



MCB-ARIF HABIB  
Savings and Investments Limited

AM2++  
BY PACRA

# QUARTERLY REPORT

MARCH  
**2019**  
(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 the preferred Investment Manager  
for retail and institutional savings in  
the domestic 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.



## CONTENTS

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1	MCB DCF Income Fund	04
2	Pakistan Income Fund	31
3	MCB Pakistan Sovereign Fund	56
4	Pakistan Income Enhancement Fund	78
5	MCB Cash Management Optimizer	101
6	Pakistan Cash Management Fund	122
7	MCB Pakistan Stock Market Fund	142
8	ALHAMRA Islamic Stock Fund	168
9	MCB Pakistan Asset Allocation Fund	195
10	Pakistan Capital Market Fund	222
11	ALHAMRA Islamic Asset Allocation Fund	247
12	ALHAMRA Islamic Income Fund	271
13	ALHAMRA Islamic Active Allocation Fund	293
14	MCB Pakistan Frequent Payout Fund	316
15	ALHAMRA Daily Dividend Fund	340

# **MCB DCF INCOME FUND**

## **CONTENTS**

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<b>1</b>	<b>Fund's Information</b>	<b>06</b>
<b>2</b>	<b>Report of the Directors of the Management Company</b>	<b>07</b>
<b>3</b>	<b>Condensed Interim Statement of Assets And Liabilities</b>	<b>12</b>
<b>4</b>	<b>Condensed Interim Income Statement (Un-audited)</b>	<b>13</b>
<b>5</b>	<b>Condensed Interim Statement of Comprehensive Income (Un-audited)</b>	<b>14</b>
<b>6</b>	<b>Condensed Interim Statement of Movement in Unit Holder's Funds (Un-audited)</b>	<b>15</b>
<b>7</b>	<b>Condensed Interim Cash Flow Statement ( Un-audited)</b>	<b>16</b>
<b>8</b>	<b>Notes to and forming part of the Condensed Interim Financial Statements (Unaudited)</b>	<b>17</b>

## 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>Risk Management Committee</b>	Mr. Mirza Qamar Beg Mr. Ahmed Jahangir Mr. Nasim Beg	Chairman 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>	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	
<b>Bankers</b>	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 Silk 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	
<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>	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
<b>Transfer Agent</b>	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
<b>Rating</b>	AM2++Asset Manager Rating assigned by PACRA	

# REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2019

Dear Investor,

On behalf of the Board of Directors, we are pleased to present MCB DCF Income Fund Nine Months Report for the period ended March 31, 2019.

## MARKET & ECONOMIC REVIEW

### Economy and Money Market Review

At the onset of the fiscal year, the economy inherited deep challenges in the form of external crisis as it was facing a huge current account deficit along with depleting foreign reserves. To cope with the underlying challenges, the central bank took major policy actions (currency depreciation of 16% along with interest rate hike of 425 bps in the current fiscal year). Stabilization efforts finally paid off as indicated by a declining current account deficit, which shrank by 22% during the first 8 months of FY19. Moreover, the recent trend is even more promising as current account deficit for Feb'19 was recorded below USD 400 million, a 3 year low.

While the government remained tentative about IMF program signup, it was able to secure funding from friendly allies which has bridged the gap in external account balance for short term. Saudi Arabia, UAE & China provided balance of payment support to the tune of USD 8 billion. Meanwhile Saudi Arabia announced USD 20 billion of investments for Pakistan, along with providing a USD 3 billion deferred credit facility for oil.

GDP growth is expected to set in a range of 2.5-3.0% as last year's record twin deficits restrict the ability of the government to carry on expansionary fiscal policies. Large scale manufacturing (LSM) is already down by 1.5% during the 7MFY19, while weak agricultural growth (cotton and wheat are expected to miss the targets) along with a considerable decline in Retail and Wholesale trade (Import Compression) will slowdown the overall aggregate demand during the current year.

Amid currency depreciation and utility prices adjustment, CPI has also indicating higher inflationary pressures and the inflation which on average has yet remained below 7% for the year but now looking to remain near 9% in coming months which is also likely to continue to remain in the next fiscal year due to utility tariff adjustments along with the lagged impact of currency depreciation. Central bank raised the interest rates by 500 bps during the current year owing to anticipated higher inflation and a weak balance of payment profile.

The government has indicated that it is close to sign the IMF program. Alongside, the government will have to address the key structural issues to tread on the path of long term sustainable economic growth.

The yield curve showed an upward trajectory during the fiscal year due to continued expectations of monetary tightening by the market participants. During the first 9 months, State Bank of Pakistan increased the policy rate by 425 bps in line with the expectations of most of the market. Several PIB auctions during the period under review had to be rejected by State Bank of Pakistan due to thin volume and participation at higher levels. Concerns over external front kept market participants at bay from longer tenor Treasury instruments similarly participation in Pakistan Investment Bonds also price in healthy liquidity premium. During the period under review, 314.38 billion worth of GOP Ijara Sukuk matured against which no fresh GOP Ijara Sukuk were issued by SBP.

## FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 7.56% as against its benchmark return of 9.93%. Fund's WAM stood at 2.1 YTM. The fund allocation remained notably in TFCs and Cash at the end of the period under review. At period-end, the fund was invested 33.8% in TFCs and 52.2% in Cash.

The Net Assets of the Fund as at March 31, 2019 stood at Rs. 3,827 million as compared to Rs. 4,872 million as at June 30 2018 registering a decrease of 21.45%.

