



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

# **PAKISTAN INCOME FUND**

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## FUND'S INFORMATION

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

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

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**Dear Investor,**

On behalf of the Board of Directors, We are pleased to present **Pakistan Income Fund's** accounts reviewed 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 4.26% as against its benchmark return of 6.02%.

At period-end, the fund was 3.3% invested in Treasury Bills, 27% in TFCs, 12.4% in TDRs and 48.6% in Cash. Weighted average maturity of the fund stands at 1.5 year at period end as per our outlook on the monetary cycle.

The Net Assets of the Fund as at December 31, 2017 stood at Rs. 1,440 million as compared to Rs. 1,722 million as at June 30, 2017 registering a decrease of 16.37%.

The Net Asset Value (NAV) per unit as at December 31, 2017 was Rs.54.9169 as compared to opening NAV of Rs.53.7626 per unit as at June 30, 2017 registering an increase of Rs. 1.1543 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

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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,



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Muhammad Saqib Saleem  
Chief Executive Officer  
February 23, 2018



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Nasim Beg  
Vice Chairman / Director

## ڈائریکٹر رپورٹ برائے ششماہی اختتام پذیر 31 دسمبر 2017ء

فنڈ کی Weighted اوسط میچورٹی اختتام مدت پر مالیاتی چکر ہمارے اندازے کے مطابق 1.5 سال کی سطح پر ہے۔  
31 دسمبر 2017 کو فنڈ کے net اثاثہ جات 1,440 ملین روپے تھے، جو 30 جون 2017 (1,722 ملین روپے) کے مقابلے میں 16.37% کمی ہے۔  
31 دسمبر 2017 کو Net اثاثہ جاتی قدر (NAV) فی یونٹ 54.9169 روپے تھی، جو 30 جون 2017 کی ابتدائی NAV (53.7626 روپے) کے مقابلے میں 1.1543 روپے فی یونٹ اضافہ 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 پرکشش 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 سست رہے گا۔ 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، سکیورٹیز 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

بورڈ آف ڈائریکٹرز کی جانب سے پاکستان انکم فنڈ کے 31 دسمبر 2017ء کو اختتام پذیر ہونے والے نصف سال کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

### معیشت اور بازار زر 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 آ رہی ہے۔

پراونشل 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 تاحال 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 پیکج 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 زر 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

زیرِ جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع 4.26% تھا، جبکہ مقررہ معیار 6.02% تھا۔ اختتامِ مدت پر فنڈ کی سرمایہ کاری 3.3% ٹریژری بلز میں، 27% ٹرم فنانس سرٹیفکیٹس (TFCs) میں، 12.4 فیصد TDRs میں اور 48.6% نقد 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 Shakra-e-Faisal,  
Karachi - 74400, Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: www.cdcpakistan.com  
Email: info@cdcpak.com



### TRUSTEE REPORT TO THE UNIT HOLDERS

#### PAKISTAN 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 Pakistan 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



A.F.FERGUSON&CO.

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

### Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **Pakistan Income Fund** (the Fund) as at December 31, 2017 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the half year ended December 31, 2017. The Management Company (MCB-Arif Habib Savings and Investments Limited) is responsible for the preparation and presentation of this condensed 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 condensed interim financial information based on our review. The figures of the condensed interim income statement and condensed interim statement of comprehensive income for the quarters ended December 31, 2017 and December 31, 2016 have not been reviewed, as we are required to review only the cumulative figure for the half year ended December 31, 2017.

### 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 condensed 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: **Noman Abbas Sheikh**

**Dated: February 26, 2018**

**Karachi**

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan  
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■ KARACHI ■ LAHORE ■ ISLAMABAD

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

	Note	December 31, 2017 (Un-audited) (Rupees in '000)	June 30, 2017 (Audited)
<b>ASSETS</b>			
Balances with banks	4	707,785	1,194,719
Investments	5	630,050	489,911
Dividend and profit receivable		12,011	12,268
Receivable against margin trading system		92,600	17,519
Advances, deposits, prepayments and other receivables		14,822	27,007
<b>Total assets</b>		<b>1,457,268</b>	<b>1,741,424</b>
<b>LIABILITIES</b>			
Payable to the Management Company	6	2,304	2,471
Payable to the Trustee		206	209
Payable to the Securities and Exchange Commission of Pakistan		601	919
Payable against redemption of units		47	313
Accrued expenses and other liabilities	7	14,398	15,551
<b>Total liabilities</b>		<b>17,556</b>	<b>19,463</b>
<b>NET ASSETS</b>		<b>1,439,712</b>	<b>1,721,961</b>
<b>UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)</b>		<b>1,439,712</b>	<b>1,721,961</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	8		
<b>(Number of units)</b>			
<b>NUMBER OF UNITS IN ISSUE</b>		<b>26,216,171</b>	<b>32,028,956</b>
<b>(Rupees)</b>			
<b>NET ASSET VALUE PER UNIT (FACE VALUE PER UNIT RS. 50/- EACH)</b>		<b>54.9169</b>	<b>53.7626</b>

