



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



MCB DCF Income Fund

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
Board of Directors	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
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Mirza Qamar Beg Mr. Nasim Beg	Chairman Member Member Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer & Company Secretary	Mr Abdul Basit	
Trustee	Central Depository Company of Pakistan Ltd. 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	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited Faysal Bank Limited United Bank Limited Allied Bank Limited NIB Bank Limited Bank Al-Habib Limited NRSP Micro Finance Bank Limited Mobilink Micro Finance Bank Limited U Micro Finance Bank Limited Khushali Micro Finance Bank Limited Tameer Micro Finance Bank Limited Finca Micro Finance Bank Limited JS Bank Limited Zarai Traqiati Bank Limited Habib Bank Limited	
Auditors	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountant Progressive Plaza, Beaumont Road, P.O. Box 15541 Karachi, Sindh- 75530, Pakistan.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
Transfer Agent	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
Rating	AM2++Asset Manager Rating assigned by 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 **MCB DCF Income Fund** accounts review for the quarter ended September 30, 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 4.32% as against its benchmark return of 6.10%. Fund's WAM was decreased from 1.6 YTM to 1.3 YTM because of rising interest rate outlook during the year. The fund allocation remained notably in TDRs, TFCs and Cash at the end of the period under review. At period-end, the fund was invested 21.4% in TFCs, 27.3% in Cash, 3.7% in T-Bills and 13.6% in TDRs.

The Net Assets of the Fund as at September 30, 2017 stood at Rs.6,112 million as compared to Rs.6,190 million as at June 30 2017 registering a decrease of 1.26%.

The Net Asset Value (NAV) per unit as at September 30, 2017 was Rs.107.5876 as compared to opening NAV of Rs. 106.4294 per unit as at June 30, 2017 registering an increase of Rs.1.1582 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

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,



Muhammad Saqib Saleem
Chief Executive Officer
October 20, 2017



Samad A. Habib
Director

ڈائریکٹرز رپورٹ برائے سہ ماہی اختتام پذیر 30 ستمبر 2017ء

عزیز سرمایہ کار،

بورڈ آف ڈائریکٹرز کی طرف سے ایم سی بی ڈی ایس ایف انکم فنڈ کے 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 اکاؤنٹس سیکور کارڈ میں صورتحال مختلف معاشی علامات کی بنیاد پر ملتی جلتی 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 گھٹتی بجانی شروع کردی 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 ڈیفیسیٹ 1.3 بلین ڈالر سے دوگنا 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 ڈیفیسیٹ 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 4.32% تھا بمقابل مقررہ معیار 6.10% کے۔ فنڈ کا WAM 1.6YTM سے پستی اختیار کر کے 1.3YTM پر آ گیا جسکی وجہ سال کے دوران بڑھتی ہوئی شرح سود کا تاثر ہے۔ جائزے کی مدت کے اختتام پر فنڈ ایلوکیشن خصوصی طور پر، TFCS، TDRS اور نقد کے اندر رہی۔ مدت کے اختتام پر فنڈ کی سرمایہ کاری TFCS میں 21.4%، نقد میں 27.3%، ٹی بلز میں 3.7% اور TDRs میں 13.6% رہی۔

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ستمبر 2017ء کو فنڈ کے net اثاثہ جات کی مالیت 6,112 ملین روپے تھی، جو کہ 30 جون 2017ء پر 6,190 ملین روپے مالیت کے مقابلے میں 1.26% زیادہ ہے۔

30 ستمبر 2017ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 107.5876 روپے تھی، جو 30 جون 2017ء پر کھلنے والی نیٹ اثاثہ جاتی قدر 106.4294 روپے فی یونٹ سے 1.1582 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 شیراز کی قیمتوں میں بہتری آ سکتی ہے۔ خدشات کے پرمیئم (دس سالہ شرح منافع اور رینگ ییلڈ 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 کے 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 میڈیٹ 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

ڈائریکٹرز رپورٹ
برائے سہ ماہی اختتام پذیر 30 ستمبر 2017ء

گراؤٹ کو شیئرز جمع کرنے کا موقع سمجھ کر سرمایہ کاری کرنے کا مشورہ دے رہے ہیں۔
فلسڈ 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، فلسڈ انکم مارکیٹوں کی سمت تعین کرنے میں اہم کردار ادا کرے گا۔

