividend and profit receivable		8,758	12,268
Advances, deposits and prepayments		9,608	9,653
<b>Total Assets</b>		<b>1,589,058</b>	<b>1,741,424</b>
<b>LIABILITIES</b>			
Payable to the Management Company	6	2,461	2,471
Payable to Central Depository of Pakistan Limited - Trustee		203	209
Payable to Securities and Exchange Commission of Pakistan		312	919
Fair value of derivative Liability		255	-
Payable against redemption of units		47	313
Payable against purchase of investment		22,163	-
Accrued expenses and other liabilities	7	14,091	15,551
<b>Total liabilities</b>		<b>39,532</b>	<b>19,463</b>
<b>NET ASSETS</b>		<b>1,549,526</b>	<b>1,721,961</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>1,549,526</b>	<b>1,721,961</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	8		
		<b>(Number of units)</b>	
<b>NUMBER OF UNITS IN ISSUE</b>		<b>28,487,133</b>	<b>32,028,956</b>
		<b>(Rupees)</b>	
<b>NET ASSET VALUE PER UNIT (FACE VALUE OF UNITS RS. 50 EACH)</b>		<b>54.3939</b>	<b>53.7626</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)



Chief Executive Officer



Chief Financial Officer



Director

# CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2017

	Note	30 September 2017	30 September 2016
------(Rupees in '000)-----			
<b>Income</b>			
Capital (loss) / gain on sale of investments - net		(125)	(2,977)
Dividend income		689	-
Profit on Bank deposits and Term deposit receipts		18,818	3,721
Income from government securities		1,131	10,435
Income from term finance certificates		5,034	6,277
Income from spread transactions and margin trading system		3,476	16
Other Income		-	-
		29,023	17,472
Provision against non-performing debt securities		474	(1,208)
Net Element of income included in the prices of units issued less those in units redeemed		-	24
Unrealised appreciation / (diminution) on re-measurement of investments classified as 'at fair value through profit or loss' - net		81	41
<b>Total income</b>		<b>29,578</b>	<b>16,329</b>
<b>Expenses</b>			
Remuneration of the Management Company	6.1	6,242	4,015
Sindh sales tax and federal excise duty on Management Fee		812	522
Remuneration of Central Depository Company of Pakistan Limited - Trustee		568	442
Sindh Sales tax on remuneration of Trustee		74	57
Annual fee to Securities and Exchange Commission of Pakistan		312	201
Auditor's remuneration		269	164
Allocated expenses		470	303
Brokerage expenses		214	104
Settlement and bank charges		690	131
Fees and subscription		85	87
Legal and professional		53	15
Provision of Workers Welfare Fund		395	
Printing and related costs		43	43
<b>Total operating expenses</b>		<b>10,227</b>	<b>6,084</b>
<b>Net income from operating activities</b>		<b>19,351</b>	<b>10,245</b>
<b>Net income for the period before taxation</b>		<b>19,351</b>	<b>10,245</b>
Taxation	10	-	-
<b>Net income for the period after taxation</b>		<b>19,351</b>	<b>10,245</b>
<b>Allocation of Net Income for the year:</b>		<b>September 30, 2017</b>	
Income already paid on units redeemed		(64)	
Accounting income available for distribution			
-Relating to capital gains		(44)	
-Excluding capital gains		19,331	
<b>Accounting Income available for Distribution</b>			<b>19,287</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)**



**Chief Executive Officer**



**Chief Financial Officer**



**Director**

**STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

	30 September 2017	30 September 2016
	----- (Rupees in '000) -----	
<b>Net income for the period after taxation</b>	19,351	10,245
<b>Other comprehensive income:</b>		
Items that may be reclassified subsequently to income statement		
Unrealised (diminution) / appreciation in investments classified as 'available for sale'	(47)	1,588
<b>Total comprehensive income for the period</b>	<u>19,304</u>	<u>11,833</u>

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)**



**Chief Executive Officer**



**Chief Financial Officer**



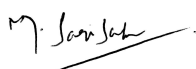
**Director**

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED)**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