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

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

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Director

# CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2017

Note	Half year ended		Quarter ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
------(Rupees in '000)-----				
<b>Income</b>				
Income from Government securities	1,691	12,586	560	2,151
Income from term finance certificates	12,265	10,587	6,757	4,310
Income from spread transactions and margin trading system	6,056	1,225	2,580	1,209
Dividend income	1,596	1,151	907	1,151
Profit on balances with banks and term deposit receipts	34,607	14,236	15,789	10,515
Provision against non-performing debt securities	-	(735)	-	473
Loss on sale of investments - net	(693)	(3,222)	(568)	(245)
	55,522	35,828	26,025	19,564
Unrealised (diminution) / appreciation on re-measurement of investments classified as 'at fair value through profit or loss' - net	5.8	(2,439)	845	(2,520)
<b>Total income</b>	<b>53,083</b>	<b>36,673</b>	<b>23,505</b>	<b>20,368</b>
<b>Expenses</b>				
Remuneration of the Management Company	6.1	12,027	8,198	5,785
Sindh sales tax on remuneration of the Management Company	6.2	1,563	1,066	751
Allocated expenses	6.3	906	618	436
Remuneration of the Trustee		1,110	893	542
Sindh sales tax on remuneration of the Trustee		144	116	70
Annual fee to the Securities and Exchange Commission of Pakistan		601	410	289
Auditor's remuneration		424	323	155
Brokerage expenses		399	532	185
Legal and professional charges		83	30	30
Settlement and bank charges		1,311	261	621
Other expenses		163	358	35
Provision against Sindh Workers' Welfare Fund		687	-	292
<b>Total expenses</b>		<b>19,418</b>	<b>12,805</b>	<b>6,721</b>
<b>Net income from operating activities</b>		<b>33,665</b>	<b>23,868</b>	<b>14,314</b>
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net	3.2	-	(208)	-
- arising from realised / unrealised capital gains		-	1,714	-
- arising from other income		-	1,506	-
				(151)
				1,633
				1,482
<b>Net income for the period before taxation</b>		<b>33,665</b>	<b>25,374</b>	<b>14,314</b>
Taxation	10	-	-	-
<b>Net income for the period after taxation</b>		<b>33,665</b>	<b>25,374</b>	<b>14,314</b>
<b>Earnings per unit</b>	11			
<b>Allocation of net income for the period</b>				
Net income for the period after taxation		33,665	25,374	14,314
Income already paid on units redeemed		(4,556)	-	(4,492)
		29,109	25,374	9,822
<b>Accounting income available for distribution</b>				
- Relating to capital gains		-	-	-
- Excluding capital gains		29,109	9,822	9,822

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

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

  
\_\_\_\_\_  
**Chief Executive Officer**

  
\_\_\_\_\_  
**Chief Financial Officer**

  
\_\_\_\_\_  
**Director**

# CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2017

		Half year ended		Quarter ended	
	Note	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
		(Rupees in '000)			
<b>Net income for the period after taxation</b>		33,665	25,374	14,314	15,129
<b>Other comprehensive income:</b>					
<i>Items that may be reclassified subsequently to income statement</i>					
Unrealised appreciation / (diminution) in investments classified as 'available for sale' - net	5.9	323	1,534	370	(54)
<b>Total comprehensive income for the period</b>		<u>33,988</u>	<u>26,908</u>	<u>14,684</u>	<u>15,075</u>

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

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



Chief Executive Officer



Chief Financial Officer



Director

# CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

	Half year ended December 31, 2017			Half year ended December 31, 2016	
	(Rupees in '000)				
	Capital Value	Undistributed income / (loss)	Unrealized (diminution) / appreciation on AFS Investments	Total	Total
<b>Net assets at beginning of the period</b>	1,601,187	120,774	(179)	1,721,961	1,050,298
Issue of 4,760,476 units (2016: 5,496,021 units)					
- Capital value (at net asset value per unit at the beginning of the period)	255,936	-	-	255,936	
- Element of income	1,565	-	-	1,565	
Total proceeds on issuance of units	257,501	-	-	257,501	299,198
Redemption of 10,573,260 units (2016: 3,784,984 units)					
- Capital value (at net asset value per unit at the beginning of the period)	568,446	-	-	568,446	
- Element of income	736	4,556	-	5,292	
Total payments on redemption of units	569,182	4,556	-	573,738	205,865
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	-	-	-	-	(1,506)
Total comprehensive income for the period	-	33,665	323	33,988	26,908
Distribution during the period	-	-	-	-	-
Net income for the period less distribution	-	33,665	323	33,988	26,908
<b>Net assets at end of the period</b>	<b>1,289,506</b>	<b>149,883</b>	<b>144</b>	<b>1,439,712</b>	<b>1,169,033</b>
Undistributed income brought forward					
- Realised income		116,258			39,886
- Unrealised income		4,516			32,449
		120,774			72,335
Accounting income available for distribution					
- Relating to capital gains		-			
- Excluding capital gains		29,109			
		29,109			
Net income for the period after taxation		-			25,374
Distribution for the period		-			-
Undistributed income carried forward		149,883			97,709
<b>Undistributed income carried forward</b>					
- Realised income		152,322			96,864
- Unrealised (loss) / income		(2,439)			845
		149,883			97,709
			(Rupees)	(Rupees)	
<b>Net assets value per unit at beginning of the period</b>			<b>53.7626</b>	<b>53.6062</b>	
<b>Net assets value per unit at end of the period</b>			<b>54.9169</b>	<b>54.8742</b>	

