



MCB-ARIF HABIB
Savings and Investments Limited

QUARTERLY REPORT

SEPTEMBER
2018
(UNAUDITED)

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

PAKISTAN 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
Risk Management Committee	Mr. Mirza Qamar Beg Mr. Ahmed Jahangir Mr. Nasim Beg	Chairman Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Operating Officer & Company Secretary	Mr. Muhammad Asif Mehdi Rizvi	
Chief Financial Officer	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 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 Silk Bank Limited Zarai Traqiati Bank Limited Habib Bank Limited First Mirco Finance Bank Limited National Bank of Pakistan	
Auditors	Deloitte Yousuf Adil Chartered Accountants Cavish Court, A-35, Block 7 & 8, KCHSU, Shahrah-e-Faisal, Karachi-75350.	
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 DIRECTOR OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2018

Dear Investor,

On behalf of the Board of Directors, we are pleased to present **Pakistan Income Fund** accounts review for the quarter ended September 30, 2018.

MARKET & ECONOMIC REVIEW

Economy and Money Market Review

First quarter of FY19 has been a run of political uncertainty, external pressures and economic slowdown. Given the uptick in oil prices, increasing trend in inflation, continuity of external worries, The Monetary Policy Committee of State Bank of Pakistan opted for 100 bps increases in each of the two meetings conducted in this quarter. The major reason was due to the emergence of inflationary pressures with core inflation expected to creep up with the advent of higher oil and gas prices. Moreover, the MPC highlighted the precarious external account position and need for slowdown in GDP growth to arrest the dwindling foreign exchange reserves.

CPI for the 1QFY19 was registered at 5.6% as the impact of low base kicked in. Higher international oil prices, weaker currency and upward revision in domestic gas prices is expected to jack up overall inflation figure in FY19, which is expected to average ~8.1% compared to last year's inflation of 3.8%. Meanwhile, core inflation is expected to jump above 8.5%.

The external account position kept on highlighting worrisome position for the economy. Current account witnessed a deficit of USD 2.7 billion in first two months of FY19 compared to USD 2.5 billion in the same period last year. A surge in international oil prices is masking the improvement in non oil imports caused by remedial measures, thus causing the current account deficit to remain high. However, the lagged impacts of currency adjustments and monetary tightening are becoming visible as reflected by balance of trade (data of Pakistan Statistical Bureau) declining by 1.6% in the quarter led by decline in non-oil imports. Despite receiving inflows from China, foreign reserves declined by an average of ~USD 115 mn per week. State Bank's foreign exchange reserves stood at USD 8.41 billion reflecting import cover based on SBP's reserves has reached an alarming level of lesser than 2 months imports.

Rising interest rates, rupee adjustment and external pressures are having impact on growth trajectory of economy as reflected by large scale manufacturing index which posted a meager increase of 0.5% YoY in the month of July'18 broadly supported by production of petroleum products.

Subsequent to monetary tightening by State Bank, bond yield curve showed an upward trajectory where most of the activity took place in floater PIBs. During 1QFY19 State Bank of Pakistan conducted 3rd Floater PIB auction which witnessed a healthy participation of PKR 151 billion out of which bids worth PKR 108 billion were accepted at a rate of benchmark + 70 bps. Concerns over external front kept market participants shy away from longer tenor Treasury bills with persistence towards accumulation in papers having maturity below or equal to 3 months.

Liquidity remained comfortable throughout 1QFY19 owing to regular OMOs conducted by SBP, while scarcity of Shariah Compliant avenues continued in period under review as there was no fresh issuance of Ijara Sukuk despite ample liquidity in the market.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 6.33% as against its benchmark return of 8.02%.

At period-end, the fund was 2.3% invested in Treasury Bills, 31.4% in TFCs and 53.7% in Cash. Weighted average maturity of the fund stands at 1.9 years at period end as per our outlook on the monetary cycle.

The Net Assets of the Fund as at September 30, 2018 stood at Rs. 1,926 million as compared to Rs. 1,519 million as at June 30, 2018 registering an increase of 26.79%.

The Net Asset Value (NAV) per unit as at September 30, 2018 was Rs.54.6371 as compared to opening NAV of Rs.56.3297 per unit as at June 30, 2018 registering a decrease of Rs. 1.6926 per unit.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2018

MARKET & ECONOMY - FUTURE OUTLOOK

The government has announced to approach the IMF for an economic program to support the fragile external account situation. The program would lead to required remedial actions of rupee adjustment, monetary tightening, expenditure curtailment to slow down growth, control the import bill and arrest foreign reserves decline.

For the next year, the economic growth is expected to slow down as currency adjustments and tighter monetary policy will rein on the consumption patterns. However, increased power supply along with the documentation of economy will provide a respite to the economic managers during this critical juncture. We share the optimism on better governance & long term prospects for economic revival amid more focused and sincere efforts to address chronic issues on economic front by the new government; however, the path is likely to be tough and with a number of potentially un-popular policy steps. Given initial plans of PTI, some sense of policy steps can be expected but given the precarious economic conditions, we think immediate term measures to address twin deficits are critical.

Fiscal side would be difficult to manage where we expect fiscal deficit to hover around 5.5% of GDP. Expenditure constraints would lead to public sector development program curtailments amid higher domestic debt servicing cost due to interest rate increase.

Given pressures on the external front along with rising inflation, State Bank is expected to further tighten the monetary policy by at least 100 bps already increased.

The equity market would follow developments on the economic front. Swift economic policy actions would be required to arrest the precarious economic standing and would guide market towards better multiples. In broader terms, we believe, the last two years market performance (down approx. 20% from peak levels) has reflected the concerns on political and economic direction & also reflected in performance of cyclical stocks where correction in stock prices is even sharper. We continue to reiterate our stance that current market multiples (~7.5x) offer little downside potential which puts in a lot of comfort for long term investors. We believe upside in stocks shall unveil only gradually as confidence reigns back and economic policies shape the outlook in the expected manner. Therefore, going forward, stocks offer long term investment opportunity with rewards for patient investors. We continue to track trends in the economic indicators of the country and adjust our portfolio accordingly. Our Top-Down analysis favors sectors that benefit from currency depreciation and higher interest rates; however, we cannot ignore the individual company dynamics along with their prices that can play an important role in security selection.

