



MCB-ARIF HABIB
Savings and Investments Limited

AM2
BY PACRA

HALF YEAR REPORT

DECEMBER
2017
(UNAUDITED)

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

Vision

To become synonymous with Savings.

Mission

To become a preferred Savings and Investment Manager in the domestic and regional markets, while maximizing stakeholders' value.

Core Values

The Company takes pride in its orientation towards client service. It believes that its key success factors include continuous investment in staff, systems and capacity building and its insistence on universal best practices at all times.

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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 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 Telenor Micro Finance Bank Limited Finca Micro Finance Bank Limited JS Bank Limited Zarai Traqiati Bank Limited Habib Bank Limited First Mirco Finance Bank Limited National Bank of Pakistan	
Auditors	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants 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 DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR ENDED DECEMBER 31, 2017

Dear Investor,

On behalf of the Board of Directors, We are pleased to present **MCB DCF Income Fund** accounts review for the half year ended December 31st, 2017.

ECONOMY AND MONEY MARKET OVERVIEW

Economic scorecard continued to remain mixed with real side still indicating strong growth momentum, while external side conversely showing the vulnerabilities. Growth momentum of the economy continued during the period with LSM growing at strong pace of ~6% YoY, bolstered 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), economy looks on track to approach 6% target GDP growth for FY18.

Provisional fiscal deficit for the 1HFY18 was recorded at ~2.5% of GDP, despite commendable tax collection. Tax Authorities managed to collect PKR 1.3 trillion during the period, showing an impressive growth of 20% compared to same period last year.

CPI for the first half averaged at a moderate level of 3.75% YoY, supported by lower oil prices, stable food prices and a higher base effect. However, as of late it had started to inch up as witnessed by Dec'17 figure of 4.57%, owing to rising oil prices and depreciating currency. As a result of the stable indicators, the monetary policy committee has to date maintained its status quo approach.

On the external side, trade deficit widened to alarming levels. The current account deficit (CAD) for the first 6 months clocked in at USD ~7.5 billion (up 59% YoY). Trade deficit for 1HFY18 reached USD 14.3 billion up ~26% YoY. Import registered an increase of ~19% during the 1HFY18, propelled by petroleum imports and an expansionary fiscal and monetary policy. On the flip side, the impact of textile package started to gain some momentum as textile exports grew by ~8% during 1HFY18, though insufficient to bridge the gap created by rising imports. Resultantly, the foreign exchange reserves declined by USD ~1.2 billion, despite USD 2.5 billion floated in international bond markets. PKR also depreciated by ~5% against USD indicating a much need attempt from government to address widening external account.

Money markets took clue from the rising inflation expectations as against all tenors, 3-months t-bills remained the most preferred play. Meanwhile, longer tenor PIBs remained out of favor with very low participation from financial institutions & banks in auctions.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 4.31% as against its benchmark return of 6.14%. Fund's WAM was decreased from 1.6 YTM to 1.5 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 25.8% in TFCs, 42.1% in Cash and 10.8% in TDRs.

The Net Assets of the Fund as at December 31, 2017 stood at Rs.5,316 million as compared to Rs.6,190 million as at June 30 2017 registering a decrease of 14.12%.

The Net Asset Value (NAV) per unit as at December 31, 2017 was Rs.108.7421 as compared to opening NAV of Rs. 106.4294 per unit as at June 30, 2017 registering an increase of Rs.2.3127 per unit.

FUTURE OUTLOOK

Challenges continue to increase on both economic and political front and require comprehensive plan and undeterred focus to consolidate the improvements seen in last few years. Given the current pace of trade deficit and weak performance on remittances, we expect current account deficit to approach USD 17 billion for the FY18 which in our estimates indicate an additional financing need of near USD 5 billion.

Nevertheless, market valuations remain at a very attractive level as indicated by risk premiums (difference between earnings yield and 10-year interest rates) which are at historically high level, suggesting market to remain very cheap. Furthermore, KSE-100 trades at a forward P/E of 9.71x, at a steep discount of 40% 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. While markets may react to overall happening events scheduled particularly in 2HFY18, we consider any weakness in the market as an opportunity to build long term exposures.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR ENDED DECEMBER 31, 2017

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.


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
February 23, 2018



Nasim Beg
Vice Chairman / Director

ڈائریکٹر رپورٹ
برائے ششماہی اختتام پذیر 31 دسمبر 2017ء

31 دسمبر 2017 کو فنڈ کے net اثاثہ جات 5,316 ملین روپے تھے، جو 30 جون 2017 (6,190 ملین روپے) کے مقابلے میں 14.12% کمی ہے۔

31 دسمبر 2017 کو Net اثاثہ جاتی قدر (NAV) فی یونٹ 108.7421 روپے تھی، جو 30 جون 2017 کی ابتدائی NAV (106.4294) (روپے فی یونٹ) کے مقابلے میں 2.3127 روپے فی یونٹ زیادہ ہے۔

مستقبل کی صورتحال

معاشی اور سیاسی، دونوں رخ پر مشکلات میں اضافہ ہو رہا ہے۔ چنانچہ حکومت کی مسلسل اور غیر متزلزل توجہ درکار ہے تاکہ گزشتہ کچھ برسوں میں جو بہتری دیکھی گئی ان کو منظم کیا جاسکے۔ تجارتی خسارے کی موجودہ رفتار اور ترسیل زر کی کمزور کارکردگی کو دیکھتے ہوئے ہم سمجھتے ہیں کہ مالی سال 2018ء میں کرنٹ اکاؤنٹ کا خسارہ 17 بلین ڈالر تک پہنچ جائے گا جس سے ہمارے اندازے کے مطابق تقریباً 5 بلین اضافی مالیت کی فراہمی کی ضرورت کی طرف اشارہ ہو رہا ہے۔

تاہم بازار کی قدر بہت پُرکشش سطح پر قائم ہیں، جیسا کہ رسک پریکٹس (آمدنی کے حجم اور دس سالہ انٹریسٹ کی شرحوں کے درمیان فرق) سے اشارہ ہوتا ہے، جواب تک کی اونچی ترین سطح پر ہیں، اور اس سے اندازہ ہوتا ہے کہ بازار بہت سستا ہے۔ علاوہ ازیں، KSE-100 کی تجارت 9.71x کی فارورڈ P/E پر ہوئی جو اس کے اُبھرتے ہوئے مارکیٹ peer گروپ سے 40% بھرپور رعایت ہے۔ مستحکم پیش رفت میں (i) روپے کی قدر میں کمی اور انٹریسٹ کی اونچی شرحیں، اور (ii) CPEC اور ٹیکسٹائل کے شعبے کے لئے حکومت پاکستان کی مسلسل پشت پناہی (جن کی بدولت برآمدات کی حوصلہ افزائی ہوگی) شامل ہیں، جن کو سیاسی صورتحال کے قطع نظر درمیانی مدت سے سبقت لے جانا چاہئے۔ اگرچہ مجموعی سطح پر، اور خاص طور پر نصف آخر 2018 میں، طے شدہ واقعات کے عمل میں آنے پر مارکیٹ کا رد عمل ظاہر ہو سکتا ہے، ہم مارکیٹ کی کسی بھی کمزوری کو طویل المیعاد تجربات کا موقع سمجھتے ہیں۔