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

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

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Director

# CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

Note	Half year ended	
	December 31, 2017	December 31, 2016
	------(Rupees in '000)-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation	33,665	25,374
<b>Adjustments:</b>		
Unrealised diminution / (appreciation) on re-measurement of investments classified as 'at fair value through profit or loss' - net	2,439	(845)
Provision against non-performing debt securities	-	735
Provision against Sindh Workers' Welfare Fund	687	-
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed - net		
- arising from realised / unrealised capital gains	-	208
- arising from other income	-	(1,714)
	36,791	23,758
<b>(Increase) / decrease in assets</b>		
Investments - net	(142,735)	383,420
Dividend and profit receivable	257	7,242
Receivable against margin trading system	(75,081)	(113,976)
Advances, deposits, prepayments and other receivables	12,185	(275,725)
	(205,374)	961
<b>(Decrease) / increase in liabilities</b>		
Payable to the Management Company	(167)	104
Payable to the Trustee	(3)	8
Payable to the Securities and Exchange Commission of Pakistan	(318)	(499)
Accrued expenses and other liabilities	(1,840)	3,896
	(2,328)	3,509
<b>Net cash flows (used in) / generated from operating activities</b>	(170,911)	28,228
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issuance of units	257,501	291,125
Payments against redemption of units	(574,004)	(205,865)
<b>Net cash flows (used in) / generated from financing activities</b>	(316,503)	85,260
<b>Net (decrease) / increase in cash and cash equivalents</b>	(487,414)	113,488
Cash and cash equivalents at beginning of the period	1,344,719	286,385
<b>Cash and cash equivalents at end of the period</b>	12 857,305	399,873

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

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

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Director



# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

## 1 LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Income Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (now, MCB - Arif Habib Savings and Investments Limited) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on October 23, 2001 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on February 28, 2002 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the 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". The Fund offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering them to the Fund. The units are listed on the Pakistan Stock Exchange.

The Fund primarily invests in money market and other short-term instruments which include short-term corporate debt and government securities, repurchase agreements and spread transactions. The Fund may also invest a portion of the fund in medium term assets in order to provide higher return to the unit holders.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned a long-term rating of "AM2++" with a stable outlook (June 30, 2017: AM2++) to the Management Company on December 28, 2017 while the Fund has been assigned a Fund stability rating of A+(f) (June 30, 2017: A+(f)) on July 12, 2017.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

**2.1.1** This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, 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 directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of the IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

**2.1.2** The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim 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, 2017.

**2.1.3** This condensed interim financial information is unaudited. However, a limited scope review has been performed by the statutory auditors in accordance with the requirements of the Code of Corporate Governance. 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 December 31, 2017.

**2.1.4** The comparatives in the condensed interim statement of assets and liabilities presented in the condensed interim financial information as at December 31, 2017 have been extracted from the audited financial statements of the Fund for the year ended June 30, 2017, whereas the comparatives in the condensed interim income statement, condensed interim statement of comprehensive income, 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 half-year ended December 31, 2016.

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



## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

- 3.1 The accounting policies adopted and the methods of computation of balances used in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2017 except for changes in accounting policies as explained in note 3.2.
- 3.2 The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the 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, and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

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

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management 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 1, 2017, based on the clarification issued by the SECP. 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 through the aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been higher by Rs 3.416 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.

- 3.3 The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of its accounting policies. The estimates, judgments and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The significant estimates, judgments and assumptions made by the management in applying the accounting policies and the key sources of estimation of uncertainty were the same as those that were applied in the audited annual financial statements as at and for the year ended June 30, 2017.

The financial risk management objectives and policies are consistent with those disclosed in the annual published audited financial statements of the Fund for the year ended June 30, 2017.