	30 September 2017	30 September 2016
	----- (Rupees in '000) -----	
<b>Net assets at beginning of the period</b>	1,721,961	1,050,298
Issue of 3,636,087 (2016: 1,345,475) units	385,659	72,454
Redemption of 7,177,911 (2016: 1,202,795) units	(577,398)	(64,804)
	(191,739)	7,650
Accounting income for the period	19,240	11,809
Income already paid on units redeemed	64	-
<b>Net assets at the end of the period</b>	<b>1,549,526</b>	<b>1,069,753</b>
<b>Net Assets value per unit as at beginning of the period</b>	<b>53.7626</b>	<b>53.61</b>
<b>Net Assets value per unit as at end of the period</b>	<b>54.3939</b>	<b>54.20</b>
Distribution during for the period:		
<b>Undistributed income brought forward</b>		
- Realised Gain	116,258	-
- Unrealised Gain	4,516	-
	<b>120,774</b>	<b>72,335</b>
<b>Accounting income available for distribution:</b>		
-Relating to capital gains	(44)	
-Excluding capital gains	19,331	
	<b>19,287</b>	<b>10,245</b>
Net element of income and capital gains included in the prices of units issued less those in units redeemed - transferred to Distribution Statement	-	493
Distributions during the period	-	-
<b>Undistributed income carried forward</b>	<b>140,061</b>	<b>83,073</b>
<b>Undistributed income carried forward:</b>		
- Realised Gain	139,980	83,032
- Unrealised Gain	81	41
	<b>140,061</b>	<b>83,073</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)**



**Chief Executive Officer**



**Chief Financial Officer**



**Director**

# CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2017

Note	30 September 2017	30 September 2016
	------(Rupees in '000)-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation	19,351	10,245
<b>Adjustments for non-cash charges and other items:</b>		
Net unrealised (appreciation) / diminution on remeasurement of investments classified as financial assets 'at fair value through profit or loss'	(81)	(41)
Net element of (income) included in prices of units issued less those	-	(24)
Provision against non-performing debt securities	(474)	1,208
Net cash generated from operations before working capital changes	18,796	11,387
<b>(Increase) / decrease in assets</b>		
Investments - net	45,031	471,149
Receivable against margin trading system	(204,612)	
Receivable against sale of investment	(78,628)	
Dividend and profit receivable	3,510	11,727
Advances, deposits and prepayments	45	
Receivable from National Clearing Company of Pakistan Limited	8,997	22
	(225,657)	482,898
<b>(Decrease) / increase in liabilities</b>		
Payable to the Management Company	(10)	(81)
Payable to Central Depository Company of Pakistan Limited - Trustee	(6)	(5)
Payable to Securities and Exchange Commission of Pakistan	(607)	(708)
Payable against purchase of investment	22,163	
Fair value of derivative Liability	255	
Payable against redemption of units	(266)	
Accrued expenses and other liabilities	(1,460)	(6,441)
	20,069	(7,236)
<b>Net cash generated from / (used in) operating activities</b>	<b>(186,792)</b>	<b>487,049</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issuance of units	385,659	72,454
Payments against redemption of units	(577,398)	(64,804)
<b>Net cash generated from financing activities</b>	<b>(191,739)</b>	<b>7,650</b>
<b>Net increase in cash and cash equivalents</b>	<b>(378,531)</b>	<b>494,698</b>
Cash and cash equivalents at beginning of the period	1,194,719	286,385
<b>Cash and cash equivalents at end of the period</b>	<b>4.1 816,188</b>	<b>781,082</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)**



Chief Executive Officer



Chief Financial Officer



Director

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

**1 LEGAL STATUS AND NATURE OF BUSINESS**

Pakistan Income Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (now, MCB - Arif Habib Savings and Investments Limited) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on October 23, 2001 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on February 28, 2002 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

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 24th Floor, Centre Point, Off. Shaheed-e Millat Expressway, Near KPT interchange, Karachi, Pakistan.