The Net Asset Value (NAV) per unit as at March 31, 2019 was Rs.112.5010 as compared to opening NAV of Rs. 111.3412 per unit as at June 30, 2018 registering an increase of Rs.1.1598 per unit.

## MARKET & ECONOMY - FUTURE OUTLOOK

The tough measures taken by the incumbent government in the form of currency adjustments and monetary tightening for the purpose of reducing aggregate demand to control external imbalances is bearing fruit. The current account balance has begun to reflect the policy adjustments with the beginning 2 months of the current calendar registering decline of more than 50% in current account balance. The external account is expected to remain at sustainable levels with the impetus expected to come from lagged increase in exports. The balance of payments support availed from friendly nations would be adequate to support financing of the remaining year. Subsequently, we expect normalized PKR/USD adjustment given the Real Effective Exchange Rate is close to its fundamental value.

However, the entrance into IMF program is likely to provide the much needed financial stability relative to external inflows through multilateral agencies along with better policy management related to dealing with structural issues in the economy.



## REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2019

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In IMF program, focus is expected to shift towards fiscal side. The substantial curtailment of development budget has failed to curtail the fiscal deficit given the higher cost of borrowing for the government and sluggish performance in revenue collection due to relief in income tax, curtailment of telecom duties and import slowdown. The impact of monetary tightening is expected to be more visible in this half towards expenditures side. The revenue shortfall is expected to lead towards a fiscal deficit of more than 6% for this year. The focus of next budget is expected to be towards revenue generation measures particularly, higher taxation, duties, etc.

Inflationary pressures are expected to become more visible as reflected in the recent reading of 9.4% as lagged impacts of currency depreciation, gas price increase and electricity price adjustments are incorporated. However, most of the monetary tightening has been done to reflect the upcoming inflationary pressures and room for further tightening would remain in the range of 50 bps.

For the remaining year, the economic growth is expected to remain on a slower trajectory as currency adjustments and tighter monetary policy will rein on the consumption patterns. However, increased power supply along with the documentation of economy may provide a respite to the economic managers during this critical juncture. We share the optimism on better governance & long term prospects for economic revival amid more focused and sincere efforts to address chronic issues on economic front by the new government; however, the path is likely to be tough and with a number of potentially unpopular policy steps.

We believe equity markets preempted the economic conditions and as such it is important to consider whether all the economic developments are priced in or not. Therefore, overall valuations and fundamentals of universe companies do play an important role. The overall strategy should tilt towards defensive sectors (E&Ps, Power, Fertilizers) while sector which will benefit from changing dynamics on macro front such as rising interest rates (Commercial Banks) should be overweight. In addition to that, government's strong focus on reviving exports should provide a boost to the outlook of export oriented sectors such as Textiles & IT. Despite being negative on cyclical sectors, we believe there will be distressed assets and quality companies which should be looked into as they have a tendency to provide abnormal returns.

### 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  
April 19, 2019



Nasim Beg  
Vice Chairman / Director

حوالے سے منفی سوچ کے باوجود ہم سمجھتے ہیں کہ کچھ اثاثہ جاتی اور quality کمپنیاں مشکلات سے دوچار ہوں گی جن پر توجہ دی جانی چاہیے کیونکہ یہ غیر معمولی منافع کی صلاحیت رکھتی ہیں۔

### اظہار تشکر

بورڈ فنڈ کے قابل قدر سرمایہ کاروں، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، اور فنڈ کے ٹرسٹیز کی مسلسل پشت پناہی اور تعاون کے لئے شکرگزار ہے۔ علاوہ ازیں، ڈائریکٹرز مینجمنٹ ٹیم کی کاوشوں کو بھی سراہتے ہیں۔

من جانب ڈائریکٹرز،



نسیم بیگ  
وائس چیئرمین / ڈائریکٹر



محمد ثاقب سلیم  
چیف ایگزیکٹو آفیسر  
19 اپریل، 2019ء

## فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع % 7.56 تھا جبکہ اس کا بیج مارک منافع % 9.93 تھا۔ فنڈ کا W A M 2.1 YTM تھا۔ زیر جائزہ مدت کے دوران فنڈ کا اختصاص خصوصاً ٹرم فنانس سٹرٹگیٹس اور نقد میں تھا۔ اختتام مدت پر فنڈ کی % 33.8 سرمایہ کاری ٹرم فنانس سٹرٹگیٹس اور % 52.2 نقد میں تھی۔

31 مارچ 2019ء کو فنڈ کے net اثاثہ جات 3,827 ملین روپے تھے، جو 30 جون 2018ء کی سطح 4,872 ملین روپے کے مقابلے میں % 21.45 کمی ہے۔ 31 مارچ 2019ء کو فنڈ کی net اثاثہ جاتی قدر (NAV) فی یونٹ 112.5015 روپے تھی، جو 30 جون 2018ء کی ابتدائی سطح 111.3412 روپے فی یونٹ کے مقابلے میں 1.1598 روپے فی یونٹ اضافہ ہے۔