### 3.4 Amendments to published approved accounting standards that are effective in the current period

There are certain amendments to the approved accounting standards that are mandatory for the Fund's annual accounting period beginning on July 1, 2017. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in this condensed interim financial information.

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

## 3.5 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

During the current period the SECP has adopted IFRS 9: 'Financial Instruments' and IFRS 15: 'Revenue from Customers', which are applicable with effect from January 1, 2018. The management is currently assessing the impacts of these standards on the Fund's future financial statements. There are certain other new standards, interpretations and amendments to the approved accounting standards that are mandatory for the Fund's annual accounting periods beginning on or after July 1, 2018. However, these are not expected to have any significant impacts on the Fund's operations and are, therefore, not detailed in this condensed interim financial information.

	Note	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
<b>4 BALANCES WITH BANKS</b>			
<b>(Rupees in '000)</b>			
In current account	4.1	2,604	28,330
In saving accounts	4.1	705,181	1,166,389
		<u>707,785</u>	<u>1,194,719</u>

4.1 These carry profit at rates ranging from 3.75 % to 9.5% (June 30, 2017: 3.75% to 9.6%) per annum. Balances of Rs. 3.072 million (June 30, 2017: Rs. 0.302 million) in saving accounts and Rs. 2.604 million (June 30, 2017: Rs. 28.330 million) in current account are maintained with MCB Bank Limited, a related party of the Fund.

	Note	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
<b>5 INVESTMENTS</b>			
<b>'At fair value through profit or loss' - held-for-trading</b>			
<b>(Rupees in '000)</b>			
Government securities - market treasury bills	5.1	49,520	49,617
Listed debt securities - term finance certificates and sukuk certificates	5.2	242,849	273,892
Unlisted debt securities - term finance certificates	5.3	-	7,517
		<u>292,369</u>	<u>331,026</u>
Advance against IPO of sukuk certificates	5.4	150,000	1,000
<b>Available-for-sale</b>			
Government securities - Pakistan investment bonds	5.5	7,681	7,885
<b>Loans and receivables</b>			
Term deposit receipts	5.7	180,000	150,000
		<u>630,050</u>	<u>489,911</u>

## 5.1 Government securities - market treasury bills

Issue date	Face value					As at December 31, 2017			Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 1, 2017	Purchased during the period	Sold during the period	Matured during the period	As at December 31, 2017	Carrying value	Market value	Appreciation / (diminution)		
(Rupees in '000)									%	%
Treasury bills - 3 months (note 5.4.2)	50,000	115,000	-	115,000	50,000	49,520	49,520	-	3.44%	7.86%
Treasury bills - 6 months	-	50,000	50,000	-	-	-	-	-	-	-
Total as at December 31, 2017						49,520	49,520	-	3.44%	7.86%
Total as at June 30, 2017						49,619	49,617	(2)	2.88%	10.00%

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

	Note	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
		---- (Rupees in '000) ----	
<b>5.2 Listed debt securities - term finance certificates and sukuk certificates</b>			
	5.2.1	342,620	373,663
Less: Provision at July 1			
Pace Pakistan Limited		(49,940)	(46,542)
Telecard Limited		(31,088)	(31,088)
Trust Investment Bank Limited - III		(18,743)	(18,743)
		(99,771)	(96,373)
Less: Provision charged during the period against			
Pace Pakistan Limited			
- Reversal against carrying value matured		-	6,586
- Charge against face value receivable		-	(9,984)
		-	(3,398)
		<u>242,849</u>	<u>273,892</u>