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 them to the Fund. The units are listed on the Pakistan Stock Exchange.

The Fund primarily invests in money market and other short-term instruments which include 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.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned a long-term rating of "AM2++" with a stable outlook (2016: AM2++) to the Management Company on June 23, 2017 while the Fund has been assigned a Fund stability rating of A+(f) (2016: A+(f)) on July 12, 2017.

The 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 approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Act 2017, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), the Non-Banking Finance and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations, Companies Act 2017 or the directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations, Companies Act 2017 or the directives issued by the SECP prevail"

**2.1.2** The Companies Act, 2017 was enacted on 30th May 2017 and is applicable with immediate effect. However, owing to the practical difficulty being faced by the companies in the preparation of the Financial Statements Circular No. 17/ 2017 dated October 06, 2017 issued by Institute of Chartered Accountants of Pakistan to be read with circular no. 23 of 2017 dated October 04, 2017 issued by Securities and Exchange Commission of Pakistan (SECP) have notified that the companies whose interim period ends on or before 31 December 2017, shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984

**2.1.3** These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2017.

**2.1.4** The comparatives in the condensed interim statement of assets and liabilities presented in the condensed interim financial information as at 30 September 2017 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2017, where as the comparative in condensed interim income 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 30 September 2016.

**2.1.5** These condensed interim financial statements are unaudited and are presented in Pak rupees, which is the functional and presentation currency of the Fund. Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2017

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**3.1** The accounting policies adopted and the methods of computation of balances in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2017 except for change in accounting policy as stated

**3.2** The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations, 2008). The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (Amount distributable to unit holders) of the NBFC Regulations, 2008. As per the notification, Element of Income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed to the extent it was represented by distributable income earned during the year was recognised in the income statement and the element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed represented by distributable income carried forward from prior period was included in the distribution statement.

As required by IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, a change in accounting policy requires retrospective application as if that policy had always been applied. However, the management has applied the above changes in accounting policy prospectively from July 01, 2017 as per clarification issued by the Mutual Funds Association of Pakistan and, accordingly, corresponding figures have not been restated.

## 3.3 FINANCIAL RISK MANAGEMENT

**3.3.1** 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 June 30, 2017.

	Note	30 September 2017 (Unaudited) (Rupees in '000)	30 June 2017 (Audited) (Rupees in '000)
<b>4 BALANCE WITH BANKS</b>			
Current accounts	4.2	2,360	28,330
Saving accounts	4.3	663,828	1,166,389
		<b>666,188</b>	<b>1,194,719</b>
		<b>30 September 2017 (Unaudited) (Rupees in '000)</b>	<b>30 June 2017 (Audited) (Rupees in '000)</b>
<b>4.1 CASH AND CASH EQUIVALENTS</b>			
Term Deposit Receipts - having original maturity of 3 months or less		150,000	-
Balances with banks		666,188	1,194,719
		<b>816,188</b>	<b>1,194,719</b>
<b>4.2</b>	These include Rs 2.36 million (June 2017: Rs 28.330 million) maintained with MCB Bank Limited, a connected person / related party.		
<b>4.3</b>	These carry mark-up at rates ranging from 3.75 % to 9.5% per annum (June 2017: 3.75% to 9.6% per annum).		

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

5	INVESTMENTS	Note	30 September 2017 (Unaudited) (Rupees in '000)	30 June 2017 (Audited)
5.1	Financial assets 'at fair value through profit or loss' - net			
	Government securities	5.4	64,773	49,617
	Listed debt securities	5.5	261,963	273,892
	Unlisted debt securities	5.6	7,495	7,517
	Listed Equity securities	5.8	22,370	-
			<b>356,599</b>	331,026
5.2	Available for sale investments			
	Government securities	5.7	7,787	7,885
5.3	Loans and receivables			
	Term deposit receipts	5.9	230,000	150,000
			<b>594,388</b>	488,911