## مارکیٹ اور معیشت - مستقبل کا منظر

موجودہ حکومت نے خارجی عدم توازن پر قابو پانے کے لیے مجموعی طلب میں کمی کرنے کے مقصد سے روپے کی قدر میں کمی پیشی اور مالیاتی تنگی کی صورت میں جو سخت اقدامات کیے تھے ان کے ثمرات حاصل ہو رہے ہیں۔ موجودہ کیلنڈر کے ابتدائی دو ماہ کے ساتھ ہی کرنٹ اکاؤنٹ میں پالیسی کی تبدیلیوں کی عکاسی ہونے لگی ہے اور % 50 سے زائد کی کمی ہوئی۔ برآمدات میں سست رفتار اضافے سے ملنے والی متوقع قوت سے خارجی اکاؤنٹ کے پائیدار سطحوں پر برقرار رہنے کی توقع ہے۔ ادائیگیوں کے توازن کے ضمن میں دوستانہ ممالک سے حاصل ہونے والا تعاون سال کے بقیہ حصے کے دوران رقم کی فراہمی کے لیے کافی ہوگا۔ بعد ازاں، Real Effective شرح مبادلہ اپنی بنیادی قدر کے قریب ہے جس کے باعث پاکستانی روپے اور امریکی ڈالر میں عمومی باہمی کمی پیشی متوقع ہے۔

آئی ایم ایف پروگرام میں توجہ کا رخ مالیاتی جانب منتقل ہونے کا امکان ہے۔ ترقیاتی بجٹ میں قابل ذکر کمی کے نتیجے میں مالیاتی خسارے میں کمی نہیں ہو سکی جس کی وجہ حکومت کے لیے حصول قرض کی بلند تر قیمت، اور آمدنی ٹیکس میں چھوٹ، ٹیلی کام محصولات میں کمی اور درآمدات میں سست روی کے باعث آمدنی جمع کرنے کی سست رفتار کارکردگی ہے۔ مالیاتی تنگی کے اثرات رواں ششماہی میں اخراجات کی جہت میں مزید ظاہر ہونے کی توقع ہے۔ کم آمدنی کے نتیجے میں رواں سال % 6 سے زیادہ مالیاتی خسارہ ہونے کا امکان ہے۔ اگلے بجٹ کی زیادہ توجہ متوقع طور پر آمدنی پیدا کرنے کے اقدامات، بلند تر ٹیکس اور محصولات وغیرہ کی طرف ہوگی۔

افراط زر کے دباؤ متوقع طور پر مزید ظاہر ہوں گے جیسا کہ روپے کی قدر میں کمی کے سست رفتار اثرات، گیس کی قیمت میں اضافہ اور بجلی کی قیمت میں کمی پیشی کو شامل کرنے پر % 9.4 کی حالیہ سطح سے عکاسی ہوتی ہے۔ تاہم زیادہ تر مالیاتی تنگی آئندہ افراط زر کے دباؤ کی عکاسی کے لیے کی گئی ہے، اور مزید تنگی کی وسعت 50 bps کی حد میں رہے گی۔ سال کے باقی حصے میں معاشی ترقی متوقع طور پر نسبتاً سست روی کا شکار رہے گی کیونکہ کرنسی میں کمی پیشی اور مالیاتی پالیسی میں مزید تنگی کھپت کے رجحان پر حاوی رہے گی۔ تاہم بجلی کی پہلے سے زیادہ فراہمی کے ساتھ ساتھ معیشت کی دستاویزی کی بدولت اس مشکل موڑ پر معاشی منتظمین کو سہولت فراہم ہوگی۔ نئی حکومت معاشی میدان کے دیرینہ مسائل کے حل پر توجہ دینے کی زیادہ مرکوز اور مخلص کاوشیں کر رہی ہے، چنانچہ ہم بہتر حکومت داری اور معاشی بحالی کے طویل المیعاد امکانات کے حوالے سے پُر امید ہیں؛ تاہم راستہ متوقع طور پر دشوار اور مکمل نا پسندیدہ پالیسی اقدامات سے پُر ہوگا۔

ہم سمجھتے ہیں کہ ایکویٹی مارکیٹس نے معاشی حالات کی قبل از وقت حفاظت کی؛ چنانچہ یہ دیکھنا ضروری ہے کہ تمام معاشی ترقیات کی قیمت کا تعین کر دیا گیا ہے یا نہیں۔ لہذا مجموعی تخمینہ جات اور عالمگیر کمپنیوں کی بنیاديات اہم کردار ادا کرتی ہیں۔ مجموعی لائحہ عمل کا جھکاؤ دفاعی شعبوں کی طرف ہونا چاہیے (E&Ps، بجلی، کھاد)، جبکہ وہ شعبے جو کلاں معاشیات کے میدان میں تبدیل ہوتے ہوئے محرکات مثلاً انٹریسٹ کی شرحوں میں اضافے سے مستفید ہوں گے (کرسٹل بینک) اُن کا وزن زیادہ ہونا چاہیے۔ علاوہ ازیں، برآمدات کی بحالی پر حکومت کی بھرپور توجہ کی بدولت برآمداتی شعبوں مثلاً ٹیکسٹائل اور IT کے لیے مستقبل کے امکانات روشن ہوں گے۔ گردش شعبوں کے

## عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی طرف سے ایم سی بی ڈی سی ایف اےکم فنڈ کی 31 مارچ 2019ء کو ختم ہونے والے نو ماہ کی رپورٹ پیش خدمت ہے۔