## 5.2.1 Listed debt securities - term finance certificates and sukuk certificates

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

Name of investee company	Number of Certificates					As at December 31, 2017			Market value as a percentage of net assets**	Market value as a percentage of total investment**
	As at July 1, 2017	Purchased during the period	Sold during the period	Matured during the period	As at December 31, 2017	Carrying value*	Market value	Appreciation / (diminution)		
						-----Rupees in '000-----			%	%
<b>Commercial banks</b>										
Askari Bank Limited (23-12-11 issue) (TFC)***	37	-	-	-	37	37,465	36,911	(554)	2.56%	5.86%
Bank Al Falah Limited (20-02-13 issue) (TFC)	13,381	-	3,000	-	10,381	53,290	52,733	(557)	3.66%	8.37%
Askari Bank Limited (30-09-14 issue) (TFC)	5,000	-	-	-	5,000	25,468	25,028	(440)	1.74%	3.97%
Habib Bank Limited (19-02-16 issue) (TFC)***	500	-	500	-	-	-	-	-	-	-
Bank Al-Habib Limited (17-03-16 issue) (TFC)	9,000	8,000	-	-	17,000	85,645	85,034	(611)	5.91%	13.50%
<b>Chemical</b>										
Ghani Gases Limited (03-02-17 issue) (Sukuk)	480	-	-	-	480	42,420	42,136	(284)	2.93%	6.69%
<b>Oil and Gas Exploration Companies</b>										
Byco Petroleum Pakistan Limited (18-01-17 issue) (Sukuk)	-	10	-	-	10	1,000	1,007	7	0.07%	0.16%
<b>Investment Banks / Investment Companies / Securities Companies</b>										
Trust Investment Bank Limited (04-07-08 issue) (TFC) - Due but not received	-	-	-	-	-	18,743	18,743	-	-	-
<b>Technology and Communication</b>										
Telecard Limited (27-05-05 issue) (TFC) - Due but not received	-	-	-	-	-	31,088	31,088	-	-	-
<b>Miscellaneous</b>										
Pace Pakistan Limited (15-02-08 issue) (TFC) - Due but not received	-	-	-	-	-	49,940	49,940	-	-	-
<b>Total as at December 31, 2017</b>	<b>28,398</b>	<b>8,010</b>	<b>3,500</b>	<b>-</b>	<b>32,908</b>	<b>345,059</b>	<b>342,620</b>	<b>(2,439)</b>	<b>16.87%</b>	<b>38.55%</b>
Total as at June 30, 2017	37,918	480	-	10,000	28,398	371,912	373,663	1,751	15.91%	56.01%

\* Carrying value before provision - Provision details are specified in note 5.2

\*\* Market value after provision - Provision details are specified in note 5.2

\*\*\* 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 INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

**5.2.2** These carry profit at the rate of 6.64% to 8.41% (June 30, 2017: 6.53% and 8.35%) per annum and will mature by February 20, 2021 to March 17, 2026 (June 30, 2017: February 20, 2021 to February 17, 2026).

**5.2.3** 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 investments	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)	5.2.1	TFC	18,743	(18,743)	-	-	-
Telecard Limited (27-05-05 issue)	5.2.1	TFC	31,088	(31,088)	-	-	-
Pace Pakistan Limited (15-02-08 issue)	5.2.1	TFC	49,940	(49,940)	-	-	-

### 5.3 Unlisted debt securities - term finance certificates Certificates have a face value of Rs 5,000 each

Name of investee company	Number of Certificates					As at December 31, 2017			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2017	Purchased during the period	Sold during the period	Matured during the period	As at December 31, 2017	Carrying value	Market value	Appreciation / (diminution)		
Bank Alfalah Limited - TFC4 (02-12-09) Floating	4,500	-	4,500	-	-	-	-	-	-	-
<b>Total as at December 31, 2017</b>	<b>4,500</b>	<b>-</b>	<b>4,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total as at June 30, 2017	4,500	-	-	-	4,500	7,608	7,517	(91)	0.44%	1.54%

**5.4** This represents the amount deposited by the Fund against following IPO of sukuk certificates.

Company	Date of Deposit	Maturity Date	Tenor	Profit Rate	Amount Deposited
					(Rupees in '000)
Dawood Hercules Corporation Limited	16-Nov-17	16-Nov-22	5 Years	3M Kibor + 1.00%	100,000
International Brands Limited	03-Oct-17	03-Oct-21	4 Years	12M Kibor + 0.50%	50,000
<b>Total as at December 31, 2017</b>					<b>150,000</b>
Total as at June 30, 2017					1,000

### 5.5 Government securities - Pakistan investment bonds

Issue date	Face value					As at December 31, 2017			Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 1, 2017	Purchased during the period	Sold during the period	Matured during the period	As at December 31, 2017	Carrying Value	Market value	Appreciation / (diminution)		
Pakistan Investment Bond - 10 years	7,400	-	-	-	7,400	7,537	7,681	144	0.53%	0.02%
<b>Total as at December 31, 2017</b>						<b>7,537</b>	<b>7,681</b>	<b>144</b>	<b>0.53%</b>	<b>0.02%</b>
Total as at June 30, 2017						8,064	7,885	(179)	0.46%	1.61%

**5.5.1** These carry profit at the rate of 12.00% (June 30, 2017: 12.00%) per annum and will mature on August 30, 2018 (June 30, 2017: August 30, 2018).