مقررہ آمدنی کی جہت میں توقع ہے کہ مارکیٹ خارجی اکاؤنٹ کی خطرناک صورتحال اور افراط زر کی سطح میں اضافے کی بنیاد پر محتاط رہے گی۔ معاشی رخ، خاص طور پر ادائیگیوں کے توازن کی واضح تصویر سے مقررہ آمدنی کی مارکیٹس میں مزید شرکت کی طرف راہنمائی ہوگی۔

اظہار تشکر

بورڈ آف ڈائریکٹرز فنڈ کے گراں قدر سرمایہ کاروں، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور فنڈ کے Trustees 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۔

من جانب ڈائریکٹرز،



نسیم بیگ
وائس چیئرمین / ڈائریکٹر



محمد ثاقب سلیم
چیف ایگزیکٹو آفیسر

23 فروری 2018ء

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی جانب سے ایم سی بی ڈی سی ایف انکم فنڈ (سابقہ: کے 31 دسمبر 2017ء کو اختتام پذیر ہونے والے نصف سال کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت اور بازار کا مجموعی جائزہ

معاشی اعداد و شمار میں ملا جلا رجحان جاری رہا۔ حقیقی رُخ بدستور ترقی کی جانب اشارہ کر رہا ہے، جبکہ خارجی رُخ کمزوریوں کو ظاہر کر رہا ہے۔ دورانِ مدت معیشت کی ترقی تیز تر ہوتی رہی۔ اسٹیل، گاڑیوں اور اشیائے خورد و نوش کے شعبے کی ترقی کے باعث LSM نے 6% YoY کی بھرپور رفتار سے ترقی کی۔ علاوہ ازیں، زرعی شعبے کی ترقی کے باعث (جس کی عکاسی کپاس، چینی اور گندم کی فصل کے بھرپور اعداد و شمار میں ہوتی ہے) معیشت مالی سال 2018ء میں مجموعی ملکی پیداوار میں 6% ترقی کے ہدف کے حصول کی جانب گامزن نظر آرہی ہے۔

پراویٹل اقتصادی خسارہ برائے نصف اول 2018 قابلِ تحسین ٹیکس وصولی کے باوجود مجموعی ملکی پیداوار کا 2.5% تھا۔ ٹیکس ادارے دورانِ مدت 1.3 ٹریلین روپے جمع کر سکے، جو سالِ گزشتہ کی اسی مدت کے مقابلے میں 20% ترقی ہے۔

CPI کا اوسط برائے نصف اول 3.75% YoY کے درمیانے درجے پر تھا، جس کی پشت پناہی تیل کی پست قیمتوں، اشیائے خورد و نوش کی مستحکم قیمتوں اور اونچے base effect سے ہوئی۔ تاہم حال ہی میں اس میں اضافہ شروع ہو گیا تھا جیسا کہ دسمبر 2017ء کو 4.57% سے ظاہر ہے، جس کی وجوہات تیل کی بڑھتی ہوئی قیمتیں اور روپے کی گھٹتی ہوئی قدر ہیں۔ مستحکم اشاروں کے نتیجے میں مانیٹری پالیسی کمیٹی کا حال اپنے سابقہ لائحہ عمل پر قائم ہے۔

خارجی رُخ پر تجارتی خسارے میں تشویشناک سطح تک اضافہ ہو گیا۔ کرنٹ اکاؤنٹ کا خسارہ (CAD) برائے ابتدائی 6 ماہ 7.5 بلین ڈالر تھا (YoY 59% اضافہ)۔ پہلی ششماہی 2018ء میں تجارتی خسارہ 14.3 ڈالر تک پہنچ گیا، جو 26% YoY اضافہ ہے۔ نصف اول 2018ء کے دوران درآمدات میں 19% اضافہ ہوا جس کے اسباب پٹرولیم کی درآمدات اور وسعت پذیر اقتصادی اور مالیاتی پالیسی ہیں۔ دوسری جانب ٹیکسٹائل پنچ کے اثرات نے کچھ رفتار پکڑی اور 2018ء کی پہلی ششماہی کے دوران ٹیکسٹائل کی درآمدات میں 8% اضافہ ہوا، لیکن یہ اضافہ بڑھتی ہوئی درآمدات سے پیدا ہونے والی خلیج کو پر کرنے کے لئے ناکافی تھا۔ نتیجتاً، غیر ملکی زرمبادلہ کے ذخائر میں 1.2 بلین ڈالر کمی ہوئی، اگرچہ بین الاقوامی بانڈ مارکیٹ میں 2.5 بلین ڈالر کی گردش ہوئی۔ علاوہ ازیں، امریکی ڈالر کے مقابلے میں روپے کی قدر میں 5% کمی ہوئی، جس سے وسعت پذیر خارجی اکاؤنٹ پر حکومتی توجہ کی ضرورت کی عکاسی ہوتی ہے۔

افراطِ زر میں تمام tenors کے مقابلے میں اضافے کی توقعات بازار کے لئے اشارہ تھا۔ سہ ماہانہ ٹی بلز کو سب سے زیادہ ترجیح کیا گیا، جبکہ طویل المیعاد پاکستان انویسٹمنٹ بانڈز (PIBs) سب سے کم مقبول رہے کیونکہ ان کو نیلامی میں مالیاتی اداروں اور بینکوں سے بہت محدود پذیرائی حاصل ہوئی۔

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع 4.31% تھا جبکہ مقررہ معیار 6.14% ہے۔ فنڈ کا WAM دورانِ سال انٹریسٹ کی شرحوں میں اضافے کے رجحان کے باعث YTM 1.6 سے کم کر کے 1.5 YTM کر دیا گیا۔ زیر جائزہ مدت کے اختتام پر فنڈ کا بڑا حصہ TDRs، TFCs اور نقد میں مختص تھا۔ اختتامِ مدت پر فنڈ کی سرمایہ کاری 25.8 فیصد TFCs میں، 42.1 فیصد نقد میں اور 10.8 فیصد TDRs میں تھی۔

TRUSTEE REPORT TO THE UNIT HOLDERS

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office:

CDC House, 99-B, Block 'B',
S.M.C.H.S. Main Shahra-e-Faisal,
Karachi - 74400, Pakistan.
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Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

MCB DCF INCOME FUND

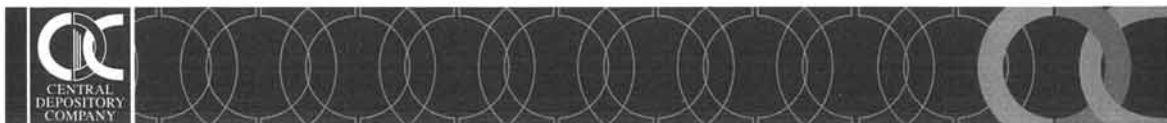
Report of the Trustee pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We Central Depository Company of Pakistan Limited, being the Trustee of MCB DCF Income Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2017 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.