**5.4 Government securities - market treasury bills**

Particulars	Face value					As at September 30, 2017			Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 01, 2017	Purchased during the period	Sales during the period	Matured during the period	As at September 30, 2017	Carrying value	Market value	Appreciation/ (diminution)		
									%	%
Treasury bills - 3 months	50,000	65,000	-	50,000	65,000	64,771	64,773	2	4.18	11
<b>Total as at September 30, 2017</b>						<b>64,771</b>	<b>64,773</b>	<b>2</b>	<b>4.18</b>	<b>11.00</b>
Total as at June 30, 2017						49,619	49,617	(2)	2.88	10.15

	Note	(Unaudited) September 30 2017 ---- (Rupees in '000) ----	(Audited) June 30, 2017
5.5 Listed debt securities - term finance certificates	5.5.1	361,734	373,663
Less: Provision at July 1			
Pace Pakistan Limited		(49,940)	(46,542)
Telecard Limited		(31,088)	(31,088)
Trust Investment Bank Limited - III		(18,743)	(18,743)
		(99,771)	(96,373)
Less: Provision charged during the period			
Pace Pakistan Limited			
- Reversal against carrying value matured		-	6,586
- Charge against face value receivable		-	(9,984)
		-	(3,398)
		<b>261,963</b>	273,892



**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

**5.5.1 Listed debt securities - term finance certificates**

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

**5.8 Shares of listed companies**

All shares have a par value of Rs. 10 each except stated otherwise

Name of investee company	As at July 1, 2017	Purchased during the period	Bonus/ rights issue during the period	Sales during the period	As at September 30, 2017	Carrying Value as at September 30, 2017	Market value as at September 30, 2017	Appreciation / (Diminution) as at September 30, 2017	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee
------(Number of shares)-----					------(Rupees in '000)-----						
<b>Cable &amp; Electrical Goods</b>											
Pak Elektron	-	419,500	-	419,500	-	-	-	-	-	-	-
Tpl Trakker Ltd	-	115,000	-	3,500	111,500	1,004	1,010	6	0.07	0.17	0.05
						<b>1,004</b>	<b>1,010</b>	<b>6</b>	-	-	-
<b>Cement</b>											
D.G. Khan Cement	-	90,500	-	90,500	-	-	-	-	-	-	-
Fauji Cement Co Ltd	-	3,000	-	3,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Commercial Banks</b>											
Askari Bank Limited	-	12,500	-	12,500	-	-	-	-	-	-	-
Bank Al Falah Limited	-	504,500	-	1,000	503,500	21,160	21,360	200	1.4	3.6	0.03
Bank Of Punjab	-	80,000	-	80,000	-	-	-	-	-	-	-
Habib Bank Limited	-	1,500	-	1,500	-	-	-	-	-	-	-
National Bank Of Pakistan	-	4,000	-	4,000	-	-	-	-	-	-	-
United Bank Limited	-	11,500	-	11,500	-	-	-	-	-	-	-
						<b>21,160</b>	<b>21,360</b>	<b>200</b>	-	-	-
<b>Engineering</b>											
International Steels Ltd	-	33,500	-	33,500	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Fertilizer</b>											
Engro Fertilizer Limited	-	24,500	-	24,500	-	-	-	-	-	-	-
Fatima Fertilizer Company	-	500	-	500	-	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Ltd	-	3,000	-	3,000	-	-	-	-	-	-	-
Fauji Fertilizer Company Ltd	-	7,500	-	7,500	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Food &amp; Personal Care Products</b>											
Engro Foods Limited	-	15,500	-	15,500	-	-	-	-	-	-	-
Treet Corporation	-	500	-	500	-	-	-	-	-	-	-
						-	-	-	-	-	-