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
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## 5.6 Shares of listed companies

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

Name of investee company	As at July 1, 2017	Purchased during the period	Bonus/ rights issue during the period	Sold during the period	As at December 31, 2017	Carrying Value as at December 31, 2017	Market value as at December 31, 2017	Appreciation / (Diminution) as at December 31, 2017	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
----- (Number of shares) -----						----- (Rupees in '000) -----					
<b>Cable and Electrical Goods</b>											
Pak Elektron Limited	-	420,000	-	420,000	-	-	-	-	-	-	-
TPL Trakker Limited	-	131,500	-	131,500	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Cement</b>											
D.G.Khan Cement Company Limited*	-	90,500	-	90,500	-	-	-	-	-	-	-
Fauji Cement Company Limited	-	17,000	-	17,000	-	-	-	-	-	-	-
Maple Leaf Cement Factory Limited	-	2,000	-	2,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Commercial Banks</b>											
Askari Bank Limited	-	84,500	-	84,500	-	-	-	-	-	-	-
Bank Of Punjab	-	1,081,500	-	1,081,500	-	-	-	-	-	-	-
Habib Bank Limited	-	2,000	-	2,000	-	-	-	-	-	-	-
National Bank Limited	-	6,500	-	6,500	-	-	-	-	-	-	-
United Bank Limited	-	15,000	-	15,000	-	-	-	-	-	-	-
Bank Al Falah Limited	-	509,000	-	509,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Engineering</b>											
Anreli Steels Limited	-	1,000	-	1,000	-	-	-	-	-	-	-
International Steels Limited	-	35,500	-	35,500	-	-	-	-	-	-	-
Crescent Steel and Allied Products Limited	-	3,000	-	3,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Fertilizer</b>											
Engro Fertilizer Limited	-	33,500	-	33,500	-	-	-	-	-	-	-
Engro Corporation Limited	-	3,500	-	3,500	-	-	-	-	-	-	-
Fatima Fertilizer Company Limited*	-	500	-	500	-	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	-	14,000	-	14,000	-	-	-	-	-	-	-
Fauji Fertilizer Company Limited	-	14,000	-	14,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Food and Personal Care Products</b>											
Engro Foods Limited	-	15,500	-	15,500	-	-	-	-	-	-	-
Treet Corporation Limited	-	500	-	500	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Oil and Gas Exploration Companies</b>											
Oil and Gas Development Company Limited	-	3,000	-	3,000	-	-	-	-	-	-	-
Pakistan Petroleum Limited	-	2,000	-	2,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Oil and Gas Marketing Companies</b>											
Pakistan State Oil Company Limited	-	249,000	-	249,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Power Generation and Distribution</b>											
Hub Power Company Limited	-	1,000	-	1,000	-	-	-	-	-	-	-
K- Electric Limited (Par value of Rs. 3.5 each)	-	68,000	-	68,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Refinery</b>											
Attock Refinery Limited	-	163,000	-	163,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Technology and Communication</b>											
Pakistan Telecommunication Company Limited	-	6,500	-	6,500	-	-	-	-	-	-	-
TRG Pakistan Limited	-	95,000	-	95,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Textile Composite</b>											
Nishat Chunian Limited*	-	8,500	-	8,500	-	-	-	-	-	-	-
Nishat Mills Limited*	-	5,000	-	5,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
						-	-	-	-	-	-
<b>Total as at December 31, 2017</b>						-	-	-	-	-	-
<b>Total as at June 30, 2017</b>						-	-	-	-	-	-

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
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**5.6.1** The above equity securities were purchased in the ready market and simultaneously sold in the future market, resulting in spread income due to difference in ready and future stock prices.

	<b>Note</b>	<b>December 31, 2017 (Un-audited)</b>	<b>June 30, 2017 (Audited)</b>
<b>5.7 Loans and receivables</b>			
		<b>(Rupees in '000)</b>	
Term deposit receipts - having original maturity of 3 months or less	5.7.1	100,000	150,000
Term deposit receipts - having original maturity exceeding 3 months	5.7.1	80,000	-
		<u>180,000</u>	<u>150,000</u>

**5.7.1** These carry profit at the rates ranging from 6.5% to 6.7% (June 30, 2017: 6.75%) per annum and maturities from March 13, 2018 to March 29, 2018 (June 30, 2017: September 28, 2017). Term deposit receipts represented 12.50% (June 30, 2017: 8.70%) of the total net assets of the fund.

	<b>Note</b>	<b>December 31, 2017 (Un-audited)</b>	<b>June 30, 2017 (Audited)</b>
<b>5.8 Unrealised (diminution) / appreciation on re-measurement of investments classified as 'at fair value through profit or loss - net'</b>			
		<b>(Rupees in '000)</b>	
Market value	5.4, 5.5 & 5.6	292,369	331,026
Less: carrying value - net of provision	5.4, 5.5 & 5.6	(294,808)	(329,368)
		<u>(2,439)</u>	<u>1,658</u>
<b>5.9 Unrealised appreciation on re-measurement of investments classified as available for sale - net</b>			
Market value	5.5	7,681	7,885
Less: carrying value	5.5	(7,537)	(8,064)
		144	(179)
Less: unrealised diminution on re-measurement of investments classified as available for sale as at July 1		179	1,601
		<u>323</u>	<u>1,422</u>

**6 PAYABLE TO THE MANAGEMENT COMPANY**

Management remuneration payable	6.1	1,925	2,064
Sindh sales tax payable on management remuneration	6.2	251	269
Payable against allocated expenses	6.3	128	132
Sales load payable		-	6
		<u>2,304</u>	<u>2,471</u>

**6.1** The Management company has charged remuneration at a rate of 1.5% of the average annual net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears.