Aftab Ahmed Diwan
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 22, 2018



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



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

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **MCB DCF Income Fund** (the Fund) as at 31 December 2017, the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of movement in unit holders' fund and notes to the accounts for the half year then ended (here-in-after referred to as "interim financial information"). Management Company is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

Chartered Accountants

Engagement Partner: Shaikh Ahmed Salman

Date: February 26, 2018

Karachi

A member firm of Ernst & Young Global Limited

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2017

		(Un-Audited) December 31, 2017	(Audited) June 30, 2017
	Note	----- (Rupees in '000) -----	
ASSETS			
Balances with banks		2,329,162	3,458,357
Term deposit receipt	5	600,000	785,000
Investments	6	1,199,076	2,177,412
Mark-up and other receivables		57,632	76,016
Derivatives - future contracts		511	2,643
Receivable against sale of investments (equity)		468,738	93,884
Receivable against Margin Trading System (MTS)		417,778	69,112
Advance against subscription of sukuk certificates		350,000	-
Advances, deposits and prepayments		115,116	19,392
Total assets		5,538,013	6,681,816
LIABILITIES			
Payable to the Management Company		8,911	8,269
Payable to the Trustee		546	563
Annual fee payable to the Securities and Exchange Commission of Pakistan (SECP)		2,302	5,131
Payable against redemption of units		-	18,964
Payable against purchase of investments (equity)		57,068	290,093
Accrued and other liabilities	7	153,190	169,035
Total liabilities		222,017	492,055
NET ASSETS		5,315,996	6,189,761
Unit holders' fund (as per statement attached)		5,315,996	6,189,761
Contingencies and commitments	8		
NUMBER OF UNITS IN ISSUE		48,886,277	58,158,379
NET ASSETS VALUE PER UNIT		108.7421	106.4294

The annexed notes from 1 to 15 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 HALF YEAR AND QUARTER ENDED DECEMBER 31, 2017

		Half year ended		Quarter ended	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Note		(Rupees in '000)			
INCOME					
		8,194	69,494	3,714	13,666
		56,480	76,481	27,135	34,623
		(5,230)	(5,000)	(2,252)	1,471
		101,849	70,872	48,161	52,982
		33,049	4,317	15,924	4,317
		44,032	41,866	38,277	26,295
6.2.1		(20,094)	(22,272)	(19,163)	(29,394)
		511	(23,297)	(2,562)	(15,173)

Earnings per unit

10

The annexed notes from 1 to 15 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 COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2017**

	Half year ended		Quarter ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----			
Net income for the period after taxation	130,906	173,508	63,689	87,746
Other comprehensive (loss) / income for the period:				
To be reclassified to profit or loss account in subsequent periods				
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available-for-sale'	(3)	(15,023)	2	(7,036)
	<u>(3)</u>	<u>(15,023)</u>	<u>2</u>	<u>(7,036)</u>
Total comprehensive income for the period	<u>130,903</u>	<u>158,485</u>	<u>63,691</u>	<u>80,710</u>

The annexed notes from 1 to 15 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' FUNDS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

	Half year ended December 31, 2017			December 31, 2016	
	(Rupees in '000)				
	Capital Value	Undistributed income	Unrealised gains / (losses) on Available For Sale investments	Total	Total
Net assets at beginning of the period	5,798,921	390,834	6	6,189,761	6,848,672
Issuance of 6,611,602 units (2016: 27,714,613 units)					
- Capital value (at net asset value per unit at the beginning of the period)	703,669	-	-	703,669	
- Element of Income	5,803	-	-	5,803	
	709,472	-	-	709,472	2,945,206
Redemption of 15,883,704 units (2016: 27,687,193 units)					
- Capital value (at net asset value per unit at the beginning of the period)	(1,690,493)	-	-	(1,690,493)	
- Amount paid out of element of income	-	(22,492)	-	(22,492)	
- Relating to 'Net income for the period after taxation'	-	-	-	-	
- Relating to 'Other comprehensive income for the period'	(1,155)	-	-	(1,155)	
- Refund / adjustment on units as element of loss	(1,691,648)	(22,492)	-	(1,714,140)	2,942,725
Element of income and capital gains included in prices of units issued less those in units redeemed - net	-	-	-	-	(198)
Total comprehensive income for the period	-	130,906	(3)	130,903	158,485
Distribution during the period	-	-	-	-	-
Net income for the period less distribution	-	130,906	(3)	130,903	158,485
Net assets at end of the period	4,816,745	499,248	3	5,315,996	7,009,440
Undistributed income brought forward comprising of:					
- Realised gain		392,130			397,428
- Unrealised (loss) / gain		(1,296)			3,461
		390,834			400,889
Accounting income available for distribution:					
-Relating to capital gains		-			
-Excluding capital gains		108,414			
		108,414			
Net Income for the period after taxation		-			172,973
Element of loss and capital losses included in prices of units issued less those in units redeemed - amount representing unrealised loss		-			(535)
Distribution during the period		-			-
Undistributed income carried forward		499,248			573,327
Undistributed income carried forward comprising of:					
- Realised gain		511,671			525,691
- Unrealised (loss) / gain		(12,423)			48,171
		499,248			573,327
				(Rupees)	(Rupees)
Net assets value per unit at beginning of the period				106.4294	106.0443
Net assets value per unit at end of the period				108.7421	108.4876

The annexed notes from 1 to 15 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 HALF YEAR ENDED DECEMBER 31, 2017