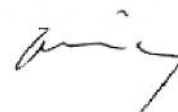
ACKNOWLEDGMENT

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 22, 2018



Nasim Beg
Vice Chairman / Director

منجانب ڈائریکٹرز،

سید احمد علی

محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

22 اکتوبر، 2018ء

نسیم بیگ

نسیم بیگ

ڈائریکٹر/نائب چیئرمین

22 اکتوبر، 2018ء

پالیسی کے اقدامات میں امکانات کا امکان ہے۔ پاکستان تحریک انصاف کی ابتدائی منصوبہ بندی کو دیکھتے ہوئے کچھ پالیسیوں کی ترقی کی توقع کی جاسکتی ہے لیکن غیر معمولی معاشی حالات کو پورا کرنے کے لئے ہم سوچتے ہیں کہ دونوں خساروں کو حل کرنے کے لئے فوری طور پر اقدامات کیے جاتے ہیں۔

مالیاتی ادارے کے لئے یہ انتظام کرنا مشکل ہوگا کہ ہم مالی خسارے کے متوقع ہو سکتے ہیں یا مجموعی گھریلو مصنوعات (GDP) کی 5.5 فی صد کی کمی ہو رہی ہے۔ اخراجات میں اضافے، گھریلو قرضوں کی قیمتوں میں اضافے کی وجہ سے عوامی شعبے کی ترقی کے پروگرام میں کمی کا سبب بنے گا۔

بڑھتی ہوئی افراط زر کے ساتھ ساتھ بیرونی فرنٹ پر دیئے جانے والے دباؤ پراسٹیٹ بینک سے کم از کم 100 بنیادی پوائنٹس (bps) میں پہلے ہی اضافہ ہوا ہے۔

ایکویٹی مارکیٹ میں اقتصادی محاذ پر پیش رفت کرے گی۔ فوری معیشت کے اقدامات ناقابل اعتماد اقتصادی موقف کو روکنے کے لئے ضروری ہوگی اور مارکیٹ میں بہتر ملحقہ کی راہنمائی کرے گی۔ وسیع تر شرائط پر ہم یقین رکھتے ہیں کہ گزشتہ دو سال میں مارکیٹ کی کارکردگی (چوٹی کی سطح سے تقریباً 20 فی صد) نے سیاسی اور اقتصادی سمت پر خدشات کی عکاسی کی ہے اور یہ بھی سائیکل اسٹاک کی کارکردگی میں عکاسی کرتی ہے، جہاں اسٹاک کی قیمتوں میں اضافہ بھی تیز ہوگا۔ ہم اپنے موقف کا دوبارہ تسلسل جاری رکھیں گے کہ موجودہ مارکیٹ کے ملحقات (تقریباً 7.5 اوقات) تھوڑی دیر میں ممکنہ پیشکش کرتے ہیں جو طویل مدتی سرمایہ کاروں کے لئے آرام دہ ہے۔ ہم یقین رکھتے ہیں کہ اسٹاک میں اسٹیٹس صرف آہستہ آہستہ انکشاف کریں گا جس سے اعتماد میں آئیں گے اور اقتصادی پالیسیوں کو متوقع طور پر نظر انداز کرتے ہیں۔ لہذا آگے آگے اسٹاک مریض سرمایہ کاروں کے لئے انعامات کے ساتھ طویل مدتی سرمایہ کاری کا موقع پیش کرتے ہیں۔ ہم ملک کے اقتصادی اشارے میں رجحانات کو ٹریک کرتے ہیں اور اس کے مطابق اپنے پورٹ فولیو کو ایڈجسٹ کرتے ہیں۔ ہمارے اوپر سے نیچے کا تجزیہ سے شعبوں نے فائدہ اٹھایا ہے جو کرنسی کی قیمتوں میں اضافے اور اعلیٰ سود کی شرح سے فائدہ اٹھایا۔ تاہم ہم انفرادی کمپنی کو متحرک نظر انداز نہیں کر سکتے، جو ان کی قیمتوں کے ساتھ سیکورٹی انتخاب میں اہم کردار ادا کر سکتا ہے۔

اظہار تشکر:

مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، ان کی مسلسل حمایت اور تعاون کے لئے پاکستان اسٹاک ایکسچینج لمیٹڈ کی انتظامیہ کے شکر گزار ہیں۔ ڈائریکٹرز بھی کمپنی میں ان کے اعتماد کے لئے ان کے عزم اور لگن اور حصص یافتگان کے لیے کمپنی کے ملازمین کی کوششوں کی تعریف کرتے ہیں۔

بڑھتی ہوئی سود کی شرح، منی ایڈجسٹمنٹ اور بیرونی دباؤ معیشت کی ترقی کے اثرات پر اثر انداز کر رہی ہیں، جس میں بڑے پیمانے پر مینوفیکچرنگ انڈیکس کی طرف اشارہ کیا گیا جس سے پٹرولیم کی مصنوعات میں جولائی 2018 کے مہینے میں 0.5 فیصد اضافہ ہوا۔

اسٹیٹ بینک کی جانب سے مالیاتی تنصیبات کے بعد بانڈ کی پیداواری گراف نے ایک ایسی پیش رفت ظاہر کی، جہاں پاکستان کی سرمایہ کار بانڈز (PIB) میں زیادہ سے زیادہ سرگرمی ہوئی۔ مالی سال 2018-19 (1QFY19) کی پہلی سہ ماہی کے دوران، اسٹیٹ بینک آف پاکستان نے تیسرے فلوٹر پاکستان سرمایہ کاری بانڈ (PIB) کی نیلامی کا اہتمام کیا جس میں 151 ارب روپے کی بڑی شراکت کی۔ جس میں سے 108 بلین روپے کا معیار +70 بنیادی پوائنٹس (bps) کی قیمتوں میں منسلک کیا گیا تھا۔ خارجہ محاذ کے بارے میں خدشات نے مارکیٹ کے شرکاء کو طویل عرصے سے خزانہ بلوں سے لے کر رکھا ہے جس میں جمع ہونے والی کاغذات میں 3 مہینے کے برابر یا مساوی ہونے کے سلسلے میں مسلسل اضافہ ہوتا ہے۔