## مارکیٹ اور معیشت کا جائزہ

### معیشت اور بازار کا جائزہ

مالی سال کے آغاز ہی سے معیشت کو کرنٹ اکاؤنٹ کے خطیر خسارے اور غیر ملکی ذخائر میں کمی کے باعث خارجی بحران کی شکل میں سنگین چیلنجز وراثت میں ملے۔ ان مسائل سے نمٹنے کے لیے مرکزی بینک نے اہم پالیسی اقدامات اٹھائے (موجودہ مالی سال میں روپے کی قدر میں 16% کمی اور انٹریسٹ کی شرح میں 425 bps اضافہ)۔ بالآخر استحکام کی کوششوں کے ثمرات حاصل ہوئے اور مالی سال 2019ء کے پہلے آٹھ ماہ کے دوران کرنٹ اکاؤنٹ کے خسارے میں 22% کمی ہوئی۔ مزید برآں، حالیہ رجحان زیادہ اُمید افزا ہے کیونکہ فروری 2019ء کا کرنٹ اکاؤنٹ کا خسارہ 400 ملین ڈالر سے کم تھا جو گزشتہ 3 برسوں کی پست ترین سطح ہے۔

اگرچہ حکومت آئی ایم ایف پروگرام کے حوالے سے غیر یقینی صورتحال سے دوچار رہی لیکن دوستانہ اتحادیوں سے رقم حاصل کرنے میں کامیاب ہوئی جس کی بدولت مختصر میعاد کے لیے خارجی اکاؤنٹ میں موجود خلا پُر ہو گئی۔ سعودی عرب، متحدہ عرب امارات اور چین نے ادائیگیوں کے توازن میں 8 بلین ڈالر تک کی معاونت فراہم کی، جبکہ سعودی عرب نے پاکستان کے لیے 20 بلین ڈالر کی سرمایہ کاریوں کے اعلان کے ساتھ ساتھ تیل کے شعبے میں 3 بلین ڈالر کی پیشگی ادائیگی کی سہولت فراہم کی۔

مجموعی ملکی پیداوار (GDP) میں 2.5 سے 3 فیصد تک ترقی متوقع ہے کیونکہ گزشتہ برس بلند ترین جڑواں خساروں کے سبب توسیعی مالیاتی پالیسیاں جاری رکھنے کی حکومتی صلاحیت متاثر ہوئی۔ وسیع پیمانے کی مینوفیکچرنگ (LSM) مالی سال 2019ء کے ساتویں ماہ میں پہلے ہی پست سطح پر ہے، جبکہ کمزور زرعی ترقی (کپاس اور گندم بدف تک نہیں پہنچ سکیں گے) کے ساتھ ساتھ خوردہ اور تھوک تجارت میں قابل ذکر کمی (درآمداتی کمپریشن) کے باعث موجودہ سال کے دوران کل مجموعی طلب سُست روی کا شکار ہوگی۔

روپے کی قدر اور بجلی اور گیس وغیرہ کی قیمتوں میں کمی کے ساتھ ساتھ CPI افراط زر کے دباؤ میں اضافے کی نشاندہی کرتا رہا ہے۔ افراط زر کا اوسط اس سال 7% سے کم رہا لیکن آنے والے مہینوں میں تقریباً 9% پر قائم رہنے کے لیے پُر امید ہے، اور توقع ہے کہ سطح بجلی اور گیس وغیرہ کی قیمتوں میں کمی پیشی کے ساتھ ساتھ روپے کی قدر میں کمی کے سُست رَو اثر کے باعث اگلے مالی سال میں برقرار رہے گی۔ افراط زر میں متوقع مزید اضافے اور ادائیگیوں کے توازن کی کمزور صورتحال کے باعث موجودہ سال میں مرکزی بینک نے انٹریسٹ کی شرحوں میں 500 bps اضافہ کیا۔

حکومت نے اشارہ دیا ہے کہ وہ آئی ایم ایف پروگرام پر غنقریب دستخط کرنے والی ہے۔ ساتھ ساتھ حکومت کو اہم ترین بنیادی مسائل پر توجہ دینی ہوگی تاکہ طویل المیعاد پائیدار معاشی ترقی کی راہ پر گامزن ہو سکے۔

دوران مالی سال مارکیٹ کے شرکاء کی مالیاتی تنگی کی مسلسل توقعات کے باعث پیداواری خم بلندی کی طرف گامزن رہا۔ پہلے نو ماہ کے دوران اسٹیٹ بینک آف پاکستان نے پالیسی شرح میں 425 bps اضافہ کیا جو مارکیٹ کے بڑے حصے کی توقعات کے مطابق تھا۔ زیر جائزہ مدت کے دوران پاکستان انویسٹمنٹ بانڈز کی متعدد نیلامیوں کو کمزور حجم اور بلند سطحوں پر شرکت کے باعث اسٹیٹ بینک آف پاکستان کو مسترد کرنا پڑا۔ خارجی میدان میں خدشات نے مارکیٹ کے شرکاء کو طویل المیعاد ریٹری انسٹرومنٹس سے دور رکھا۔ زیر جائزہ مدت کے دوران 314.38 بلین مالیت کے حکومت پاکستان اجارہ سلک کی مدت مکمل ہوئی، اور ان کی جگہ اسٹیٹ بینک آف پاکستان کی طرف سے تازہ سلک جاری نہیں کیے گئے۔

# CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2019

		March 31, 2019 (Un-Audited)	June 30, 2018 (Audited)
	Note	----- (Rupees in '000) -----	
<b>ASSETS</b>			
Balances with banks	4	2,185,055	2,944,793
Investments	5	1,753,767	1,687,001
Mark-up, dividend and other receivables		44,195	44,738
Receivable against sale of investments		158,644	221,310
Receivable against Margin Trading System (MTS)		4,368	1,893
Advances, deposits and prepayments		40,341	142,248
<b>Total assets</b>		4,186,369	5,041,983
<b>LIABILITIES</b>			
Payable to MCB Arif Habib Savings and Investments Limited - Management Company		5,957	7,138
Payable to Central Depository Company of Pakistan Limited - Trustee		396	441
Annual fee payable to the Securities and Exchange Commission of Pakistan (SECP)		2,202	4,114
Payable against redemption of units		-	4,739
Payable against purchase of investments		195,596	-
Accrued and other liabilities	6	155,322	153,058
<b>Total liabilities</b>		359,473	169,490
<b>NET ASSETS</b>		3,826,896	4,872,493
<b>Unit holders' fund (as per statement attached)</b>		3,826,896	4,872,493
<b>Contingencies and commitments</b>	7		
		----- (Number of units) -----	
<b>NUMBER OF UNITS IN ISSUE</b>		34,016,561	43,761,823
		----- (Rupees) -----	
<b>NET ASSETS VALUE PER UNIT</b>		112.5010	111.3412

The annexed notes from 1 to 13 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 NINE MONTHS AND QUARTER ENDED MARCH 31, 2019

		Nine months period ended March 31,		Quarter ended March 31,	
		2019	2018	2019	2018
Note		(Rupees in '000)			
<b>INCOME</b>					
		26,209	15,640	10,045	7,446
		102,338	81,274	36,835	24,794
		(55,551)	(4,243)	(4,367)	987
		135,263	142,478	53,074	40,473
		9,309	44,344	3,216	11,295
		15,154	45,720	3,196	1,688
		65,072	(20,331)	12,550	(237)
		726	6,430	726	5,919

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.

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

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

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

  
\_\_\_\_\_  
Director

# CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2019

	Nine months period ended March 31,		Quarter ended March 31,	
	2019	2018	2019	2018
	----- (Rupees in '000) -----			
<b>Net income for the period after taxation</b>	214,613	187,958	87,428	58,216
<b>Other comprehensive (loss) for the period:</b>				
Net unrealised diminution on re-measurement of investments classified as 'available-for-sale'	-	(8)	-	(3)
	-	(8)	-	(3)
<b>Total comprehensive income for the period</b>	214,613	187,950	87,428	58,213

The annexed notes from 1 to 13 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 UNITHOLDERS' FUND FOR THE NINE MONTHS ENDED MARCH 31, 2019

	Nine Months ended March 31, 2019				Nine Months ended March 31, 2018			
	(Rupees in '000)				(Rupees in '000)			
	Capital value	Undistrib- uted income	Unrealised appreciation/ (diminution) on available- for-sale investments	Total	Capital value	Undistrib- uted income	Unrealised appreciation/ (diminution) on available- for-sale investments	Total
Net assets at beginning of the period	4,299,274	573,226	(7)	4,872,493	5,798,921	390,834	6	6,189,761
Effect of Change in accounting policy - Note 3.3	-	(7)	7	-	-	-	-	-
Net assets at beginning of the period	4,299,274	573,219	-	4,872,493	5,798,921	390,834	6	6,189,761
Issuance of 16,319,727 units (2018: 8,390,974 units)								
- Capital value (at net asset value per unit at the beginning of the period)	1,724,444	-	-	1,724,444	893,047	-	-	893,047
- Element of income	59,412	-	-	59,412	10,719	-	-	10,719
	1,783,856	-	-	1,783,856	903,767	-	-	903,767
Redemption of 26,064,989 units (2018: 24,447,153 units)								
- Capital value (at net asset value per unit at the beginning of the period)	(2,761,953)	-	-	(2,761,953)	(2,601,896)	-	-	(2,601,896)
- Element of income	(40,117)	(28,514)	-	(68,631)	(3,982)	(46,290)	-	(50,272)
	(2,802,070)	(28,514)	-	(2,830,584)	(2,605,878)	(46,290)	-	(2,652,168)
Total comprehensive income for the period	-	214,613	-	214,613	-	187,958	(8)	187,950
Final Distribution for the year ended June 30, 2018 (including additional units) at the rate of Rs. 4.8783 per unit (Declared on July 04, 2018)	(31,091)	(182,392)	-	(213,483)	-	-	-	-
	(31,091)	32,221	-	1,130	-	187,958	(8)	187,950
Net assets at end of the period	3,249,969	576,926	-	3,826,896	4,096,809	532,502	(2)	4,629,309
Undistributed income brought forward comprising of:								
- Realised gain	590,511				392,130			
- Unrealised loss	(17,285)				(1,296)			
	573,226				390,834			
Effect of Change in accounting policy - Note 3.2	(7)				-			
Undistributed income - restated	573,219				390,834			
Accounting income available for distribution:								
- Relating to capital gains	-				-			
- Excluding capital gains	186,099				141,668			
	186,099				141,668			
Cash distribution during the period	(182,392)				-			
Undistributed income carried forward	576,926				532,502			
Undistributed income carried forward comprising of:								
- Realised gain	587,167				533,276			
- Unrealised loss	(10,241)				(774)			
	576,926				532,502			
				(Rupees)				(Rupees)
Net assets value per unit at beginning of the period				111.3412				106.4294
Net assets value per unit at end of the period				112.5010				109.9541

The annexed notes from 1 to 13 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 NINE MONTHS ENDED MARCH 31, 2019