	Half year ended	
	December 31, 2017	December 31, 2016
Note	----- (Rupees in '000) -----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before taxation	130,906	173,508
Adjustments for:		
Net unrealised loss / (gain) on revaluation of investments 'at fair value through profit or loss - held-for-trading'	12,900	(48,171)
Dividend income	(44,032)	(41,866)
Provision against debt securities	483	5,665
Element of income and capital gains included in the prices of units sold less those in units redeemed:	-	(198)
	<u>100,257</u>	<u>88,938</u>
Increase / (decrease) in assets		
Investments	1,014,695	1,404,807
Term deposit receipt	(600,000)	(663,312)
Mark-up and other receivables	20,343	48,269
Derivatives - future contracts	2,132	5,855
Receivable against sale of investments (equity)	(374,854)	(1,384,715)
Receivable against Margin Trading System (MTS)	(348,666)	(357,897)
Advance against subscription of sukuk certificates	(350,000)	-
Advances, deposits and prepayments	(95,724)	(121,504)
	<u>(732,074)</u>	<u>(1,068,497)</u>
(Decrease) / increase in liabilities		
Payable to the Management Company	642	(1,242)
Payable to the Trustee	(17)	(44)
Annual fee payable to SECP	(2,829)	(6,077)
Payable against purchase of investments (money market)	-	(497,520)
Payable against purchase of investments (equity)	(233,025)	884,658
Payable against redemption of units	(18,964)	(9,332)
Derivatives - future contracts	-	23,297
Accrued and other liabilities	(15,845)	11,099
	<u>(270,038)</u>	<u>404,839</u>
Dividends received	42,073	39,119
Net cash (used in) / generated from operating activities	<u>(859,782)</u>	<u>(535,601)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issuance of units	709,472	2,945,206
Payments on redemption of units	(1,714,140)	(2,942,725)
Net cash (used in) / generated from financing activities	<u>(1,004,668)</u>	<u>2,481</u>
Net (decrease) / increase in cash and cash equivalents during the period	<u>(1,864,450)</u>	<u>(533,120)</u>
Cash and cash equivalents at beginning of the period	4,243,357	3,074,731
Cash and cash equivalents at end of the period	<u>11 2,378,907</u>	<u>2,541,611</u>

The annexed notes from 1 to 15 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 THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 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 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 NBFC Rules 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 Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM2++' dated December 28, 2017 to the Management Company.
- 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 These condensed interim financial statements for the half year ended December 31, 2017, have been prepared in accordance with the requirements of International Accounting Standard 34: 'Interim Financial Reporting' and provisions of and directives issued under the repealed Companies Ordinance, 1984, the Trust Deed, the NBFC Rules, Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by SECP. In case where requirements differ, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations and the directives issued by the SECP prevail.
- 2.2 Effective May 30, 2017, the Companies Act, 2017 (the Act) has been promulgated, however, the Securities and Exchange Commission of Pakistan (SECP) vide its circular No. 23 of 2017 dated October 04, 2017 decided that the companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Furthermore, the Institute of Chartered of Pakistan also issued clarification vide its circular dated 06 October 2018 which states the interim financial statements of companies for the periods ending on or before December 31, 2017 shall also be prepared 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 These condensed interim financial statements are un-audited but subject to limited scope review by the auditors. Figures for the quarters ended December 31, 2017 and December 31, 2016 as reported in these condensed interim financial statements have not been subject to limited scope review by the external auditors.
- 2.5 In compliance with schedule V of the NBFC Regulations the Directors of the Management Company, hereby declare that these condensed interim financial statements give a true and fair view of the state of the Fund's affairs as at December 31, 2017.
- 2.6 These condensed interim financial statements are presented in Pak rupees, which is the functional and presentation currency of the Fund. Figures have been rounded off to the nearest thousand rupees, unless otherwise specified.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

3. ACCOUNTING POLICIES AND ESTIMATES

The accounting policies, basis of accounting estimates applied and methods of computation adopted in the preparation of these condensed interim financial statements 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 as described in note 3.1 and 3.2 below:

3.1 New / Revised Standards, Interpretations and Amendments

The Fund has adopted the following standards and amendment to IFRSs which became effective for the current period:

Standard or Interpretation

IAS 7 Statement of Cash Flows - Disclosure Initiative - (Amendment)

IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

Improvements to Accounting Standards Issued by the IASB

IFRS 12 Disclosure of interests in Other Entities - Clarification of the scope of the disclosure Requirement

The adoption of the above standards, amendment and improvement to accounting standards did not have any effect on the condensed interim financial statements.

3.2 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

The Securities and Exchange Commission of Pakistan (SECP) through its SRO 756(I)/2017 dated August 03, 2017 has made certain amendments in the NBFC Regulations. 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. 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 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 net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income 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 Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 01, 2017 as required by SECP vide its S.R.O. No. 756(I) / 2017 dated August 03, 2017. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations the aforementioned SRO issued by the SECP.

Had the element of loss been recognised as per the previous accounting policy, the income of the Fund would have been lower by Rs.17.834 million. However, the change in accounting policy does not have any impact on the 'cash flow statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' which have been incorporated in these statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

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

4. TOTAL EXPENSE RATIO

Total expense ratio of the Fund is 1.23% as on December 31, 2017 (December 31, 2016: 1.17%) and this includes 0.20% (December 31, 2016: 0.14%) representing Government Levy and SECP fee. This ratio is within the maximum limit of 2% prescribed under the NBFC Regulation 60(5) for a collective investment scheme categorised as an income scheme.

	(Un-Audited) December 31, 2017	(Audited) June 30, 2017
Note	-----	-----
	(Rupees in '000)	(Rupees in '000)

5. TERM DEPOSIT RECEIPT

Term deposit receipt	5.1	<u>600,000</u>	<u>785,000</u>
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- 5.1 This carries interest at the rate of 6.50% (June 30, 2017: 6.75%) per annum with maturity on March 13, 2018 (June 30, 2017: September 28, 2017).

6. INVESTMENTS

Investment by category

'At fair value through profit or loss - held-for-trading'

Government securities	6.1	<u>49,745</u>	249,225
Listed equity securities	6.2	<u>67,114</u>	287,648
Listed debt securities	6.3	<u>388,061</u>	736,400
Unlisted debt securities	6.4	<u>693,425</u>	903,393
		<u>1,198,345</u>	2,176,666

'Available-for-sale'

Government securities	6.9	<u>731</u>	746
		<u>1,199,076</u>	<u>2,177,412</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

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

Name of security	Note	Date of issue	Face value				Balance as at December 31, 2017				Market value as a percentage of net assets	Market value as a percentage of total investments
			As at July 01, 2017	Purchased during the period	Disposed during the period	Matured during the period	As at December 31, 2017	Carrying value	Market value	Unrealised gain / (loss)		
(Rupees in '000)												
Treasury bills - 6 months		March 16, 2017 and January 19, 2017	250,000	-	-	250,000	-	-	-	-	-	-
Treasury bill - 3 months	6.1.1	August 31, 2017 and November 09, 2017	-	500,000	450,000	-	50,000	49,716	49,745	29	1.00%	4.00%
December 31, 2017			250,000	-	-	250,000	50,000	49,716	49,745	29	1.00%	4.00%
June 30, 2017			715,000	9,819,000	8,734,000	1,550,000	250,000	249,258	249,225	(33)	4.03%	8.41%

6.1.1 This will mature latest by February 01, 2018 (June 30, 2017: Nil) and carries yield at the rate of 5.96% (June 30, 2017: Nil) per annum.