اسٹیٹ بینک آف پاکستان نے باقاعدہ اوپن مارکیٹ آپریشنز (OMOs) کے ذریعہ مالی سال 2018-19 (1QFY19) کی پہلی سہ ماہی میں آرام دہ اور پرسکون رہا، جبکہ شرعی مطابقت پذیر راستے کی کمی کا جائزہ لینے کے دوران جاری رہا کیونکہ بازار میں کافی ہالچل کے باوجود Ijara Sukuk کا کوئی تازہ اجراء نہیں ہوا تھا۔

فنڈ کی کارکردگی:

جائیداد کے تحت مدت کے دوران، فنڈ نے سالانہ واپسی 6.33 فیصد کی ہے جس کے مقابلے میں 8.02 کی ٹینکوں کی واپسی کے خلاف۔ عرصے کے اختتام پر، فنڈ خزانہ بلوں میں 2.3 فیصد سرمایہ کاری، 31.2 فیصد (TFCs) اور 53.7٪ کیش میں سرمایہ کاری کی گئی۔ فنڈ کے وزن میں اوسط پائیدار 1.9 سالوں کے دوران موقوف سائیکل پر ہمارے نقطہ نظر کے مطابق ہوا۔ ستمبر 30، 2018ء کے طور پر فنڈ کے نیٹ اثاثے 1.926 ملین روپے کے مقابلے میں 30 جون، 2018 میں 1.119 ملین کی تعداد میں 26.79 فیصد اضافہ ہوا۔

مستقبل آؤٹ لک:

حکومت نے بین الاقوامی مالیاتی فنڈ (IMF) سے متعلق معاشی پروگرام کے نازک بیرونی اکاؤنٹ کی صورتحال کی حمایت کرنے کا اعلان کیا ہے۔ پروگرام کو منی ایڈجسٹمنٹ، مالیاتی سختی، اور اخراجات میں کمی کی ضرورت ہوتی ہے، ترقی کو سست کرنے، درآمدات کے بل کو کنٹرول کرنے اور غیر ملکی ذخائر کو کم کرنے میں کمی کی ضرورت ہوتی ہے۔

اگلے سال کے لئے اقتصادی ترقی میں کمی کی توقع کی جاسکتی ہے کیونکہ کرنسی ایڈجسٹمنٹ اور مانیٹری پالیسی کی کھپت کے نمونے پر مل جائے گی۔ تاہم معیشت کی دستاویزات کے ساتھ ساتھ بجلی کی فراہمی میں اضافے کو اس اہم مرحلے کے دوران معاشی مینیجرز کو ایک مہلت فراہم ہوگی۔ ہم نئی حکومت کی طرف سے اقتصادی محاذ پر دائمی مسائل کو حل کرنے کے لئے زیادہ توجہ مرکوز کریں گے اور مخلص کوششوں کے درمیان اقتصادی اصلاح کے لئے بہتر حکومتی نظام اور طویل مدتی امکانات پر خوشگوار اشتراک کرتے ہیں۔ تاہم یہ راستہ سخت اور ممکنہ غیر مقبول

عزیز سرمایہ کار!

بورڈ آف ڈائریکٹرز کی جانب سے پاکستان انکم فنڈ کے 30 ستمبر، 2018 کو اختتام پزیر ہونے والے نو ماہ اکاؤنٹس کا جائزہ پیش خدمت ہے۔

مارکیٹ اور اقتصادی جائزہ:

معیشت اور منی مارکیٹ کا جائزہ:

مالی سال 2018-19 کی پہلی سہ ماہی میں (1QFY19) سیاسی غیر یقینی، بیرونی دباؤ اور اقتصادی کمی کا شکار ہو گیا ہے۔ تیل کی قیمتوں میں اضافہ، بیرونی افواج کی مسلسل تسلسل، بڑھتی ہوئی رجحان میں اضافہ، اسٹیٹ بینک آف پاکستان کے مونیٹری پالیسی کمیٹی (MPC) نے اس سہ ماہی میں منعقد ہونے والے دونوں اجلاسوں میں 100 بنیادی پوائنٹس (bps) کے اضافے کے لئے انتخاب کیا۔ اہم وجہ یہ تھی کہ انفراسٹرکچر کے دباؤ کے نتیجے میں بنیادی افراط زر کے ساتھ اعلیٰ تیل اور گیس کی قیمتوں کی آمد کے ساتھ پیدا ہونے کی امید ہے۔ اس کے علاوہ، مونیٹری پالیسی کمیٹی (MPC) نے غیر ملکی خارجہ اکاؤنٹ کی حیثیت کو کم کرنے کے لئے غیر ملکی ادارے کی حیثیت اور مجموعی گھریلو مصنوعات (GDP) کی ترقی میں کمی کی ضرورت پر زور دیا ہے۔

مالی سال 2018-19 کی پہلی سہ ماہی کے لئے صارفین کی قیمت انڈیکس (CPI) 5.6 فیصد کے اثرات کے طور پر رجسٹر کیا گیا تھا۔ عالمی بین الاقوامی قیمتوں میں اضافہ، گھریلو گیس کی قیمتوں میں کمزور کرنسی اور اوپر کی نظر ثانی کی امید ہے، مالی سال 2018-19 (مجموعی طور پر انفراسٹرکچر کے اعداد و شمار کو جیک)، جو گزشتہ سال کی شرح 3.8 فی صد کی شرح سے تقریباً 8.1 فیصد ہوا ہے۔ دریں اثنا، بنیادی افراط زر کی شرح 8.5 فیصد سے زائد ہے۔