	Nine Months ended	
	March 31, 2019	March 31, 2018
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation	214,613	187,958
<b>Adjustments for:</b>		
Net unrealised loss on revaluation of investments 'at fair value through profit or loss - held-for-trading'	10,966	15,764
Provision against debt securities	-	724
	225,580	204,446
<b>Decrease / (increase) in assets</b>		
Investments	(75,951)	319,806
Mark-up, dividend and other receivables	543	46,020
Derivatives- Future Contracts	(1,783)	(3,786)
Receivable against sale of investments	62,666	(182,540)
Receivable against Margin Trading System (MTS)	(2,475)	(504,923)
Advance against subscription of sukuk certificates	-	(150,000)
Advances, deposits and prepayments	101,907	(85,339)
	84,908	(560,762)
<b>Increase / (Decrease) in liabilities</b>		
Payable to MCB Arif Habib Savings and Investments Limited -	(1,181)	(627)
Payable to Central Depository Company of Pakistan Limited - Trustee	(45)	(76)
Annual fee payable to SECP	(1,912)	(1,878)
Payable against purchase of investments	195,596	(39,854)
Payable against redemption of units	(4,739)	(15,127)
Accrued and other liabilities	2,266	(13,540)
	189,985	(71,102)
<b>Net cash generated from / (used in) operating activities</b>	500,473	(427,418)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issuance of units (excluding additional units)	1,752,765	903,766
Payments on redemption of units	(2,830,584)	(2,652,168)
Dividend paid	(182,392)	-
<b>Net cash used in from financing activities</b>	(1,260,211)	(1,748,402)
<b>Net decrease in cash and cash equivalents during the period</b>	(759,738)	(2,175,821)
Cash and cash equivalents at beginning of the period	2,944,793	4,243,357
<b>Cash and cash equivalents at end of the period</b>	2,185,055	2,067,536

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.

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

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

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

  
\_\_\_\_\_  
Director

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

## 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 the 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 an "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 funds 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 April 08, 2019 to the Management Company and a stability rating of 'A+(f)' dated December 28, 2018 to the Fund.
- 1.7** Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

## 2 BASIS OF PREPARATION

### 2.1 STATEMENT OF COMPLIANCE

- 2.1.1** This condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan which comprises of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act);
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (The NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (The NBFC Regulations) and requirement of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, Part VIIIA of the repealed Companies Ordinance, 1984, the NBFC rules, the NBFC Regulations and requirements of the Trust Deed differ from the International Accounting Standard (IAS) 34, Interim Financial Reporting, the provisions of and directives issued under the Companies Act, 2017, Part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

- 2.1.2** This condensed interim financial information does not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the financial statements for the year ended 30 June 2018.
- 2.1.3** In the current year, the Fund has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

July 01, 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Fund has elected not to restate comparatives in respect of the classification and measurement of financial instruments. The comparative in the statement of assets and liabilities presented in the condensed interim financial information as at 31 March 2019 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2018, where as the comparatives in the condensed interim income statement, condensed interim cash flow statement, condensed interim distribution statement and condensed interim statement of movement in unit holders' funds are stated from unaudited condensed interim financial information for the nine months ended 31 March 2018.

- 2.1.4** The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information is unaudited.
- 2.1.5** In compliance with schedule V of the NBFC Regulations the Directors of the Management Company, hereby declare that this condensed interim financial statement give a true and fair view of the state of affairs of the Fund.
- 2.1.6** This condensed interim financial information is presented in Pak Rupees which is the functional and presentation currency of the Fund.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, JUDGMENTS AND RISK MANAGEMENT POLICIES**

- 3.1** The accounting policies adopted and the methods of computation of balances used 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, 2018 except for the change in accounting policy as explained in note 3.3.
- 3.2** The preparation of the condensed interim financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision. In preparing the condensed interim financial statements, the significant judgments made by management in applying the Fund's accounting policies and the key sources of estimation and uncertainty were the same as those applied to the financial statements as at and for the year ended June 30, 2018. The Fund's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Fund for the year ended June 30, 2018.
- 3.3 Standards and amendments to published accounting and reporting standards that are effective in the current period**

Effective from July 01, 2018, the fund has adopted IFRS 9: "Financial Instruments" which has replaced IAS 39: "Financial Instruments: Recognition and Measurement". The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'expected credit losses' (ECL) approach rather than 'incurred credit losses' approach, as previously given under IAS 39. However, the SECP vide its letter dated November 21, 2017, has deferred the applicability of requirements relating to impairment for debt securities on mutual funds till further instructions. Currently, the Asset Management Companies are required to continue to follow the requirements of Circular 33 of 2012 for impairment of debt securities.

IFRS 9 has provided a criteria for debt securities whereby debt securities are either classified as (a) amortised cost or (b) at fair value through other comprehensive income ("FVOCI") or (c) at fair value through profit or loss (FVPL) based on the business model of the entity. The Fund is primarily focused on fair value information and uses that information to access the assets' performance and to make decisions. Furthermore, the collection of contractual cash flows for debt securities is only incidental to achieving the Fund's business model's objective.

IFRS 9 requires securities managed as a portfolio or group of assets and whose performance is measured on a fair value basis to be recognized as FVPL. The management considers its investments being managed as a group of assets and hence has classified them as FVPL. Other financial assets which are held for collection continue to be measured at amortised cost.

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

The Fund has adopted modified retrospective restatement for adopting IFRS-9 and accordingly, all changes arising on adoption of IFRS-9 have been adjusted at the beginning of the current period. The effect of this change in accounting policy is as follows:

The effect of this change in accounting policy is as follows:

	As at June 30, 2018 (as previously stated)	Change	As at July 1, 2018
-----Rupees in '000-----			
<b>Impact on Statement of Unit holders' fund</b>			
Unrealised appreciation / (diminution) on 'Available-for-sale' investments	(7)	7	-
Undistributed income	573,226	(7)	573,219
<b>Impact on Statement of Assets and Liabilities</b>			
Investments - 'available for sale'	713	(713)	-
Investments - 'At fair value through profit or loss'	1,686,288	713	1,687,001

The adoption of IFRS-9 did not have any impact on classification and measurement of financial assets and financial liabilities on the date of its adoption. There is no impact on the condensed interim income statement, condensed interim statement of comprehensive income and condensed interim cash flow statement. There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on July 1, 2018 that have a material effect on the condensed interim financial statements of the Fund.