6.1.2 The above includes Market treasury bills with a face value aggregating to Rs.50 (June 30, 2017: Rs.100) million pledged with National Clearing Company of Pakistan Limited as security against MTS trades and exposure margin / MTM losses as per Circular No. 11 dated October 23, 2007 issued by SECP.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

6.2 Listed equity securities - 'at fair value through profit or loss - held-for-trading'

Name of the investee company	As at July 01, 2017	Purchases during the period	Sales during the period	As at December 31, 2017	Balance as at December 31, 2017			Market value as a percentage of net assets	Market value as a percentage of total investments	Paid up value of shares as a percentage of total paid up capital of the investee company
					Carrying value	Market value	Unrealised loss			
(Rupees in '000)										
Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise										
Oil and gas exploration companies										
Pakistan Petroleum Limited	-	107,500	101,000	6,500	1,287	1,338	51	0.03%	0.11%	0.00%
Oil & Gas Development Company Limited	44,500	1,002,500	1,046,000	1,000	157	163	6	0.00%	0.01%	0.00%
					1,444	1,501	57	0.03%	0.12%	0.00%
Oil and gas marketing companies										
Pakistan State Oil Company Limited	57,500	737,000	780,000	14,500	4,284	4,250	(34)	0.08%	0.35%	0.00%
					4,284	4,250	(34)	0.08%	0.35%	0.00%
Textile composite										
Nishat Mills Limited - a related party	51,500	919,000	970,500	-	-	-	-	-	-	-
Nishat (Chunian) Limited - a related party	252,000	631,000	883,000	-	-	-	-	-	-	-
Gul Ahmed Textile Mills Limited	-	225,500	224,500	1,000	35	37	2	0.00%	0.00%	0.00%
					35	37	2	0.00%	0.00%	0.00%
Fertilizer										
Engro Fertilizers Limited	119,500	1,062,500	1,177,500	4,500	299	305	6	0.01%	0.03%	0.00%
Engro Corporation Limited	89,000	1,450,000	1,438,000	101,000	26,721	27,750	1,029	0.52%	2.31%	0.02%
Fauji Fertilizer Bin Qasim Limited	2,000	764,500	765,000	1,500	52	53	1	0.00%	0.00%	0.00%
Fauji Fertilizer Company Limited	76,000	505,500	560,500	21,000	1,710	1,661	(49)	0.03%	0.14%	0.01%
Fatima Fertilizer Company Limited - a related party	-	8,500	8,500	-	-	-	-	-	-	-
					28,782	29,769	987	0.56%	2.48%	0.03%

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

Name of the investee company	As at July 01, 2017	Purchases during the period (Number of shares)	Sales during the period	As at December 31, 2017	Balance as at December 31, 2017			Market value as a percentage of net assets	Market value as a percentage of total investments	Paid up value of shares as a percentage of total paid up capital of the investee company
					Carrying value	Market value	Unrealised loss			
						(Rupees in '000)			%	
Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise										
Technology and communication										
Pakistan Telecommunication Company Limited 'A'	-	385,000	385,000	-	-	-	-	-	-	-
TRG Pakistan Limited	2,544,500	1,764,000	4,308,500	-	-	-	-	-	-	-
Power generation and distribution										
K-Electric Limited *	3,685,500	31,417,000	34,879,500	223,000	1,399	1,407	8	0.03%	0.12%	0.00%
Kot Addu Power Company Limited	2,500	2,500	5,000	-	-	-	-	-	-	-
Hub Power Company Limited	3,500	301,000	299,500	5,000	493	455	(38)	0.01%	0.04%	0.00%
					1,892	1,862	(30)	0.04%	0.16%	0.00%
Cement										
D.G. Khan Cement Company Limited - a related party	7,000	2,855,500	2,841,000	21,500	2,844	2,875	31	0.05%	0.24%	0.00%
Fauji Cement Company Limited	220,500	1,347,500	1,509,000	59,000	1,509	1,476	(33)	0.03%	0.12%	0.00%
Maple Leaf Cement Factory Limited	32,000	978,500	1,003,500	7,000	500	479	(21)	0.01%	0.04%	0.00%
					4,853	4,830	(23)	0.09%	0.40%	0.00%
Insurance										
Adamjee Insurance Company Limited - a related party	-	8,000	8,000	-	-	-	-	-	-	-
Food and personal care products										
Engro Foods Limited	42,500	208,500	250,500	500	37	40	3	0.00%	0.00%	0.00%
Treet Corporation Limited	-	172,000	172,000	-	-	-	-	-	-	-
					37	40	3	0.00%	0.00%	0.00%

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

Name of the investee company	As at July 01, 2017	Purchases during the period	Sales during the period	As at December 31, 2017	Balance as at December 31, 2017			Market value as a percentage of net assets	Market value as a percentage of total investments	Paid up value of shares as a percentage of total paid up capital of the investee company
					Carrying value	Market value	Unrealised loss			
Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise										
Commercial banks										
United Bank Limited	-	122,000	122,000	-	-	-	-	-	-	-
Bank Alfalah Limited	-	384,000	253,500	130,500	5,555	5,546	(9)	0.10%	0.46%	0.01%
The Bank of Punjab Limited	-	8,500	8,500	-	-	-	-	0.00%	0.00%	0.00%
					5,555	5,546	(9)	0.10%	0.46%	0.01%
Engineering										
International Steels Limited	86,000	1,702,000	1,770,000	18,000	1,863	1,915	52	0.04%	0.16%	0.00%
Amreli Steels Limited	-	148,500	148,500	-	-	-	-	-	-	-
Crescent Steels and Allied Products Limited	-	64,500	64,500	-	-	-	-	-	-	-
					1,863	1,915	52	0.04%	0.16%	0.00%
Cable and electrical goods										
Pak Elektron Limited	177,500	5,491,500	5,434,000	235,000	12,734	11,160	(1,574)	0.21%	0.93%	0.05%
TPPL Trakker Limited	18,000	1,642,500	1,660,500	-	-	-	-	-	-	-
					12,734	11,160	(1,574)	0.21%	0.93%	0.05%
Refinery										
Attock Refinery Limited	47,000	1,485,000	1,505,500	26,500	6,738	6,204	(534)	0.12%	0.52%	0.03%
					6,738	6,204	(534)	0.12%	0.52%	0.03%
December 31, 2017					68,217	67,114	(1,103)			
June 30, 2017					293,297	287,648	(5,649)			

* These have a face value of Rs.3.5 per share.