معیشت کے لئے تشویشناک پوزیشن کو نمایاں کرنے پر بیرونی اکاؤنٹ کی حیثیت رکھتی ہے۔ موجودہ اکاؤنٹ نے مالی سال 2018-19 کے پہلے دو مہینوں میں 2.7 ارب امریکی ڈالر کا خسارہ دیکھا تھا جو گزشتہ سال اسی مدت میں 2.5 بلین ڈالر ہوا تھا۔ بین الاقوامی آئل کی قیمتوں میں اضافے کی وجہ سے نجی درآمدات کی وجہ سے غیر تیل کی درآمد میں بہتری آرہی ہے، اس وجہ سے موجودہ اکاؤنٹ کے خسارے کو زیادہ رہنے کا باعث بنتا ہے۔ تاہم، کرنسی کے ایڈجسٹمنٹ کے نقطہ نظر اور مالیاتی سختی کی وجہ سے تجارت کی توازن (پاکستان کے اعداد و شمار، بیورو کے اعداد و شمار) کے طور پر ظاہر ہوتا ہے کہ غیر تیل درآمد میں کمی کی وجہ سے سہ ماہی میں 1.6 فی صد کمی ہوئی۔ چین سے آمدنی حاصل کرنے کے باوجود، ہر ہفتے غیر ملکی ذخائر تقریباً 115 ملین امریکی ڈالر سے کم ہو گئے۔ اسٹیٹ بینک کے غیر ملکی کرنسی کے ذخائر 8.41 بلین ڈالر پر کھڑے ہوئے ہیں جو اسٹیٹ بینک کے ذخائر کی بنیاد پر درآمد کا احاطہ کرتا ہے، اس سے دو ماہ کے مقابلے میں زیادہ خطرناک حد تک پہنچ گئی ہے۔

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2018

	Note	(UNAUDITED) September 30, 2018 (Rupees in '000)	(AUDITED) June 30, 2018
ASSETS			
Bank balances	5	1,046,385	616,193
Investments	6	688,441	580,656
Receivable against margin trading system		176,446	242,107
Profit receivable		17,139	17,401
Advances, deposits, prepayments and other receivables		15,807	80,725
Total Assets		1,944,218	1,537,082
LIABILITIES			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company		1,624	1,413
Payable to Central Depository Company of Pakistan Limited - Trustee		222	198
Payable to the Securities and Exchange Commission of Pakistan		321	1,124
Payable against redemption of units		47	47
Accrued expenses and other liabilities	7	16,434	15,422
Total liabilities		18,648	18,204
NET ASSETS		1,925,570	1,518,878
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		1,925,570	1,518,878
CONTINGENCIES AND COMMITMENTS	8		
(Number of units)			
NUMBER OF UNITS IN ISSUE		35,242,928	26,964,052
(Rupees)			
NET ASSET VALUE PER UNIT		54.6371	56.3297
FACE VALUE PER UNIT		50.0000	50.0000

The annexed notes 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, 2018

	Note	September 30, 2018	September 30, 2017
		(Rupees in '000)	
INCOME			
Gain on sale of investments - net		596	(125)
Unrealised appreciation on re-measurement of investments at fair value through profit or loss - net	6.3	(1,839)	81
Profit / mark-up on:			
- Government securities		1,062	1,131
- term finance certificates		12,156	5,034
- term deposit receipts		-	2,792
- bank balances		17,862	16,026
Income on spread transactions and margin trading system		4,269	3,476
Dividend Income		-	689
Other income		8	474
Total income		34,114	29,578
EXPENSES			
Remuneration of the Management Company		3,454	6,242
Sindh sales tax on remuneration of the Management Company		449	812
Remuneration of the Trustee		579	568
Sindh sales tax on remuneration of the Trustee		75	74
Annual fee to Securities and Exchange Commission of Pakistan		321	312
Allocated expenses and related taxes		484	470
Brokerage expense		9	214
Legal, professional and other charges		39	53
Settlement and bank charges		699	690
Fees and subscription		170	85
Auditors' remuneration		145	269
Provision against Sindh Workers' Welfare Fund	7.1	545	395
Printing and related costs		25	43
Total operating expenses		6,994	10,227
Net income from operating activities		27,120	19,351
Net income for the year before taxation		27,120	19,351
Taxation	9	-	-
Net income for the year after taxation		27,120	19,351
Earnings per unit			
Allocation of net income for the year			
Net income for the year after taxation		27,120	19,351
Income already paid on units redeemed		(2,414)	(64)
		24,706	19,287
Accounting income available for distribution			
- Relating to capital gains		-	-
- Excluding capital gains		24,706	19,287
		24,706	19,287

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

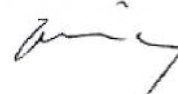
**For MCB-Arif Habib Savings and Investments Limited
(Management Company)**



Chief Executive Officer



Chief Financial Officer



Director

**CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2018**

September 30, September 30,
2018 2017
(Rupees in '000)

Net income for the year after taxation	27,120	19,351
Other comprehensive income for the year		
Net unrealised appreciation / (diminution) in the value of investments previously classified as 'available-for-sale'	(38)	(47)
Total comprehensive income for the year	<u>27,082</u>	<u>19,304</u>

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

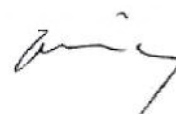
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