Name of investee company	As at July 1, 2017	Purchased during the period	Bonus/ rights issue during the period	Sales during the period	As at September 30, 2017	Carrying Value as at September 30, 2017	Market value as at September 30, 2017	Appreciation / (Diminution) as at September 30, 2017	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee
------(Number of shares)-----					------(Rupees in '000)-----						
<b>Oil and Gas Marketing Companies</b>											
Pakistan State Oil Company Limited	-	241,500	-	241,500	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Power Generation and Distribution</b>											
Hub Power Company Limited	-	500	-	500	-	-	-	-	-	-	-
K- Electric Limited (Par value of Rs. 3.5 each)	-	10,000	-	10,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Refinery</b>											
Attock Refinery Limited	-	275,000	-	275,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Technology and Communication</b>											
Pakistan Telecommunication Company Limited	-	500	-	500	-	-	-	-	-	-	-
TRG Pakistan Limited	-	55,000	-	55,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Textile Composite</b>											
Nishat Chunian Limited*	-	5,500	-	5,500	-	-	-	-	-	-	-
Nishat Mills Limited*	-	5,000	-	5,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Total - September 30, 2017</b>						<b>22,164</b>	<b>22,370</b>	<b>206</b>	-	-	-
<b>Total - 30 June 2017</b>						-	-	-	-	-	-

\* These denote transactions with related parties.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

	Note	(Unaudited) September 30 2017	(Audited) 30 June 2017
<b>5.9 Loans and receivables</b>			
Term Deposit Receipts - having original maturity of 3 months or less	5.9.1	150,000	-
Term Deposit Receipts - having original maturity exceeding 3 months	5.9.1	80,000	150,000
		<u>230,000</u>	<u>150,000</u>

- 5.9.1** Term deposit receipts carry mark-up rates ranging from 6.5% to 6.6% per annum and maturities from December 27, 2017 to March 13, 2018.

	Note	(Unaudited) September 30 2017	(Audited) 30 June 2017
<b>6 PAYABLE TO MANAGEMENT COMPANY</b>			
Management fee payable	6.1	1,923	2,064
Sindh sales tax payable on management fee	6.2	250	269
Sales load payable		22	6
Payable against allocated expenses	6.3	266	132
		<u>2,461</u>	<u>2,471</u>

- 6.1** The Management Company has charged remuneration of an amount not exceeding one and one-half of one percent (1.5%) per annum of the average daily Net Assets. The remuneration is paid to the Management Company on a monthly basis in arrears.

- 6.2** During the year, Sindh Sales Tax on management fee has been charged at 13% (June 2017: 13%).

- 6.3** In accordance with the provisions of the NBFC Regulations, 2008 (as amended vide S.R.O 1160(I) / 2015 dated November 25, 2015), the Management Company of the Fund is entitled to reimbursement of fees and expenses in relation to registrar services, accounting, operation and valuation services related to the Fund up to a maximum of 0.1% of the average annual net assets of the Scheme or actual, whichever is less. Accordingly, with effect from November 27, 2015 the Management Company has charged expenses at the rate of 0.1% per annum of the average annual net assets of the Fund being lower than actual expenses chargeable to the Fund for the year to date.

	Note	(Unaudited) September 30 2017	(Audited) 30 June 2017
<b>7 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Provision for Sindh Workers' Welfare Fund	7.1	3,231	2,836
Legal and professional charges		74	59
Withholding tax on capital gains		29	1,686
Auditors' remuneration		156	375
Brokerage		200	289
Provision for Federal Excise Duty and related taxes on management fee	7.2	9,210	9,210
Provision for Federal Excise Duty on sales load	7.2	239	239
Sindh sales tax payable on allocated expenses		316	262
Others		636	595
		<u>14,091</u>	<u>15,551</u>

- 7.1** The Finance Act, 2008 had introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) as a result of which it was construed that all Collective Investment Schemes (CISs) / mutual funds whose income exceeded Rs 0.5 million in a tax year were 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 was higher. In light of this, the Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honourable Sindh High Court (SHC) challenging the applicability of WWF on CISs which is pending adjudication. Similar cases were disposed of by the Peshawar

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

and the Lahore High Courts in which these amendments were declared unlawful and unconstitutional. However, these decisions were challenged in the Supreme Court of Pakistan.