6.2.1 The movement in equity securities represent spread transactions entered into by the Fund. The Fund purchases equity securities in ready settlement market and sells the securities in future settlement market on the same day, resulting in spread income / (loss) due to difference in ready and future stock prices.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

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

Name of investee company	Number of certificates					Balance as at December 31, 2017		Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 01, 2017	Purchased during the period	Matured during the period	Disposed during the period	As at December 31, 2017	Carrying value	Unrealised (loss) / gain		
Commercial banks									
Bank Alfalah Limited-V (February 20, 2013)	72,631	-	-	7,050	65,581	336,658	333,138	(3,520)	6.27%
Habib Bank Limited (February 19, 2016) TFC-I	3,500	-	-	3,500	-	-	-	-	-
The Bank of Punjab Limited TFC-I *	-	-	-	-	-	-	-	-	-
(December 23, 2016)	-	550	-	-	550	54,978	54,923	(55)	1.03%
Faysal Bank Limited (December 27, 2010)	10,000	-	10,000	-	-	-	-	-	4.58%
						391,636	388,061	(3,575)	7.30%
Leasing companies									
Saudi Pak Leasing Company Limited									
(March 13, 2010) (refer note 6.6)	10,000	-	-	-	10,000	27,548			
Less: Provision for impairment						(27,548)			
December 31, 2017						391,636	388,061	(3,575)	
June 30, 2017						732,965	736,400	3,435	

* Nominal value of these term finance certificates is Rs.100,000 per certificate.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

6.4 Unlisted debt securities - term finance and sukuk certificates of Rs.5,000 each (unless stated otherwise) - 'at fair value through profit or loss - held-for-trading'

Name of investee company	Number of certificates				Balance as at December 31, 2017		Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 01, 2017	Purchased during the period	Matured during the period	Disposed during the period	As at December 31, 2017	Carrying value		
						(Rupees in '000)		%
Commercial banks								
Askari Bank Limited IV - TFC (September 30, 2014)	56,000	-	-	10,000	46,000	234,304	230,260	4.33%
Bank Alfalah Limited (December 02, 2009)	40,250	-	40,250	-	-	-	-	-
Bank Alfalah Limited (December 02, 2009) Fixed	18,235	-	18,235	-	-	-	-	-
Bank AL Habib Limited (March 17, 2016) TFC-II	43,500	29,000	-	-	72,500	365,860	362,645	6.82%
Standard Chartered Bank (Pakistan) Limited (June 29, 2012)	37,000	-	-	37,000	-	-	-	-
						600,164	592,905	11.15%
							(7,259)	49.44%
Fertilizer								
Engro Fertilizers Limited (July 09, 2014) Sukuk	15,800	-	-	-	15,800	57,324	56,629	1.07%
						57,324	(695)	4.72%
Chemical								
Ghani Gases Limited (February 02, 2017) Sukuk*	500	-	-	-	500	44,188	43,891	0.83%
						44,188	(297)	3.66%
Leasing companies								
Security Leasing Corporation Limited (March 13, 2008) (refer note 6.6)	10,000	-	-	-	10,000	2,449	-	-
Less: Provision for impairment						(2,449)	-	-
Security Leasing Corporation Limited Sukuk (June 01, 2007) (refer note 6.6)	5,000	-	-	-	5,000	1,210	-	-
Less: Provision for impairment						(1,210)	-	-
Household goods								
New Allied Electronics Industries (Private) Limited (May 15, 2007) (refer note 6.6)	10,400	-	-	-	10,400	22,337	-	-
Less: Provision for impairment						(22,337)	-	-
New Allied Electronics Industries (Private) Limited Sukuk (July 25, 2007) (refer note 6.6)	112,000	-	-	-	112,000	35,063	-	-
Less: Provision for impairment						(35,063)	-	-
December 31, 2017						701,676	693,425	(8,251)
June 30, 2017						902,439	903,393	954

* Nominal value of this sukuk certificate is Rs.100,000 per certificate.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

6.5 Significant terms and conditions of term finance certificates and other securities outstanding at the period end are as follows:

Name of security	Number of certificates	Face value per certificate	Unredeemed face value / redemption value	Mark-up rate (per annum)	Maturity	Secured / unsecured	Rating
----- (Rupees) -----							
Listed debt securities							
Bank Alfalah Limited - V (February 20, 2013)	65,581	5,000	4,990	6M KIBOR+1.25%	February 20, 2021	Unsecured	AA
The Bank of Punjab Limited TFC-I (December 23, 2016)	550	100,000	99,960	6M KIBOR+1%	December 23, 2026	Unsecured	AA-
Unlisted debt securities							
Askari Bank Limited IV - TFC (September 30, 2014)	46,000	5,000	4,994	6M KIBOR+1.2%	September 30, 2024	Unsecured	AA-
Bank AL Habib TFC-II (March 17, 2016)	72,500	5,000	4,997	6M KIBOR+0.75%	March 17, 2026	Unsecured	AA
Engro Fertilizer Limited - Sukuk (July 09, 2014)	15,800	5,000	3,500	6M KIBOR+1.75%	July 9, 2019	Secured	AA-
Ghani Gases Limited - Sukuk (February 02, 2017)	500	100,000	87,500	6M KIBOR+1%	February 2, 2023	Unsecured	A

The term finance certificates and sukuks held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage / pledge of fixed assets of the issuer.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

6.6 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.

6.7 Details of non-compliant investments with the investment criteria as specified by the SECP

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 December 31, 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	22,337	(22,337)	-	-	-
New Allied Electronics Industries (Private) Limited	Sukuk certificates	35,063	(35,063)	-	-	-
Security Leasing Corporation Limited	Privately placed term finance certificates	2,449	(2,449)	-	-	-
Security Leasing Corporation Limited	Sukuk certificates	1,210	(1,210)	-	-	-
Saudi Pak Leasing Company Limited	Term finance certificates	27,548	(27,548)	-	-	-

----- (Un-Audited) -----
December 31, 2017 December 31, 2016
----- (Rupees in '000) -----

6.8 Net unrealised (loss) / gain on revaluation of investments 'at fair value through profit or loss - held-for-trading'

Market value of investments	6.1 to	1,198,345	3,124,213
Carrying value of investments	6.4	(1,211,245)	(3,076,042)
		<u>(12,900)</u>	<u>48,171</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

6.9 Government securities - 'available-for-sale'

Name of security	Note	Date of issue	Face value -----					Balance as at December 31, 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 during the period	Matured during the period	As at December 31, 2017	Carrying value	Market value	Appreciation / (diminution)		
----- (Rupees in '000) -----												
Pakistan Investment Bond - 05 years	6.9.1	March 26, 2015	500	-	-	-	500	516	525	9	0.01%	0.04%
Pakistan Investment Bond - 05 years	6.9.2	July 18, 2013	200	-	-	-	200	212	206	(6)	0.00%	0.02%
December 31, 2017			700	-	-	-	700	728	731	3	0.01%	0.06%
June 30, 2017								740	746	6		

6.9.1 This will mature latest by March 26, 2020 (June 30, 2017: March 26, 2020) and carries interest at the rate of 9.25% (June 30, 2017: 9.25%) per annum.