	September 2018			September 2017
	Rupees in thousands			
	Capital Value	Undistributed income / (loss)	Unrealised appreciation / (diminution) on FVTOCI (Previously AFS)	Total
Net assets at beginning of the year	1,354,270	164,570	38	1,518,878
Issue of 16,574,563 units (2017: 3,636,087 units) including additional units				
- Capital value (at net asset value per unit at the beginning of	891,523	-	-	891,523
- Element of income	6,151	-	-	6,151
	897,674	-	-	897,674
Redemption of 8,295,687 units (2017: 7,117,911 units)				
- Capital value (at net asset value per unit at the beginning of	446,213	-	-	446,213
- Element of income	649	2,414	-	3,063
	446,862	2,414	-	449,276
Total comprehensive income / (loss) for the year	-	27,120	(38)	27,082
Final Distribution for the year ended June 30, 2018 (including additional units)	(25,134)	(43,654)	-	(68,788)
Rs. 2.5511 per unit (Declared on July 04, 2018)	(25,134)	(16,534)	(38)	(41,706)
Net income / (loss) for the year less distribution				19,304
Net assets at end of the year	1,779,948	145,622	-	1,925,570
Undistributed income / (loss) brought forward				
- Realised		166,783		116,258
- Unrealised		(2,213)		4,516
		164,570		120,774
Accounting income / (loss) available for distribution				
- Relating to capital gains		-		-
- Excluding capital gains		24,706		19,287
		24,706		19,287
Cash distribution for the period		(43,654)		-
Undistributed income / (loss) carried forward		145,622		140,061
Undistributed income / (loss) carried forward				
- Realised income		147,461		139,980
- Unrealised income / (loss)		(1,839)		81
		145,622		140,061
			(Rupees)	(Rupees)
Net assets value per unit at beginning of the year			56.3297	53.7626
Net assets value per unit at end of the year			54.6371	54.3939

The annexed notes 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, 2018

Note	September 30, 2018 (Rupees in '000)	September 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year after taxation	27,120	19,351
Adjustments for:		
Unrealised appreciation on re-measurement of investments at fair value through profit or loss - net	1,839	(81)
Provision against Sindh Workers' Welfare Fund	545	-
Provision against non-performing investments - net	-	(474)
	29,504	18,796
Decrease / (increase) in assets		
Investments - net	(109,662)	45,031
Profit receivable	262	3,510
Receivable against margin trading system	65,661	(204,612)
Receivable against Sale of Investments	-	(78,628)
Advances, deposits, prepayments and other receivables	64,918	9,042
	21,179	(225,657)
Increase / (decrease) in liabilities		
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	211	(10)
Payable to Central Depository Company of Pakistan Limited - Trustee	24	(6)
Payable to the Securities and Exchange Commission of Pakistan	(803)	(607)
Payable against redemption of units	-	(266)
Payable against purchase of investment	-	22,163
Fair value of derivative Liability	-	255
Accrued expenses and other liabilities	467	(1,460)
	(101)	20,069
Net cash flows from operating activities	50,582	(186,792)
CASH FLOWS FROM FINANCING ACTIVITIES		
Amount received against issuance of units	897,674	385,659
Amount paid against redemption of units	(449,276)	(577,398)
Distributions paid during the year	(68,788)	-
Net cash flows from financing activities	379,610	(191,739)
Net increase in cash and cash equivalents during the year	430,192	(378,531)
Cash and cash equivalents at the beginning of the year	616,193	1,194,719
Cash and cash equivalents at the end of the year	11 1,046,385	816,188

The annexed notes 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 STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

1 LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Income Fund (the Fund) was established under a Trust Deed executed between 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" by the Board of Directors of the Management Company pursuant to the provisions contained in Circular 7 of 2009. The units of the Fund were initially offered for public subscription at a par value of Rs 50 per unit 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 placements/instruments which include short-term corporate debt, government securities, margin trading system transactions and spread transactions. The Fund may also invest a portion of its assets under management in medium term assets in order to provide higher return to the unit holders.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned the asset manager a rating of "AM2++" (2017: AM2++) on date October 08, 2018. The rating reflects the Company's experienced management team, structured investment process and sound quality of systems and processes.

Furthermore, Pakistan Credit Rating Agency Limited (PACRA) has maintained the stability rating of "A+" (f) to the Fund [2017: A+(f)] on June 30, 2018.

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

"These Condensed interim financial information has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of :"

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act 2017 along with part VIIIA of the repealed Companies ordinance, 1984 ; and
- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed have been followed.

- 2.2 The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the year ended June 30, 2018.

- 2.3** In compliance with schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at September 30, 2018.
- 2.4** These condensed interim financial statements are unaudited. Items included in these financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupees which is the Fund's functional and presentation currency and rounded to the nearest thousand rupees, unless otherwise specified.
- 2.5** The "date of initial application" of IFRS 9 is the date when the entity first applies its requirements. Therefore, the beginning of an interim or annual reporting period i.e July 01, 2018 is the date of initial application and applied prospectively because it is not possible to do so with out the use of hindsight and is impracticable, therefore comparative figures are not restated. The comparatives in the condensed interim statement of assets and liabilities presented in the condensed interim financial information as at September 30, 2018 have been extracted from the audited financial statements of the Fund for the year ended June 30, 2018, whereas the comparatives in the condensed interim income statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement have been extracted from the unaudited condensed interim financial information of the Fund for the quater ended September 30, 2017.

3 SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ESTIMATES AND JUDGMENTS AND CHANGES THEREIN

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

- 3.1** The accounting policies, financial risk management objectives and policies, basis of accounting estimates applied and methods of computation adopted in the preparation of the condensed interim financial statement and all standards, interpretations and amendments to published approved accounting standards are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2018, except with respect to adopt of adoption of IFRS- 9 as explained in detail in note 3.2.
- 3.2** In July 2014 IASB issued a revised version of IFRS 9 'Financial Instruments' which supersedes all its previous versions and is mandatorily effective for periods beginning on or after January 1, 2018. The SECP has adopted the IFRS 9 effectively from July 1, 2018 and will be applicable for the Fund as well. Further, the SECP through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Therefore the Fund will not be subject to the impairment provisions of IFRS 9. From July 01, 2018 the Fund has adopted IFRS-9 as per approved accounting and reporting standards as applicable in Pakistan.