## 3.4 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective.

There are certain new standards and amendments to the accounting and reporting standards that are mandatory for the Fund's annual accounting period beginning on or after July 1, 2019. However, these will not have any significant impact on the Fund's operations and, therefore, have not been detailed in these condensed interim financial statements.

		March 31, 2019 (Un-audited)	June 30, 2018 (Audited)
	Note	-----Rupees in '000-----	
<b>4 BALANCES WITH BANKS</b>			
Current accounts	4.1	6,352	3,153
Savings accounts	4.2	2,178,703	2,941,640
		<u>2,185,055</u>	<u>2,944,793</u>

4.1 This represents balance maintained with MCB Bank Limited

4.2 These carry profit at the rates ranging between 3.75% to 12% (2018: 3.75% and 9%) per annum and include Rs. 0.06 million maintained with MCB Bank Limited, (a related party) which carries profit at the rate of 8% per annum and Rs.271.74 million maintained with Silk Bank Limited (a related party) which carries profit at the rate of 11.75 % per annum.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2019**

	<b>March 31, 2019 (Un-audited)</b>	<b>June 30, 2018 (Audited)</b>
<b>Note</b>	<b>------(Rupees in '000)-----</b>	

**5 INVESTMENTS**

**Investments by Category**

**At fair value through profit or loss**

Government securities - Market treasury bills	5.1	49,446	148,366
Listed equity securities	5.2	138,425	117,007
Listed debt securities	5.3	674,199	383,026
Unlisted debt securities	5.4	741,676	1,038,946
Future stock contracts		726	(1,057)
Government securities - Pakistan Investment Bonds	5.5	149,295	-
		<u>1,753,767</u>	<u>1,686,288</u>

**Available for Sale**

Government securities - Pakistan investment bonds	3.3	-	713
		<u>1,753,767</u>	<u>1,687,001</u>

**5.1 Government securities - Market treasury bills 'at fair value through profit or loss - held-for-trading'**

Name of security	Note	Date of issue	Face value				Balance as at March 31, 2019			Market value as a percentage of net assets	Market value as a percentage of total investments
			As at July 01, 2018	Purchased during the period	Disposed/ matured during the period	As at March 31, 2019	Carrying value	Market value	Unrealised gain / (loss)		
<div>(Rupees in '000)</div> <div>%</div>											
Market treasury bills-3 months		February 14, 2019	-	300,000	250,000	50,000	49,466	49,446	(20)	1.29%	2.82%
Market treasury bills-3 months		January 3, 2019	-	200,000	200,000	-	-	-	-	-	-
Market treasury bills-3 months		December 6, 2018	-	970,000	970,000	-	-	-	-	-	-
Market treasury bills-3 months	5.1.1	October 11, 2018	-	250,000	250,000	-	-	-	-	-	-
Market treasury bills-3 months		August 2, 2018	-	2,300,000	2,300,000	-	-	-	-	-	-
Market treasury bills-3 months		July 19, 2018	-	1,000,000	1,000,000	-	-	-	-	-	-
Market treasury bills-3 months		June 7, 2018	150,000	-	150,000	-	-	-	-	-	-
As at March 31, 2019							49,466	49,446	(20)		
June 30, 2018			-				148,356	148,366	10		

**5.1.1** The above includes Market treasury bill with a face value aggregating to Rs. 50 million (2018: Rs.150 million) which has been 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 the SECP.