اظہارِ تشکر

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

برائے اور من جانب پورٹ



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

20 اکتوبر 2017ء



صداے حبیب

ڈائریکٹر

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES

AS AT September 30, 2017

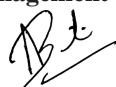
		(Un-Audited) September 30, 2017	(Audited) June 30, 2017
	Note	----- (Rupees in '000) -----	
ASSETS			
Balances with banks		1,812,158	3,458,357
Investments	5.	3,090,362	2,962,412
Dividend and Profit receivables		151,192	76,016
Derivative-future Contract		3,073	2,643
Receivable against Margin Trading System (MTS)		1,051,158	69,112
Receivable against sale of investments (equity)		502,172	93,884
Advances, deposits, prepayments and other receivable		19,338	19,392
Total assets		6,629,454	6,681,816
LIABILITIES			
Payable to Management Company		9,641	8,269
Payable to Central Depository Company of Pakistan Limited - Trustee		549	563
Payable to Securities and Exchange Commission of Pakistan - annual fee		1,173	5,131
Payable against redemption of units		41,802	18,964
Payable against purchase of investment		312,805	290,093
Accrued expenses and other liabilities	6.	151,059	169,035
Total liabilities		517,029	492,055
NET ASSETS		6,112,425	6,189,761
Unit holders' fund		6,112,425	6,189,761
Contingencies and commitments	7.		
		----- (Number of Units) -----	
NUMBER OF UNITS IN ISSUE		56,813,466	58,158,379
		----- (Rupees) -----	
NET ASSETS VALUE PER UNIT		107.5876	106.4294

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

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

		September 30, 2017	September 30, 2016
	Note	----- (Rupees in '000) -----	
INCOME			
Income from government securities		4,480	55,828
Income from term finance certificates		29,345	41,858
Capital gain on sale of investments - net		(2,978)	(6,471)
Profit on bank deposits and term deposit receipts		53,688	17,890
Income from Margin Trading System (MTS)		17,125	-
Dividend income		5,755	15,571
Net unrealised diminution on derivatives		3,073	(8,124)
Income from spread transactions	5.2	(931)	7,122
Other income		61	10
Net element of Income included in prices of units issued less those in units redeemed.		-	3,909
Net unrealised diminution / appreciation on re-measurement of investments classified as 'at fair value through profit or loss - held-for-trading'	5.4.3	(4,385)	(929)
Total income		105,233	126,664
Provision against debt securities		(241)	(3,228)
EXPENSES			
Remuneration of Management Company		23,457	25,150
Sales tax and Federal Excise Duty on Remuneration of Management Company		3,049	3,270
Expenses allocated by Management Company and related sales tax		1,767	1,895
Remuneration of Central Depository Company of Pakistan Limited - Trustee		1,498	1,577
Sales tax on Remuneration of Central Depository Company of Pakistan Limited - Trustee		195	205
Annual fee - Securities and Exchange Commission of Pakistan		1,173	1,258
Brokerage and settlement charges		4,823	3,432
Auditors' remuneration		194	202
Legal and professional charges		54	390
Others		228	295
Total expenses		36,437	37,674
		68,555	85,762
Provision for Workers' Welfare Fund	6.1	1,371	-
Net income for the period before taxation		67,184	85,762
Taxation	9	-	-
Net income for the period after taxation		67,184	85,762
Earnings per unit	10		
Allocation of Net income for the period:			
Income already paid on units redeemed		(3,484)	
Accounting income available for distribution			
-Relating to capital gains		(4,068)	
-Excluding capital gains		67,768	
Accounting Income available for Distribution			63,700

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

**STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

	September 30, 2017	September 30, 2016
	----- (Rupees in '000) -----	
Net income for the period after taxation	67,184	85,762
Other comprehensive income:		
Items that are or may be reclassified subsequently to income statement		
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available-for-sale'	(5)	(7,987)
Total comprehensive income for the period	<u><u>67,179</u></u>	<u><u>77,775</u></u>