Key requirements of IFRS 9:

Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt and equity instruments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election at initial recognition to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. However, the SECP through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

3.2.1 Classification and Measurement:

Classification and Measurement of Financial Assets and Financial Liabilities after the adoption of IFRS-9 is discussed as under:

Listed equity securities classified as 'at Fair value through Profit or Loss' investments carried at fair value will continue to be subsequently measured at Fair value through Profit or Loss upon the application of IFRS 9, and the fair value gains or losses and gains or losses on derecognition of such investments will be recognised in profit or loss;

Listed equity securities classified as 'at Available for sale' investments carried at fair value have been re-designated & will be measured at Fair value through Profit or Loss upon the application of IFRS 9, and the fair value gains or losses and gains or losses on derecognition of such investments will be recognised in profit or loss;

Debt securities (Listed / Unlisted) and government securities classified as 'at Fair value through Profit or Loss' investments carried at fair value will continue to be subsequently measured at Fair value through Profit or Loss upon the application of IFRS 9, and the fair value gains or losses and gains or losses on derecognition of such investments will be recognised in profit or loss;

All financial assets classified as Loans and receivable as on June 30, 2018 have now been re-classified as Amortized cost. These assets under IFRS - 9 will continue to be measured on the same bases as was adopted under IAS 39.

All other financial assets and financial liabilities under IFRS - 9 will continue to be measured on the same bases as was adopted under IAS 39.

4 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund for the Quarter ended September 30, 2018 is 0.41% (June 30, 2018 : 2.30%) which includes 0.08% (June 30, 2018 : 0.47%) representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, sales taxes, annual fee to the SECP, Laga and Levy charges 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.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

	Note	(UNAUDITED) September 30, 2018 (Rupees in '000)	(AUDITED) June 30, 2018
5 BANK BALANCES			
In saving accounts		1,044,006	616,184
In current accounts		2,379	9
		<u>1,046,385</u>	<u>616,193</u>

	Note	(UNAUDITED) September 30, 2018 (Rupees in '000)	(AUDITED) June 30, 2018
6 INVESTMENTS			

Financial assets 'at fair value through profit or loss' - net

Government securities - Market Treasury Bills	6.1.1	34,814	34,621
Term Finance Certificates	6.1.2.1 & 6.1.2.2	397,826	324,393
Sukuks Certificates	6.1.3 & 6.1.4	211,805	214,180
Government securities - Pakistan Investment Bonds	6.1.5	43,996	-
		<u>688,441</u>	<u>573,194</u>

Previously classified as available-for-sale - under IAS 39

Government securities		-	7,462
		<u>688,441</u>	<u>580,656</u>

6.1 Financial assets 'at fair value through profit or loss' - net

6.1.1 Government securities - market treasury bills

Particulars	Issue Date	Fave value				Carrying value as at September 30, 2018	Market value as at September 30, 2018	Unrealised appreciation / (diminution) as at September 30, 2018	Market value as a percentage of net / assets	Market value as a percentage of total investments
		As at July 1, 2018	Purchased during the Period	Sold/Matured during the Period	As at September 30, 2018					
----- (Rupees in '000) -----									%	%
Treasury bills - 3 months	August 2, 2018	-	35,000,000	-	35,000,000	34,824	34,814	(10)	1.81%	5.06%
Treasury bills - 3 months	June 7, 2018	35,000,000	-	35,000,000	-	-	-	-	-	-
Total as at September 30, 2018						34,824	34,814	(10)	1.81%	5.06%
Total as at June 30, 2018						34,617	34,621	4	2.27%	5.96%

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

	Note	(UNAUDITED) September 30, 2018 (Rupees in '000)	(AUDITED) June 30, 2018
6.1.2 Listed debt securities - term finance certificates			
Market value as at June 30	6.1.2.1	151,582	151,864
Less: Provision as at July 1			
- Pace Pakistan Limited		(49,940)	(49,940)
- Telecard Limited		(31,088)	(31,088)
- Trust Investment Bank Limited		(18,743)	(18,743)
		(99,771)	(99,771)
Less: Provision charged during the year			
- Reversal against carrying value matured		-	-
- Charge against face value receivable		-	-
		-	-
		<u>51,811</u>	<u>52,093</u>

6.1.2.1 Listed debt securities - Term finance certificates

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

Name of investee company	Number of certificates					Carrying value as at September 30, 2018	Market value as at September 30, 2018	Unrealised appreciation/(diminution) as at September 30, 2018	Market value as a percentage of net assets**	Market value as a percentage of total investments**	Investment as a percentage of total issue size
	As at July 1, 2018	Purchased during the Period	Sold during the Period	Matured during the Period	As at September 30, 2018						
----- (Rupees in '000) -----											
Commercial Banks									%	%	
Bank Alfalah Limited (20-02-13 issue)	10,381	-	-	-	10,381	52,082	51,811	(271)	2.69%	7.53%	0.21%
Pace Pakistan Limited (15-02-08 issue)											
- Due but not received	10,000	-	-	-	10,000	-	49,940				
Telecard Limited (27-05-05 issue)											
- Due but not received	19,975	-	-	-	19,975	-	31,088				
Trust Investment Bank Limited (04-07-08 issue)											
- Due but not received	10,000	-	-	-	10,000	-	18,743				
Total as at September 30, 2018	10,381	-	-	-	10,381	52,082	151,582	(271)	2.69%	7.53%	
Total as at June 30, 2018	13,381	-	-	-	10,381	53,280	151,864	(1,187)	3.43%	8.97%	