6.9.2 This will mature latest by July 18, 2018 (June 30, 2016: July 18, 2018) and carries interest at the rate of 11.50% (June 30, 2017: 11.50%) per annum.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

		(Un-Audited) December 31, 2017	(Audited) June 30, 2017
7. ACCRUED AND OTHER LIABILITIES	Note	----- (Rupees in '000) -----	
Provision for Sindh Workers' Welfare Fund (SWWF)	7.1	19,396	16,724
Federal Excise Duty payable on management fee	7.2	99,060	99,060
Federal Excise Duty and related taxes payable on sales load		27,933	27,933
Sales load payable to MCB Bank Limited (including sales tax) - a related party		37	239
Auditors' remuneration		389	609
Withholding tax payable		3,199	18,809
Brokerage payable		835	3,578
Others		2,341	2,083
		<u>153,190</u>	<u>169,035</u>

7.1 There is no change in the status of the SWWF as reported in note 13.1 to the annual financial statements of the Fund for the year ended June 30, 2017.

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 note 15 to the annual financial statements of the Fund for the year ended June 30, 2017.

8. CONTINGENCIES AND COMMITMENTS

8.1 CONTINGENCIES

There were no contingencies as at December 31, 2017.

8.2 COMMITMENTS

Future sale transactions of equity securities entered into by the Fund in respect of which the sale transactions have not been settled as at period / year end

<u>68,282</u>	<u>292,559</u>
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Future buy transactions of equity securities entered into by the Fund in respect of which the buy transactions have not been settled as at period / year end

<u>514</u>	<u>-</u>
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Margin Trading System (MTS) transactions entered into by the fund which have not been settled as at period / year end:

- Purchase transactions
- Sale transactions

<u>-</u>	<u>110,247</u>
<u>48,539</u>	<u>16,689</u>

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 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. EARNINGS 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.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

		----- (Un-Audited) -----	
		Half year ended	
		December 31,	December 31,
		2017	2016
		----- (Rupees in '000) -----	
11. CASH AND CASH EQUIVALENTS			
Balances with banks		2,329,162	2,115,307
Treasury bills maturing within 3 months	6.1	49,745	-
Term deposit receipt		-	426,304
		<u>2,378,907</u>	<u>2,541,611</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

12. TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES

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

12.1 Unit Holders' Fund

	December 31, 2017					
	As at July 01, 2017	Issued for cash	Redeemed	As at December 31, 2017	As at July 01, 2017	Issued for cash
		Units				(Rupees in '000)
Associated companies						
MCB Employees' Provident Fund	1,255,728	-	-	1,255,728	133,646	-
MCB Employees' Pension Fund	1,255,728	-	-	1,255,728	133,646	-
D.G. Khan Cement Company Limited - Employees' Provident Fund Trust	3,777	-	-	3,777	402	-
Adamjee Life Assurance Company Limited - Employees' Gratuity Fund	27,549	-	-	27,549	2,932	-
Mandate under discretionary portfolio services	331,381	41	331,381	41	35,269	4
Key management personnel	9,704	7	381	9,330	1,033	1
Unit holders holding 10% or more units	6,667,860	337,914	-	7,005,774	709,656	35,999
Gul Ahmed Energy Limited						-
						761,823
December 31, 2016						
	As at July 01, 2016	Issued for cash	Redeemed	As at December 31, 2016	As at July 01, 2016	Issued for cash
		Units				(Rupees in '000)
Associated companies						
Adamjee Life Assurance Company Limited - Non-Utilised Investment Linked Fund	-	1,164,995	1,164,995	-	-	125,135
Adamjee Life Assurance Company Limited - Investment Secure Fund	-	1,164,995	1,164,995	-	-	125,135
Adamjee Life Assurance Company Limited - Investment Secure Fund II	-	465,998	465,998	-	-	50,054
Adamjee Life Assurance Company Limited - Employees' Gratuity Fund	26,342	-	-	26,342	2,793.00	-
D.G. Khan Cement Company Limited - Employees' Provident Fund Trust	3,560	-	-	3,560	377.00	-
MCB Employees' Pension Fund	1,183,412	-	-	1,183,412	125,494.00	-
MCB Employees' Provident Fund	1,183,412	-	-	1,183,412	125,494.00	-
Mandate under discretionary portfolio services	310,160	-	310,160	-	32,891	-
Key management personnel	179,522	127,660	286,635	20,547	19,037	13,669
Unit holders holding 10% or more units	-	7,206,457	-	7,206,457	-	772,780
Gul Ahmed Energy Limited						-
						781,811

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

----- (Un-Audited) -----	
Half year ended	
December 31, 2017	December 31, 2016
----- (Rupees in '000) -----	

12.2 Transactions during the period:

MCB Arif Habib Savings and Investments Limited - Management Company

Remuneration of the Management Company
(including indirect taxes)
Expense allocated by the Management
Company and related sales tax

52,030	59,545
3,468	3,970

Central Depository Company of Pakistan Limited - Trustee

Remuneration (including sales tax)
Settlement charges

3,340	3,691
-	760

Group / associated companies

MCB Bank Limited

Mark-up on deposit accounts
Bank charges

64	156
15	8

Silk Bank Limited

Sale of securities (face value: Nil)
(December 31, 2016: Rs.800,000,000)

-	826,805
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Arif Habib Limited

Brokerage expense *

8	22
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Next Capital Limited

Brokerage expense *

136	76
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Fatima Fertilizer Company Limited

Purchase of 8,500 (2016: 2,994,500) shares
Sale of 8,500 (2016: 2,973,000) shares