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

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**

	September 30, 2017 ----- (Rupees in '000)	September 30, 2016 -----
Net assets at beginning of the period	6,189,761	6,848,672
Issue of 4,578,383 units (2016:12,449,517 units)	483,234	1,314,532
Redemption of 5,923,295 units (2016: 12,447,761 units)	(627,749)	(1,311,005)
	(144,515)	3,527
	6,045,246	6,852,199
Accounting income for the period	63,700	81,853
Income already paid on units redeemed	3,484	-
Net unrealised diminution/ appreciation on re-measurement on investments classified as available for sale	(5)	(7,987)
Net assets as at the end of the period	6,112,425	6,926,065
Net Assets value per unit as at beginning of the period	106.4294	106.0443
Net Assets value per unit as at end of the period	107.5876	107.2397
Distribution during for the period:		
Undistributed income brought forward comprises of:		
- Realised Gain	392,130	397,428
- Unrealised Gain	(1,296)	3,461
	390,834	400,889
Accounting income available for distribution:		
-Relating to capital gains	(4,068)	
-Excluding capital gains	67,768	
	63,700	85,762
Net element of income / (loss) and capital (losses) / gain included in the prices of units issued less those in units redeemed	-	(557)
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available-for-sale'	(5)	-
Distributions during the period	-	-
Undistributed income carried forward	454,529	486,094
Undistributed income carried forward comprises of:		
- Realised Gain	(1,312)	(9,053)
- Unrealised Gain	455,841	495,147
	454,529	486,094

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

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

	September 30, 2017 (Rupees in '000)	September 30, 2016
Note -----		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before taxation	67,184	85,762
Adjustments for non - cash and other items		
Net unrealised appreciation in the fair value of investments classified as 'held-for-trading'	4,385	929
Reversal of provision against debt securities	241	3,228
Net element of (income) included in prices of units issued less those in units redeemed.	-	(3,909)
	71,810	86,010
(Increase) / decrease in assets		
Investments - net	(17,581)	670,822
Profit and other receivables	(75,176)	(767,041)
Receivable against Margin Trading System (MTS)	(982,046)	-
Receivable against sale of investments (equity)	(408,288)	-
Fair Value Derivative	(430)	13,979
Advances, deposits, prepayments and other receivable	54	14
	(1,483,468)	(82,226)
Increase / (Decrease) in liabilities		
Payable to Management Company	1,372	(2,265)
Payable to Trustee	(14)	(105)
Payable to Securities and Exchange Commission of Pakistan - annual fee	(3,958)	(7,454)
Payable against redemption of units	22,838	-
Payable against purchase of investment	22,712	-
Accrued expenses and other liabilities	(17,976)	309,870
	24,974	300,047
Net cash (used in) / generated from operating activities	(1,386,684)	303,831
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipts against issuance of units	483,234	1,314,532
Net payments on redemption of units	(627,749)	(1,311,005)
Net cash (used in) from financing activities	(144,515)	3,527
Net (decrease) / increase in cash and cash equivalents during the period	(1,531,199)	307,358
Cash and cash equivalents at the beginning of period	4,243,357	3,074,731
Cash and cash equivalents at the end of period	2,712,158	3,382,089

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

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

- 1.1** MCB DCF Income Fund (the Fund) was established under a Trust Deed dated, November 09, 2006, executed between MCB Asset Management Company Limited (now merged with and into Arif Habib Investments Limited) as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Trust Deed was amended through a supplemental Trust Deed dated January 21, 2007. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) as a Collective Investment Scheme under the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) on December 12, 2006.
- 1.2** Pursuant to the merger of MCB Asset Management Company Limited with and into Arif Habib Investments Limited (AHIL), the name of AHIL has been changed to MCB-Arif Habib Savings and Investments Limited.
- 1.3** The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centre Point, Off. Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi, Pakistan.
- 1.4** The Fund is an open ended mutual fund and has been categorised as "Income Scheme" and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering to the Fund. The units are listed on the Pakistan Stock Exchange Limited.
- 1.5** 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.
- 1.6** "The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2++ (stable outlook) dated June 23, 2017 to the Management Company and a rating of "A+" dated July 12, 2017 to the Fund.
- 1.7** Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2. BASIS OF PREPARATION

- 2.1** 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.
- 2.2** 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.
- 2.3** 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.
- 2.4** 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.