6.1.2.2 Unlisted debt securities - Term finance certificates

Certificates have a face value of Rs 5,000 each

Name of investee company	Number of certificates					Carrying value as at September 30, 2018	Market value as at September 30, 2018	Unrealised appreciation/(diminution) as at September 30, 2018	Market value as a percentage of net assets**	Market value as a percentage of total investments	Investment as a percentage of total issue size
	As at July 1, 2018	Purchased during the Period	Sold during the Period	Matured during the Period	As at September 30, 2018						
----- (Rupees in '000) -----											
Commercial Banks									%	%	
Askari Bank Limited (30-09-14 issue)	19,000	-	-	-	19,000	94,884	95,354	470	4.95%	13.85%	0.48%
Bank AL Habib Limited (17-03-16 issue)	15,500	-	-	-	15,500	77,309	77,032	(277)	4.00%	11.19%	0.39%
The Bank of Punjab (24-04-2018 Issue)	-	650	-	-	650	65,000	63,776	(1,224)	3.31%	9.26%	0.02%
Investment Banks / Investment Companies / Securities Companies											
Jahangir Siddiqui & Company Limited	20,000	2,000	-	-	22,000	109,997	109,853	(144)	5.70%	15.96%	1.47%
Total as at September 30, 2018	54,500	2,650	-	-	57,150	347,190	346,015	(1,175)	17.96%	50.26%	
Total as at June 30, 2018						273,130	272,300	(830)	17.93%	46.89%	

* These certificates have a face value of Rs. 1 million and Rs. 1 hundred thousand respectively.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

6.1.3 Listed debt securities - Sukuk certificates

Certificates have a face value of Rs 100,000 each

Name of investee company	Number of certificates					Carrying value as at September 30, 2018	Market value as at September 30, 2018	Unrealised appreciation/(diminution) as at September 30, 2018	Market value as a percentage of net assets**	Market value as a percentage of total investments **	Investment as a percentage of total issue size
	As at July 1, 2018	Purchased during the Period	Sold during the Period	Matured during the Period	As at September 30, 2018						
------(Rupees in '000)-----											
Dawood Hercules Corporation Limited (16-11-17 issue)	1,000	-	-	-	1,000	100,200	100,055	(145)	5.20%	14.53%	0.02%
Total as at September 30, 2018	1,000	-	-	-	1,000	100,200	100,055	(145)	5.20%	14.53%	
Total as at June 30, 2018	-	-	-	-	-	100,000	100,200	200	6.60%	17.26%	

6.1.4 Unlisted debt securities - Sukuk certificates

Certificates have a face value of Rs 100,000 each

Name of investee company	Number of certificates					Carrying value as at September 30, 2018	Market value as at September 30, 2018	Unrealised appreciation/(diminution) as at September 30, 2018	Market value as a percentage of net assets**	Market value as a percentage of total investments	Investment as a percentage of total issue size
	As at July 1, 2018	Purchased during the Period	Sold during the Period	Matured during the Period	As at September 30, 2018						
------(Rupees in '000)-----											
Chemical											
Ghani Gases Limited (03-02-17 issue)	480	-	-	-	480	35,968	35,918	(50)	1.87%	5.22%	0.04%
Oil and Gas											
Byco Petroleum Pakistan Ltd	10	-	-	-	10	998	1,000	2	0.05%	0.15%	0.00%
Fertilizer											
Dawood Hercules Corporation Limited (1-3-18 issue)	250	-	-	-	250	25,016	24,984	(32)	1.30%	3.63%	0.00%
Miscellaneous											
International Brands Ltd	500	-	-	-	500	50,000	49,848	(152)	2.59%	7.24%	0.02%
Total as at September 30, 2018	1,240	-	-	-	1,240	111,982	111,750	(232)	5.81%	16.24%	
Total as at June 30, 2018						114,380	113,980	(400)	7.51%	19.63%	

6.1.5 Government securities - Pakistan investment bonds through profit and loss

Particulars	Issue Date	Face value				Carrying value as at September 30, 2018	Market value as at September 30, 2018	Unrealised appreciation/(diminution) as at September 30, 2018	Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2018	Purchased during the year	Sold/Matured during the year	As at September 30, 2018					
------(Rupees in '000)-----										
									%	%
Pakistan Investment Bond 10 years	August 09, 2018	-	200,000,000	156,000,000	44,000,000	44,000	43,996	(4)	2.28%	6.39%
Total as at September 30, 2018						44,000	43,996	(4)	2.28%	6.39%
Total as at June 30, 2018						-	-	-	-	-

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

	Note	(UNAUDITED) September 30, 2018	(AUDITED) June 30, 2018
(Rupees in '000)			
6.3 Unrealised appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss - net			
Market value as at June 30, 2018 - net of provision	6.1.1, 6.1.2, 6.1.3, 6.1.4 & 6.1.5	688,441	573,194
Less: carrying value as at June 30, 2018 - net of provision	6.1.1, 6.1.2, 6.1.3, 6.1.4 & 6.1.5	(690,280)	(575,407)
		<u>(1,839)</u>	<u>(2,213)</u>

6.4 Status of non compliance as per circular 16 of 2010 issued by the Securities and Exchange Commission of Pakistan

The Securities and Exchange Commission of Pakistan (SECP), vide its circular no. 16 dated July 7, 2010 has prescribed certain disclosures for non-compliances, either with the minimum investment criteria specified for the category assigned to the collective investment schemes or with the investment requirements of their constitutive documents.

Name of non-compliant investments	Note	Type of Instrument	Value of Investment before provision	Provision held if any	Value of Investment after provision	% of net assets	% of gross assets
Trust Investment Bank Limited (04-07-08 issue)	6.1.2.1	TFC	18,743	(18,743)	-	-	-
Telecard Limited (27-05-05 issue)	6.1.2.1	TFC	31,088	(31,088)	-	-	-
Pace Pakistan Limited (15-02-08 issue)	6.1.2.1	TFC	49,940	(49,940)	-	-	-

	Note	(UNAUDITED) September 30, 2018	(AUDITED) June 30, 2018
(Rupees in '000)			
7 ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision against Sindh Workers' Welfare Fund	7.1	4,803	4,258
Legal and professional charges		94	68
Withholding tax on capital gains		319	65
Auditors' remuneration		457	426
Brokerage		20	38
Sindh sales tax payable on allocated expenses		511	455
Federal excise duty and other related taxes payable on management remuneration	7.2	9,210	9,210
Federal excise duty and other related taxes payable on sales load	7.2	239	239
Others		781	663
		<u>16,434</u>	<u>15,422</u>

7.1 There is no change in the status of the SWWF as reported in the annual financial statements of the Fund for the year ended June 30, 2018. Had the provision for SWWF not been recorded in the condensed interim financial information of the Fund, the net asset value of the Fund as at September 30, 2018 would have been higher by Re. 0.1363 per unit (June 30, 2018 Re. 0.1579 per unit).