270	83,249
272	101,826

Hum Network Limited

Purchase of Nil (2016: 305,000) shares
Sale of Nil shares (2016: 305,000) shares

-	3,750
-	3,780

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

	----- (Un-Audited) -----	
	Half year ended	
	December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----	
Adamjee Insurance Company Limited		
Purchase of 8,000 (2016: 1,062,500) shares	506	61,385
Sale of 8,000 (2016: 1,051,000) shares	509	60,946
Nishat (Chunian) Limited		
Purchase of 631,000 (2016: 7,061,500) shares	32,882	370,161
Sale of 883,000 (2016: 5,326,000) shares	32,223	256,532
Dividend income	930	8,574
D.G. Khan Cement Company Limited		
Purchase of 2,855,500 (2016: 2,129,000) shares	409,863	422,922
Sale of 2,841,000 (2016: 1,879,000) shares	393,124	369,471
Dividend income	18,094	1,536
Nishat Mills Limited		
Purchase of 919,000 (2016: 543,000) shares	131,484	78,774
Sale of 970,500 (2016: 513,500) shares	139,482	73,454
Dividend income	1,050	1,270
Power Cement Limited		
Purchase of Nil (2016: 603,500) shares	-	6,874
Sale of Nil (2016: 603,500) shares	-	6,928
Sui Northern Gas Pipelines Limited		
Purchase of Nil (2016: 451,000) shares	-	20,278
Sale of Nil (2016: 611,500) shares	-	26,032
Sui Southern Gas Company Limited		
Purchase of Nil (2016: 14,000) shares	-	435
Sale of Nil (2016: 1,232,000) shares	-	35,671
	(Un-Audited)	(Audited)
	December 31,	June 30,
	2017	2017
	----- (Rupees in '000) -----	

12.3 Balances outstanding at period / year end:

MCB Arif Habib Savings and Investments Limited - Management Company

Remuneration payable to the Management Company	7,432	6,778
Sales tax payable on management fee	966	881
Sales load payable	16	75
Sales tax payable on sales load	2	10
Expense allocated by the Management Company	495	525

Central Depository Company of Pakistan Limited - Trustee

Security deposit	200	200
Remuneration payable (including indirect taxes)	546	563

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

Group / associated companies	(Un-Audited) December 31, 2017 ----- (Rupees in '000) -----	(Audited) June 30, 2017
MCB Bank Limited		
Bank balance	5,919	4,936
Profit receivable on deposit accounts	31	-
Sales load payable	37	239
Arif Habib Limited		
Brokerage payable *	-	26
Next Capital Limited		
Brokerage payable *	83	79
Nishat (Chunian) Limited		
Nil shares held (June 30, 2017: 252,000 shares)	-	12,933
D.G. Khan Cement Company Limited		
21,500 shares held (June 30, 2017: 7,000 shares)	2,875	1,492
Nishat Mills Limited		
Nil shares held (June 30, 2017: 51,500 shares)	-	8,172

* The amount disclosed represents the amount of brokerage paid / payable 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.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 - 'Fair Value Measurement' establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). Adoption of IFRS 13 has not affected the condensed interim financial information.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value.

The following table shows financial instruments recognized at fair value, analyzed between those whose fair value is based on:

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

- Level 1:** quoted prices in active markets for identical assets or liabilities;
- Level 2:** those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3:** those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

December 31, 2017 (Un-audited)									
		Carrying amount			Fair value				
		Fair value through profit or loss - held for trading	Available-for-sale	Other financial assets / financial liabilities	Total	Level 1	Level 2	Level 3	Total
Note		(Rupees)							
	Financial assets measured at fair value								
13.1.1	Market treasury bills	49,745	-	-	49,745	-	49,745	-	49,745
13.1.1	Pakistan investment bonds	-	731	-	731	-	731	-	731
	Listed equity securities	67,114	-	-	67,114	67,114	-	-	67,114
13.1.2	Listed debt securities	388,061	-	-	388,061	-	388,061	-	388,061
13.1.2	Unlisted debt securities	693,425	-	-	693,425	-	693,425	-	693,425
	Derivatives - future contracts	511	-	-	511	511	-	-	511
		1,198,856	731	-	1,199,587	67,625	1,131,962	-	1,199,587
	Financial assets not measured at fair value								
13.2	Balances with banks	-	-	2,329,162	2,329,162				
	Term deposit receipt	-	-	600,000	600,000				
	Mark-up and other receivables	-	-	57,632	57,632				
	Advances, deposits and prepayments	-	-	113,614	113,614				
	Advance against subscription of sukuk certificates	-	-	350,000	350,000				
	Receivable against sale of investments (equity)	-	-	468,738	468,738				
	Receivable against Margin Trading System (MTS)	-	-	417,778	417,778				
		-	-	4,336,924	4,336,924				
	Financial liabilities not measured at fair value								
13.2	Payable to the Management Company	-	-	7,945	7,945				
	Payable to the Trustee	-	-	483	483				
	Payable against purchase of investments (equity)	-	-	57,068	57,068				
	Accrued and other liabilities	-	-	1,420	1,420				
		-	-	66,916	66,916				

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

June 30, 2017 (Audited)						
		Carrying amount			Fair value	
		Fair value through profit or loss - held for trading	Available-for-sale	Other financial assets / financial liabilities	Level 1	Level 2
					Level 3	Total
Note					(Rupees)	
Financial assets measured at fair value						
13.1.1	Market treasury bills	249,225	-	-	249,225	-
13.1.1	Pakistan investment bonds	746	-	-	746	-
	Listed equity securities	287,648	-	-	287,648	-
13.1.2	Listed debt securities	736,400	-	-	-	736,400
13.1.2	Unlisted debt securities	903,393	-	-	903,393	-
	Derivatives - future contracts	2,643	-	-	2,643	-
		2,180,055	-	-	290,291	1,889,764
						2,180,055
Financial assets not measured at fair value						
13.2	Balances with banks	-	-	3,458,357	3,458,357	-
	Term deposit receipt	-	-	785,000	785,000	-
	Mark-up and other receivables	-	-	76,016	76,016	-
	Advances, deposits and prepayments	-	-	17,950	17,950	-
	Receivable against sale of investments (equity)	-	-	93,884	93,884	-
	Receivable against Margin Trading System (MTS)	-	-	69,112	69,112	-
		-	-	4,500,319	4,500,319	-
Financial liabilities not measured at fair value						
13.2	Payable to the Management Company	-	-	7,388	7,388	-
	Payable to the Trustee	-	-	498	498	-
	Payable against purchase of investments (equity)	-	-	290,093	290,093	-
	Payable against redemption of units	-	-	18,964	18,964	-
	Accrued and other liabilities	-	-	5,566	5,566	-
		-	-	322,509	322,509	-

During the period ended December 31, 2017, there were no transfers between level 1 and level 2 fair value measurements, and no transfer into and out of level 3 fair value measurements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

13.1 Valuation techniques used in determination of fair values within level 2:

13.1.1 Fair values of Market Treasury Bills and Pakistan Investment Bonds are derived using PKRV rates (Reuters page).

13.1.2 Investments in sukuk / term finance certificates, issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital, are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.

13.2 The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are a reasonable approximation of fair value.

14. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on February 23, 2018 by the Board of Directors of the Management Company.

15. GENERAL

Certain prior year's / period's figures have been reclassified for the purpose of comparison. However, there were no material reclassifications to report.

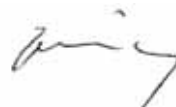
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



Director

MCB-Arif Habib Savings and Investments Limited

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