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

- 2.5** 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.

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 in Note 3.2.
- 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.

4. FINANCIAL RISK MANAGEMENT

The Fund's financial risk management policies are consistent with those disclosed in the financial statements of the Fund as at and for the year ended June 30, 2017.

		(Un-Audited) September 30, 2017	(Audited) June 30, 2017
	Note	----- (Rupees in '000) -----	
5. INVESTMENTS			
'At fair value through profit or loss' - held-for-trading			
Government securities	5.1	247,863	249,225
Listed equity securities	5.2	519,865	287,648
Debt securities			
- Listed	5.3	507,436	736,400
- Unlisted	5.4	914,461	903,393
		1,421,897	1,639,793
Available-for-sale			
Government securities	5.5	737	746
Loans and receivables			
Term Deposit Receipts	5.6	900,000	785,000
		3,090,362	2,962,412

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

5.1 Government securities - 'at fair value through profit or loss - held-for-trading'

Name of investee company	Note	Face value					Balance as at September 30, 2017				Market value as a percentage of net assets	Market value as a percentage of total investment	
		As at July 01, 2017	Purchased during the period	Disposed off during the period	Matured during the year	As at September 30, 2017	Carrying value	Market value	Appreciation / (diminution)				
(Rupees in '000)													
Treasury Bills - 12 months		-	-	-	-	-	-	-	-	-	-	-	-
Treasury Bills - 6 months *		250,000	-	-	-	250,000	247,856	247,863	7	4.06	8.02		
Treasury Bills - 3 months		-	-	-	-	-	-	-	-	-	-		
Treasury Bills - 2 months		-	-	-	-	-	-	-	-	-	-		
Total as at September 30, 2017		250,000	-	-	-	250,000	247,856	247,863	7	4.06	8.02		
Total as at June 30, 2017		715,000	9,819,000	8,734,000	1,550,000	250,000	249,258	249,225	-	10.40	13.07		

* These include treasury bills with market value of Rs.247.863 million which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in term of Circular No. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

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

5.3 Debt securities - Term finance certificates of Rs.5,000 each (unless stated otherwise) - 'at fair value through profit or loss - held-for-trading - Listed

Name of investee company	Number of Certificates					Balance as at September 30, 2017			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 01, 2017	Purchased during the period	Matured during the period	Disposed during the period	As at September 30, 2017	Carrying value	Market value	Appreciation / (diminution)		
----- (Rupees in '000) ----- % -----										
Commercial banks										
Bank Alfalah Limited (February 20, 2013)	72,631	-	-	-	72,631	372,849	371,234	(1,616)	6.07	12.01
Habib Bank Limited (February 19, 2016) TFC-I*	3,500	-	-	2,250	1,250	125,237	123,700	(1,537)	2.02	4.00
Faysal Bank Limited (December 27, 2010)	10,000	-	-	-	10,000	12,529	12,503	(26)	0.20	0.40
						510,615	507,436	(3,179)	8.30	16.42
Financial services										
Saudi Pak Leasing Company Limited (March 13, 2010) (refer note 5.4.1)	10,000	-	-	-	10,000	27,549				
Less: Provision charged during the period						(27,549)				
						-	-	-	0.00	0.00
Total listed securities						510,615	507,436	(3,179)		

5.4 Debt securities - Term finance certificates of Rs.5,000 each (unless stated otherwise) - 'at fair value through profit or loss - held-for-trading - Unlisted