Subsequently, the Finance Act, 2015 introduced an amendment under which CISs / mutual funds have been excluded from the definition of "industrial establishment" subject to WWF under the WWF Ordinance. Consequently, mutual funds are not subject to this levy after the introduction of this amendment which is applicable from tax year 2016. Accordingly, no further provision in respect of WWF was made with effect from July 1, 2015.

On November 10, 2016 the Supreme Court of Pakistan (SCP) has passed a judgment declaring the amendments made in the Finance Acts 2006 and 2008 pertaining to WWF as illegal citing that WWF was not in the nature of tax and could, therefore, not have been introduced through money bills. Accordingly, the aforesaid amendments have been struck down by the SCP. The Federal Board of Revenue has filed a petition in the SCP against the said judgment, which is pending hearing. While the petitions filed by the CISs on the matter are still pending before the SHC, the Mutual Funds Association of Pakistan (MUFAP) (collectively on behalf of the asset management companies and their CISs) has taken legal and tax opinions on the impact of the SCP judgement on the CISs petition before the SHC. Both legal and tax advisors consulted were of the view that the judgment has removed the 'very basis on which the demands were raised against the CISs. Therefore, there was no longer any liability against the CISs under the WWF Ordinance and that all cases pending in the SHC or lower appellate forums will now be disposed of in light of the earlier judgement of the SCP.

Furthermore, as a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF.

In view of the above developments regarding the applicability of Federal and Sindh WWF on Mutual Funds and considering the legal opinion obtained on these matters, MUFAP has recommended the following to all its members on January 12, 2017:

- the entire provision against the Federal WWF held by the CISs till June 30, 2015, to be reversed on January 12, 2017; and
- the provision in respect of Sindh WWF should be made on a prudent basis with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e. starting from May 21, 2015)

Accordingly, on January 12, 2017 the provision for WWF was reversed and the provision for SWWF was made for the period from May 21, 2015 to January 12, 2017. Thereafter, the provision for SWWF is being made on a daily basis going forward.

The above decisions were communicated to the Securities and Exchange Commission of Pakistan (SECP) and the Pakistan Stock Exchange Limited on January 12, 2017. The SECP vide its letter dated February 1, 2017 had advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs / mutual funds. Accordingly, necessary adjustments in this respect were recorded in the books of the Funds on January 12, 2017.

Had the provision for SWWF not been recorded in the financial statements of the Fund, the net asset value of the Fund as at September 30, 2017 would have been higher by Re 0.1134 per unit.

- 7.2** The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. As the asset management services rendered by the Management Company of the Fund are already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund, the Management Company is of the view that further levy of FED was not justified.

On September 4, 2013, a constitutional petition was filed in the Honourable Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustee, challenging the levy of FED.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
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During the period ended, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan. Thereafter, during the pendency of the present civil petition, the Supreme Court has suspended the operation of the impugned judgment of the SHC. The matter is still pending adjudication.

With effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED made till June 30, 2016 amounting to Rs 9.449 million (2016: Rs 9.449 million) is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been recorded in the financial statements of the Fund, the net asset value of the Fund as at September 30, 2017 would have been higher by Re 0.3317 per unit (June 30, 2017: Re 0.2950 per unit)

**8 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at 30 September 2017 and June 30, 2017 except as disclosed below.

	(Unaudited) September 30, 2017	(Audited) June 30, 2017
	----- (Rupees in '000) -----	
<b>8.1 Commitments</b>		
Margin Trading System (MTS) transactions entered into by the Fund in respect of which the purchase transactions not settled as at period end	<u>29,952</u>	<u>-</u>
Future sale transactions of equity securities entered into by the Company in respect of which the sale transactions have not been settled as at September 30, 2017	<u>22,163</u>	<u>-</u>
Margin Trading System (MTS) transactions entered into by the Fund in respect of which the sale transactions not settled as at period end	<u>40,121</u>	<u>2,275</u>

**9 TOTAL EXPENSE RATIO**

The Total Expense Ratio (TER) of the Fund as at September 30, 2017 is 1.94% which includes 0.10% representing government levies on the Fund such as sales taxes, annual fee payable to the SECP, etc. This ratio is within the maximum limit of 2% prescribed under the NBFC Regulations for a collective investment scheme categorised as an income fund.