**6.2** During the period, Sindh Sales Tax on management remuneration has been charged at the rate of 13% (June 30, 2017, 13%).

**6.3** In accordance with Regulation 60 of the NBFC Regulations the Management Company has charged expenses at the rate of 0.1% of the average net assets of the Fund being lower than actual expenses chargeable to the Fund for the period.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
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	<b>Note</b>	<b>December 31, 2017 (Un-audited)</b>	<b>June 30, 2017 (Audited)</b>
<b>7 ACCRUED EXPENSES AND OTHER LIABILITIES</b>		<b>(Rupees in '000)</b>	
Provision against Sindh Workers' Welfare Fund	7.1	3,523	2,836
Federal Excise Duty payable on management remuneration	7.2	9,210	9,210
Federal Excise Duty payable on sales load	7.2	239	239
Auditors' remuneration		312	375
Legal and professional charges		94	59
Brokerage		24	289
Sindh sales tax payable on allocated expenses		364	262
Withholding tax on capital gains		107	1,686
Others		525	595
		<u>14,398</u>	<u>15,551</u>

- 7.1** As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs / mutual funds, the MUFAP as a matter of abundant caution had recommended provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e. starting from May 21, 2015). Further more, during the period covered in this condensed interim financial information, no progress on the said matter has been made.

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 December 31, 2017 would have been higher by Re 0.1347 per unit (June 30, 2017 0.0885 per unit)

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

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

During the year ended June 30, 2017, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

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

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED made till June 30, 2016 amounting to Rs 9.449 million is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been recorded in the financial statements of the Fund, the net asset value of the Fund as at December 31, 2017 would have been higher by Re 0.3604 per unit (June 30, 2017: Re 0.2950 per unit).



# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

## 8 CONTINGENCIES AND COMMITMENTS

### 8.1 Contingencies

There were no contingencies as at December 31, 2017 and June 30, 2017.

### 8.2 Commitments

Margin Trading System (MTS) transactions entered into by the Fund  
in respect of which the sale transactions had not been settled as at period end

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

<b>21,877</b>	<b>2,275</b>
---------------	--------------

## 9 TOTAL EXPENSE RATIO

The total expense ratio of the Fund for the period ended December 31, 2017 is 1.16% which includes 0.19% representing government levies on the Fund such as sales taxes, Sindh Workers' Welfare Fund, annual fee payable to the SECP, etc.

## 10 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend. Furthermore, regulation 63 of the NBFC Regulations, requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the Management Company intends to distribute atleast 90% of the Fund's net accounting income earned by the year end to the unit holders, no provision in respect of taxation has been made in this condensed interim financial information.

## 11 EARNINGS PER UNIT

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

## 12 CASH AND CASH EQUIVALENTS

	Note	Half year ended	
		December 31, 2017	December 31, 2016
		(Rupees in '000)	
Balances with banks	4	707,785	324,873
Government securities - market treasury bills	5.1	49,520	-
Term deposit receipts - having original maturity of 3 months or less	5.7	100,000	75,000
		<b>857,305</b>	<b>399,873</b>

## 13 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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



## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

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

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

### 13.1 Details of transactions and balances at period end with related parties / connected persons are as follows:

#### Unit Holder's Fund

	Half year ended December 31, 2017 (Un-audited)							
	As at July 1, 2017	Issued for cash / conversion in / transfer in	Redeemed / conversion out / transfer out	As at December 31, 2017	As at July 1, 2017	Issued for cash / conversion in / transfer in	Redeemed / conversion out / transfer out	As at December 31, 2017
	----- (Number of units) -----				----- (Rupees in '000) -----			
Associated companies / undertakings								
Adamjee Life Assurance Company Limited - Employees Gratuity Fund	21,338	-	-	21,338	1,174	-	-	1,172
Mandate Under Discretionary - Portfolio Services **	532	185,602	70,611	115,523	29	10,001	3,805	6,344
Directors and Key management personnel **	100,064	3,728	101,891	1,901	5,509	203	5,532	104
	----- Half year ended December 31, 2016 (Un-audited) -----							
	As at July 1, 2016	Issued for cash / conversion in / transfer in	Redeemed / conversion out / transfer out	As at December 31, 2016	As at July 1, 2016	Issued for cash / conversion in / transfer in	Redeemed / conversion out / transfer out	As at December 31, 2016
	----- (Number of units) -----				----- (Rupees in '000) -----			
Directors and Key management personnel	350	22	-	372	19	1	-	20