7.2 There is no change in the status of the appeal filed by the Federal Board of Revenue in the Honorable Supreme Court of Pakistan in respect of levy of Federal Excise Duty as reported in the annual financial statements of the Fund for the year ended June 30, 2018. Had the said provision for FED not been recorded in the condensed interim financial information of the Fund, the net asset value of the Fund as at September 30, 2018 would have been higher by Re. 0.2613 per unit (June 30, 2018: Re. 0.3416 per unit).

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

8 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as September 30, 2018 and June 30, 2018 other than those disclosed in note 7.1 and note 7.2.

9 TAXATION

The Fund's income is exempt from income tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders by way of cash dividend. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders in cash. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the management intends to distribute the income earned by the Fund during the year to the unit holders in cash in the manner as explained above, accordingly, no provision for taxation has been made in these condensed interim financial statements.

10 Earning Per Unit

Earnings per unit based on cumulative weighted average units for the period has not been disclosed as in the opinion of the Management Company the determination of the same is not practicable.

	Note	(UNAUDITED) September 30, 2018	(UNAUDITED) September 30, 2017
(Rupees in '000)			
11 CASH AND CASH EQUIVALENTS			
Bank balances	5	1,046,385	616,193
Term Deposit Receipt - Having maturity in 3 months		-	150,000
		<u>1,046,385</u>	<u>816,188</u>

12.1 Details of transactions with related parties / connected persons during the year

	Note	(UNAUDITED) September 30, 2018	(UNAUDITED) September 30, 2017
(Rupees in '000)			
MCB-Arif Habib Savings and Investments Limited - Management Company			
Remuneration of the Management Company (including indirect taxes)		3,903	7,054
Allocated expenses and related taxes		484	470
Central Depository Company of Pakistan Limited - Trustee			
Remuneration of the Trustee (including indirect taxes)		654	642
CDS charges		95	175
MCB Bank Limited - Parent of the Management Company			
Profit on Bank deposits		62	9
Bank charges		6	5
Silk Bank Limited			
Mark-up on deposit accounts		10,732	-
Bank charges		26	-
Fatima Fertilizer Company Limited			
Purchase of Nil (2017: 500) shares		-	16
Sale of Nil (2017: 500) shares		-	16

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

		(UNAUDITED) September 30, 2018	(UNAUDITED) September 30, 2017
		(Rupees in '000)	
	Nishat (Chunian) Limited		
	Purchase of Nil (2017: 5,500) shares	-	297
	Sale of Nil (2017: 5,500) shares	-	300
	D.G. Khan Cement Company Limited		
	Purchase of Nil (2017: 90,500) shares	-	15,314
	Sale of Nil (2017: 90,500) shares	-	15,373
	Nishat Mills Limited		
	Purchase of Nil (2017: 5,000) shares	-	698
	Sale of Nil (2017: 5,000) shares	-	705
12.2	Details of balances with related parties / connected persons as at year end	Unaudited September 30, 2018	Audited June 30, 2018
		(Rupees in '000)	
	MCB-Arif Habib Savings and Investments Limited - Management Company		
	Management remuneration payable	1,227	963
	Sindh sales tax payable on management remuneration	160	126
	Sales load payable	90	202
	Payable against allocated expenses	147	122
	Central Depository Company of Pakistan Limited - Trustee		
	Trustee remuneration payable	197	175
	Sindh sales tax payable on Trustee remuneration	25	23
	Security deposit	200	200
	MCB Bank Limited - Parent of the Management Company		
	Bank balance	3,818	2,876
	Profit receivable on bank deposits	47	5
	Sales load payable	218	-
	Silk Bank Limited		
	Bank balance	721,323	274,323
	Profit receivable	4,280	1,812
	Next Capital Limited		
	Brokerage payable	12.2.1 -	9
	Arif Habib Limited		
	Brokerage payable	12.2.1 -	3
12.2.1	The amount disclosed represents the amount of brokerage expense or brokerage payable to connected persons and not the purchase or sale value of securities transacted through them as the ultimate counter parties are not connected persons.		

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

12.3. Unit Holders' Fund

	For the Quarter Ended September 30, 2018					
	As at July 01, 2018	Issuance (including additional units)	Redeemed	As at September 30, 2018	As at July 01, 2018	Issuance* Redeemed As at September 30, 2018
	Units					
	(Rupees in '000)					
Associated companies						
Adamjee Life Assurance Company Limited - Employees Gratuity Fund	-	79,367	-	79,367	-	4,271 4,336
Nishat Mills Limited Employees - Provident Fund Trust	-	5,508,016	-	5,508,016	-	300,000 300,942
Mandate under discretionary portfolio services	307,168	351,785	258,572	400,381	17,303	18,655 14,026 21,876
Key management personnel	4,294	7,636	1,858	10,072	242	400 100 550
	Units					
	(Rupees in '000)					
Mandate under discretionary portfolio services	539	185,573	70,552	115,560	29	10,000 3,802 6,286
Key management personnel	99,181	902	99,181	902	5,401	49 5,384 49
Associated companies						
Adamjee Life Assurance Company Limited - Employees Gratuity Fund	21,338	-	-	21,338	1,162	- - 1,161

* Additional units are issued at zero cost.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

13 GENERAL

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation and disclosure. No significant rearrangement or reclassification has been made in this condensed interim financial information, except for the impacts of change in accounting policies as disclosed in note 3.2.

14 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 22, 2018 by the Board of Directors of the Management Company.

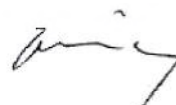
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



Director

MCB-Arif Habib Savings and Investments Limited

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