**10 TAXATION**

The Fund is exempt from taxation under clause 99 of the Part I of the 2nd Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its 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 not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 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 provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The management intends to distribute at least 90% of the income earned during the year by the Fund to the unit holders. Accordingly, no provision has been made in this condensed interim financial statement.

**11 EARNING 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.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

**12 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES**

Connected persons / related parties include the Management Company, its parent and the related subsidiaries of the parent, associated companies / undertakings of the Management Company, its parents and the related subsidiaries, other funds managed by the Management Company, post employment benefit funds of the Management Company, employment funds of the parent, subsidiaries and its associated undertakings. It also includes the Central Depository Company of Pakistan Limited being the Trustee of the Fund, the directors and officers of the Management Company and any person or Company beneficially owning directly or indirectly 10% or more of the units in issue / net assets of the Fund.

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

Remuneration of the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

**12.1 Details of transactions with the connected persons / related parties during the period are as follows:**

**12 Unit Holder's Fund**

As At July 01, 2017	Issued For Cash	Bonus	Redeemed	As At September 30, 2017	As At July 01, 2017	Issued For Cash	Bonus	Redeemed	As At September 30, 2017
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**Associated Companies**

Adamjee Life Assurance Company Limited - Employees Gratuity Fund	21,338	-	-	-	21,338	1,162	-	-	-	1,161
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**Mandate Under Discretionary - Portfolio Services**

539	185,573	-	70,552	115,560	29	10,000	-	3,802	6,286
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**Key management personnel**

99,181	902	-	99,181	902	5,401	49	-	5,384	49
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As At July 01, 2017	Issued For Cash	Bonus	Redeemed	As At September 30, 2017	As At July 01, 2017	Issued For Cash	Bonus	Redeemed	As At September 30, 2017
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Key management personnel	1,080	7,359	-	-	8,439	58	399	-	-	457
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**September 30, 2017**                      **September 30, 2016**  
(Rupees in '000)

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

Remuneration of the Management Company (including indirect taxes)	7,054	4,537
Allocated expenses (including indirect taxes)	470	303

**Central Depository Company of Pakistan Limited**

Remuneration of the trustee (including indirect taxes)	642	499
CDC settlement charges	175	2

**MCB Bank Limited**

Profit on bank deposits	9	71
Bank charges	5	1

**Next Capital Limited**

Brokerage expense*	-	33
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**Arif Habib Limited**

Brokerage expense*	-	9
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\* 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 INFORMATION (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

	September 30, 2017	June 30, 2017
<b>12.2 Balance outstanding as at the period end</b>	<b>(Rupees in '000)</b>	
<b>MCB-Arif Habib Savings and Investments Limited</b>		
Remuneration payable to the Management Company	1,923	2,064
Sales tax payable on remuneration of the Management Company	250	269
Sales load payable	22	6
Payable against allocated expenses	266	132
<b>Central Depository Company of Pakistan Limited</b>		
Remuneration payable to the Trustee	180	185
Sales tax payable on trustee fee	23	24
Security deposits	200	200
<b>MCB Bank Limited</b>		
Bank deposits	4,062	28,632
Profit receivable	4	1

\* 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.

\*\* Current period figures have not been presented since the persons / entities are no longer related parties of the Fund.

**13 DATE OF AUTHORIZATION FOR ISSUE**

**13.1** This condensed interim financial information was authorized for issue on 20th October 2017 by the Board of Directors of the Management Company.

**14 GENERAL**

**14.1** Figures have been rounded off to the nearest thousand rupees.

**14.2** Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation. No significant reclassifications have been made during the current period.

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



**Chief Executive Officer**



**Chief Financial Officer**



**Director**

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

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