Name of investee company	Number of Certificates					Balance as at September 30, 2017				Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 01, 2017	Purchased during the period	Matured during the period	Disposed during the period	As at September 30, 2017	Carrying value	Market value	(diminution) / Appreciation			
Commercial banks											
Askari Bank Limited (September 30, 2014)	56,000	-	-	-	56,000	285,240	283,396	(1,843)	4.64	9.17	
Bank Alfalah Limited (December 02, 2009)	40,250	-	-	-	40,250	67,223	67,038	(184)	1.10	2.17	
Bank Alfalah Limited (December 02, 2009) Fixed	18,235	-	-	-	18,235	30,935	30,567	(368)	0.50	0.99	
Bank AL Habib Limited (March 17, 2016) TFC-II	43,500	5,000	-	-	48,500	245,932	244,415	(1,518)	4.00	7.91	
Standard Chartered Bank (Pakistan) Limited (June 29, 2012)	37,000	-	-	-	37,000	185,463	185,000	(463)	3.03	5.99	
						814,792	810,416	(4,376)	13.26	26.22	
						814,792	810,416	(4,376)			

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

Name of investee company	Number of Certificates					Balance as at September 30, 2017			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 01, 2017	Purchased during the period	Matured during the period	Disposed during the period	As at September 30, 2017	Carrying value	Market value	(diminution) / Appreciation		
Number of Certificates										
(Rupees in '000)										
814,792 810,416 (4,376)										
Chemicals and fertilizer										
Engro Fertilizers Limited (July 09, 2014) Sukuk	15,800	-	-	-	15,800	57,324	57,261	(64)	0.94	1.85
Ghani Gases Limited (February 02, 2017) Sukuk	500	-	-	-	500	46,292	46,784	493	0.77	1.51
						103,616	104,045	429	0.94	1.85
Financial services										
Security Leasing Corporation Limited						2,599				
(March 13, 2008) (refer note 5.4.1)	10,000	-	-	-	10,000	(2,599)				
Less: Provision charged during the period						-	-	-	0.00	0.00
Security Leasing Corporation Limited - Sukuk										
(March 18, 2010) (refer note 5.4.1)	5,000	-	-	-	5,000	1,284				
Less: Provision charged during the period						(1,284)				
						-	-	-	0.00	0.00
Household goods										
New Allied Electronics Industries (Private)										
Limited (May 15, 2007) (refer note 5.4.1)	10,400	-	-	-	10,400	21,983				
Less: Provision held						(21,983)				
						-	-	-	-	-
New Allied Electronics Industries (Private) Limited -										
Sukuk (July 25, 2007) (refer note 5.4.1)	112,000	-	-	-	112,000	35,000				
Less: Provision held						(35,000)				
						-	-	-	-	-
Total unlisted securities										
						918,408	914,461	(3,947)		
Total as at September 30, 2017										
						1,429,023	1,421,897	(7,126)		
Total as at June 30, 2017										
						1,635,404	1,639,793	4,389		

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

5.4.1 Due to continuous default on repayment of coupon by the issuer, the Fund has classified said investment as non-performing debt securities. The Fund has suspended further accrual of mark-up there against.

5.4.2 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 September 30, 2017, the Fund is non-compliant with the above mentioned requirement in respect of the following investments. The securities were in compliance with 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.

Name of non-compliant investment	Type of investment	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) -----		----- % -----		
New Allied Electronics Industries (Private) Limited	Term finance certificates	21,983	21,983	-	-	-
New Allied Electronics Industries (Private) Limited	Sukuk certificates	35,000	35,000	-	-	-
Security Leasing Corporation Limited	Privately placed term finance certificates	2,599	2,599	-	-	-
Security Leasing Corporation Limited	Sukuk certificates	1,284	1,284	-	-	-
Saudi Pak Leasing Company Limited	Term finance certificates	27,549	27,549	-	-	-

(Un-Audited)
September 30,
2017
(Audited)
June 30,
2017
----- (Rupees in '000) -----

5.4.3 Net unrealized appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss - held-for-trading'

Carrying value investments	5.1, 5.2, 5.3	2,194,011	2,176,666
Market value investments	& 5.4	2,189,626	2,177,962
		(4,385)	(1,296)

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

5.5 Government securities - 'available for sale'

Name of investee company	Face value					Balance as at September 30, 2017			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 01, 2017	Purchased during the period	Disposed off during the period	Matured during the year	As at September 30, 2017	Carrying value	Market value	Appreciation / (diminution)		