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

### 13.2 Other transactions

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

Remuneration of the Management Company	12,027	8,198
Sindh sales tax on remuneration of the Management Company	1,563	1,066
Allocated expenses (including indirect taxes)	906	618

#### Central Depository Company of Pakistan Limited - Trustee

Remuneration of the trustee	1,110	893
Sindh sales tax on remuneration of Trustee	144	116
CDC settlement charges	17	17

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

	<b>Half year ended</b>	
	<b>December 31, 2017</b>	<b>December 31, 2016</b>
	<b>(Un-audited)</b>	
	<b>(Rupees in '000)</b>	
<b>MCB Bank Limited - Parent of the Management Company</b>		
Profit on bank balances	33	110
Bank charges	7	3
<b>Next Capital Limited</b>		
Brokerage expense*	-	33
<b>Arif Habib Limited</b>		
Brokerage expense*	3	9
<b>Nishat (Chunian) Limited</b>		
Dividend Income	8	88
	<b>December 31, 2017</b>	<b>June 30, 2017</b>
	<b>(Un-audited) (Audited)</b>	
	<b>(Rupees in '000)</b>	
<b>13.3 Other Balances</b>		
<b>MCB-Arif Habib Savings and Investments Limited</b>		
Management remuneration payable	1,925	2,064
Sindh sales tax payable on management remuneration	251	269
Payable against allocated expenses	128	132
Sales load payable	-	6
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable to the Trustee	182	185
Sales tax payable on remuneration of the Trustee	24	24
Security deposit	200	200
<b>MCB Bank Limited - Parent of the Management Company</b>		
Bank balance	4,286	28,632
Profit receivable	5	1

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

\*\* This reflects the position of related parties / connected persons status as at December 31, 2017.

**14 FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the amount for which an asset could be exchanged, or liability can be settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Fair value of investments is determined as follows:

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

- Fair value of listed equity securities is determined on the basis of closing market prices quoted on the stock exchange.
- Investments in government securities are valued on the basis of average rates of brokers as announced by the Financial Markets Association of Pakistan.
- Listed and unlisted debt securities, other than government securities, are valued on the basis of prices announced by the Mutual Funds Association of Pakistan (MUFAP), as per the method of valuation agreed with the Trustees of the Fund under the Rules. The MUFAP calculates these prices in accordance with the SECP's Circular 1 of 2009. The said circular prescribes a valuation methodology which, in case of currently traded securities, is based on weighted average prices during the 15 days preceding the valuation date and in case of thinly or non-traded securities, on the basis of discount coupon method which takes into consideration credit risk and maturities of the instruments.
- Fair value of future contracts are determined on the basis of closing market prices quoted on the stock exchange.
- The fair value of all other financial assets and financial liabilities of the Fund approximate their carrying amounts due to short term maturities of these instruments.

### 14.1 Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Fair value measurements using quoted price (unadjusted) in an active market for identical assets or liabilities.
- Level 2: Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at December 31, 2017 and June 30, 2017 the Fund held the following financial instruments measured at fair value:

----- As at December 31, 2017 -----				
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000-----			
<b>ASSETS</b>				
Investment - 'at fair value through profit or loss'				
- Government securities - market treasury bills	-	49,520	-	49,520
- Listed debt securities - term finance certificates	-	242,849	-	242,849
- Unlisted debt securities - term finance certificates	-	-	-	-
	<u>-</u>	<u>292,369</u>	<u>-</u>	<u>292,369</u>
Investment - available for sale securities				
- Government securities - Pakistan investment bonds	-	7,681	-	7,681
	<u>-</u>	<u>7,681</u>	<u>-</u>	<u>7,681</u>
----- As at June 30, 2017 -----				
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000-----			
<b>ASSETS</b>				
Investment - 'at fair value through profit or loss'				
- Government securities - market treasury bills	-	49,617	-	49,617
- Listed debt securities - term finance certificates	-	273,892	-	273,892
- Unlisted debt securities - term finance certificates	-	7,517	-	7,517
	<u>-</u>	<u>331,026</u>	<u>-</u>	<u>331,026</u>
Investment - available for sale securities				
- Government securities - Pakistan investment bonds	-	7,885	-	7,885
	<u>-</u>	<u>7,885</u>	<u>-</u>	<u>7,885</u>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

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**15 GENERAL**

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison and better presentation. No significant rearrangements or reclassifications have been made in this condensed interim financial information during the current period.

Figures of the condensed interim income statement and condensed interim statement of comprehensive income for the quarter ended December 31, 2017 and December 31, 2016 have not been subject to limited scope review by the statutory auditors of the Fund.

Figures have been rounded off to the nearest thousand Rupee unless otherwise stated.

**16 DATE OF AUTHORIZATION FOR ISSUE**

This condensed interim financial information was authorized for issue on February 23, 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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