5.6 Term Deposit Receipts - Loans and receivables

Name of Financial institution	Profit / mark-up rate %	Maturity date	As at September 30, 2017	Value as a percentage of net assets	Value as a percentage of investment
			----- (Rs. in '000) -----		
				----- % -----	
JS Bank Limited	6.60%	December 27, 2017	300,000	4.91	9.71
Zarai Taraqiati Bank Limited	6.50%	March 13, 2018	600,000	9.82	19.42
Total as at September 30, 2017			900,000		
Total as at June 30, 2017			430,754		

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

		(Un-Audited) September 30, 2017	(Audited) June 30, 2017
	Note	----- (Rupees in '000) -----	
6. ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision for Workers' Welfare Fund	6.1	18,095	16,724
Federal Excise Duty and other related taxes payable on management fee	6.2	99,060	99,060
Federal Excise Duty and other related taxes payable on sales load	6.2	27,933	27,933
Sale Load Payable - MCB Bank Limited		537	239
Auditors' remuneration		803	609
Withholding tax payable		329	18,809
Brokerage payable		1,934	3578
Others		2,368	2,083
		<u>151,059</u>	<u>169,035</u>

6.1 Provision for Workers' Welfare Fund

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 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 (SCP).

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 01, 2015.

On November 10, 2016 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, 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.0.5 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 (including the Management Company of the Fund) 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.

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

'In view of the above developments regarding the applicability of WWF and SWWF on CISs / mutual funds, MUFAP has recommended the following to all its members on January 12, 2017:

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

The above decisions were communicated to SECP and the Pakistan Stock Exchange Limited on January 12, 2017 and the SECP vide its letter dated February 01, 2017 has 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, the Fund has recorded these adjustments in its books on January 12, 2017.

The provision for SWWF is now being made on a daily basis. Had the provision for SWWF not been recorded in the financial statements of the Fund, the net asset value of the Fund as at June 30, 2017 would have been higher by Re.0.32 per unit (2017: 0.29 per unit).

6.2 Federal excise duty on Remuneration of Management Company

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 04, 2013, a constitutional petition was filed in Honorable 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.

On June 30, 2016 the SHC had passed a Judgment that after 18th amendment in the Constitution of Pakistan, the Provinces alone have the legislative power to levy a tax on rendering or providing services, therefore, chargeability and collection of FED after July 01, 2011 is ultra vires to the Constitution of Pakistan. On September 23, 2016, the Federal Board of Revenue (FBR) filed an appeal in the Supreme Court of Pakistan (SCP) against above judgement, which is 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 for the period from June 13, 2013 till June 30, 2016 amounting to Rs.99.060 million (2016: Rs.99.060 million) is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the said provision for FED not been recorded in the financial statements of the Fund, the net asset value of the Fund as at June 30, 2017 would have been higher by Re. 1.70 per unit (2016: Re.1.53).

7. CONTINGENCIES AND COMMITMENTS

7.1 CONTINGENCIES

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

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

7.2 COMMITMENTS

	September 30, 2017	June 30, 2017
	----- (Rupees in '000) -----	
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	<u>189,367</u>	292,559
Margin Trading System (MTS) transactions entered into by the fund which have not been settled as at period end:		
Purchase transactions	<u>58,463</u>	110,247
Sale transactions	<u>89,638</u>	16,689

8. TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at September 30, 2017 is 1.94% which includes 0.30% representing government levies on the Fund such as sales taxes, annual fee 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 scheme.

9 TAXATION

- 9.1** 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.
- 9.2** 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.

10 EARNINGS PER UNIT

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

	Unaudited September 30 2017	Audited June 30 2017
11 CASH AND CASH EQUIVALENTS		
Bank balances		
Term deposit receipts	1,812,158	3,458,357
	<u>900,000</u>	785,000
	<u>2,712,158</u>	4,243,357

12 TRANSACTIONS WITH CONNECTED PERSONS

Details of transactions and balances at period end with related parties / connected persons, other than those which have been disclosed elsewhere in these financial statements, are as follows:

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

12.1 Unit Holders' Fund

For the quarter ended September 30, 2017

	As at July 01, 2017	Issued for cash	Bonus	Redeemed	As at September 30, 2017	Issued for cash	Bonus	Redeemed	As at September 30, 2017
	Units								
	(Rupees in '000)								
Associated Companies									
MCB Employees Provident Fund	1,255,728	-	-	-	1,255,728	-	-	-	135,101
MCB Employees Pension Fund	1,255,728	-	-	-	1,255,728	-	-	-	135,101
D.G Khan Cement Company Limited - Employees Provident Fund Trust	3,777	-	-	-	3,777	-	-	-	406
Adamjee Life Assurance Company Limited - Employees Gratuity Fund	27,549	-	-	-	27,549	-	-	-	2,946
Mandate Under Discretionary Portfolio Services	331,381	-	-	-	331,381	-	-	-	35,652
Key management personnel	9,704	-	-	-	9,704	-	-	-	1,044
Unit holders holding 10% or more units									
Gul Ahmed Energy Limited	6,667,960	337,914	-	-	7,005,774	35,999	-	-	753,734

For the quarter ended September 30, 2016

	As at July 01, 2016	Issued for cash	Bonus	Redeemed	As at September 30, 2016	Issued for cash	Bonus	Redeemed	As at September 30, 2017
	Units								
	(Rupees in '000)								
Associated Companies									
MCB Employees Provident Fund	1,183,412	-	-	-	1,183,412	-	-	-	126,909
MCB Employees Pension Fund	1,183,412	-	-	-	1,183,412	-	-	-	126,909
D.G Khan Cement Company Limited - Employees Provident Fund Trust	3,560	-	-	-	3,560	-	-	-	382
Adamjee Life Assurance Company Limited - Employees Gratuity Fund	26,342	-	-	-	26,342	-	-	-	2,825
Key management personnel	179,521	71,640	-	228,441	22,721	7,632	-	24,409	2,437
Mandate under discretionary portfolio services	310,159	-	-	249,802	60,357	-	-	26,682	6,473

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

12.2 Details of the transactions with connected persons / related parties are as follows:

	-----Unaudited-----	
	Quarter ended	
	Semptember 30, 2017	Semptember 30, 2016
	----- (Rupees in '000) -----	
Transactions during the period:		
MCB Arif Habib Savings and Investments Limited - Management Company		
Remuneration of Management Company including indirect taxes	26,506	28,420
Expense allocated by Management Company including indirect taxes	1,767	1,895
Central Depository Company of Pakistan Limited - Trustee		
Remuneration for the period (including sales tax)	1,693	1,782
Settlement charges	373	213
	Quarter ended	
	Semptember 30, 2017	Semptember 30, 2016
Group / Associated Companies		
MCB Bank Limited		
Profit on deposit accounts	1	96
Bank charges	7	5
Arif Habib Limited *		
Brokerage expense	-	21
Next Capital Limited *		
Brokerage expense	20	49

* 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**

12.3 Amounts outstanding as at period / year end:

	(Un-Audited) September 30, 2017	(Audited) June 30, 2017
	----- (Rupees in '000) -----	
Amount outstanding as at period / year end:		
MCB Arif Habib Savings and Investments Limited		
- Management Company		
Remuneration payable to Management Company	7,600	6,778
Sales tax payable on management fee	988	881
Sales load payable	16	75
Sales tax payable on sales load	2	10
Expense allocated by Management Company	1,035	525
Central Depository Company of Pakistan Limited - Trustee		
Security deposit	200	200
Remuneration payable	486	563
Sales tax payable on Trustee fee	63	-
Group / Associated Companies		
MCB Bank Limited		
Bank balance	10,804	4,936
Profit receivable on deposit accounts	-	-
Sales load payable	537	239
D.G.Khan Cement Company Limited		
Shares held: 788,000 (2017: 7,000)	115,726	1,492
Nishat Mills Limited		
Shares held: 245,000 (2017: 51,500)	35,550	8,172
Nishat (Chunian) Limited		
Shares held: 6,500 (2017: 252,000)	354	12,933
Arif Habib Limited		
Brokerage payable	-	26
Next Capital Limited		
Brokerage payable	20	79

* 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**

13 GENERAL

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.

14 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 20, 2017 by the Board of Directors of the Management Company.

**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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