**5.2 Listed equity securities - 'at fair value through profit or loss'**

Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

Name of investee company	Number of shares				Balance as at March 31, 2019			Market Value	
	As at July 01, 2018	Purchased during the period	Sold during the period	As at March 31, 2019	Carrying value	Market value	Unrealised (loss) / gain	As a percentage of net assets	As a percentage of total investments
					(Rupees in '000)			%	
<b>Automobile Parts &amp; Accessories</b>									
Loads Limited	33,000	100,000	133,000	-	-	-	-	0.00%	0.00%
					-	-	-	0.00%	0.00%
<b>Cable &amp; Electrical Goods</b>									
Pak Elektron Limited	86,500	8,420,000	8,504,000	2,500	60	58	(2)	0.00%	0.00%
					60	58	(2)	0.00%	0.00%
<b>Cement</b>									
Cherat Cement Company Limited	2,500	-	2,500	-	-	-	-	0.00%	0.00%
D.G. Khan Cement Company Limited	25,000	4,211,000	4,236,000	-	-	-	-	0.00%	0.00%
Fauji Cement Company Limited	270,000	2,078,000	2,348,000	-	-	-	-	0.00%	0.00%
Lucky Cement Limited	2,500	191,000	193,500	-	-	-	-	0.00%	0.00%
Maple Leaf Cement Factory Limited	42,000	3,218,500	3,260,500	-	-	-	-	0.00%	0.00%
Pioneer Cement Limited	31,000	-	31,000	-	-	-	-	0.00%	0.00%
					-	-	-	0.00%	0.00%
<b>Chemicals</b>									
Descon Oxychem Limited	284,500	6,401,000	6,673,000	12,500	286	250	(37)	0.01%	0.01%
Engro Polymer and Chemicals Limited	33,500	11,071,000	11,104,500	-	-	-	-	0.00%	0.00%
Ghani Gases Limited	-	5,000	5,000	-	-	-	-	0.00%	0.00%
Lotte Chemical Pakistan Limited	1,272,500	21,915,000	23,187,500	-	-	-	-	0.00%	0.00%
					286	250	(37)	0.00%	0.01%
<b>Commercial Banks</b>									
United Bank Limited	-	50,000	50,000	-	-	-	-	0.00%	0.00%
					-	-	-	0.00%	0.00%
<b>Engineering</b>									
International Industries Limited	7,000	1,000	8,000	-	-	-	-	0.00%	0.00%
International Steels Limited	9,000	10,000	19,000	-	-	-	-	0.00%	0.00%
Mughal Iron & Steel Industries Limited	500	-	500	-	-	-	-	0.00%	0.00%
					-	-	-	0.00%	0.00%
<b>Fertilizer</b>									
Engro Corporation Limited	500	304,000	304,500	-	-	-	-	0.00%	0.00%
Engro Fertilizer Limited	200,500	725,500	926,000	-	-	-	-	0.00%	0.00%
Fauji Fertilizer Bin Qasim Limited***	12,500	9,215,500	7,523,500	1,704,500	65,045	58,362	(6,683)	1.53%	3.33%
Fauji Fertilizer Company Limited	14,500	687,000	701,500	-	-	-	-	0.00%	0.00%
					65,045	58,362	(6,683)	1.53%	3.33%
<b>Food &amp; Personal Care Products</b>									
Engro Foods Limited	1,000	567,500	552,000	16,500	1,284	1,141	(143)	0.03%	0.07%
Fauji Foods Limited	-	1,113,500	1,113,500	-	-	-	-	0.00%	0.00%
					1,284	1,141	(143)	0.00%	0.07%
<b>Glass &amp; Ceramics</b>									
Shabbir Tiles & Ceramics Limited**	28,000	3,651,500	3,550,000	129,500	1,690	1,624	(66)	0.04%	0.09%
					1,690	1,624	(66)	0.04%	0.09%
<b>Insurance</b>									
Adamjee Insurance Co. Limited	7,000	58,500	64,500	1,000	43	40	(3)	0.00%	0.00%
					43	40	(3)	0.00%	0.00%
<b>Miscellaneous</b>									
Siddiqsons Tin Plate Limited	-	3,178,500	3,178,500	-	-	-	-	0.00%	0.00%
					-	-	-	0.00%	0.00%

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

Name of investee company	Number of shares				Balance as at March 31, 2019			Market Value	
	As at July 01, 2018	Purchased during the period	Sold during the period	As at March 31, 2019	Carrying value	Market value	Unrealised (loss) / gain	As a percentage of net assets	As a percentage of total investments
----- (Rupees in '000) ----- % -----									
<b>Oil &amp; Gas Exploration Companies</b>									
Oil & Gas Development Company Limited	12,500	465,500	471,000	7,000	1,018	1,033	15	0.03%	0.06%
					<b>1,018</b>	<b>1,033</b>	<b>15</b>	<b>0.03%</b>	<b>0.06%</b>
<b>Oil and Gas Exploration Companies</b>									
Pakistan Oilfields Limited	1,500	71,000	72,500	-	-	-	-	0.00%	0.00%
Pakistan Petroleum Limited	5,500	41,000	46,500	-	-	-	-	0.00%	0.00%
					<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Oil And Gas Marketing Companies</b>									
Pakistan State Oil Company Limited.	6,000	299,000	305,000	-	-	-	-	0.00%	0.00%
Sui Northern Gas Company Limited	153,500	3,815,500	3,669,000	300,000	22,010	22,533	523	0.59%	1.28%
Sui Southern Gas Company Limited	188,000	3,055,000	3,231,000	12,000	260	262	2	0.01%	0.01%
					<b>22,270</b>	<b>22,795</b>	<b>525</b>	<b>0.60%</b>	<b>1.30%</b>
<b>Pharmaceuticals</b>									
The Searle Company Limited	2,000	429,000	431,000		-	-	-	0.00%	0.00%
					<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Power Generation &amp; Distribution</b>									
Hub Power Company Limited	8,500	84,000	90,500	2,000	154	147	(7)	0.00%	0.01%
K-Electric Limited*	2,547,500	15,058,000	17,561,500	44,000	250	246	(4)	0.01%	0.01%
Kot Addu Power Co. Limited	21,000	61,000	81,500	500	24	23	(1)	0.00%	0.00%
					<b>428</b>	<b>415</b>	<b>(13)</b>	<b>0.01%</b>	<b>0.02%</b>
<b>Real Estate Investment Trust</b>									
Dolmen City REIT	-	3,500	3,500	-	-	-	-	0.00%	0.00%
					<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Refinery</b>									
Attock Refinery Limited	-	429,000	429,000	-	-	-	-	0.00%	0.00%
Byco Petroleum Pakistan Limited	80,500	1,544,500	1,544,000	81,000	658	644	(14)	0.02%	0.04%
					<b>658</b>	<b>644</b>	<b>(14)</b>	<b>0.02%</b>	<b>0.04%</b>
<b>Technology &amp; Communications</b>									
Pakistan Telecommunication Company Limited	30,500	3,589,500	3,620,000	-	-	-	-	0.00%	0.00%
					<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Textile Composite</b>									
Gul Ahmed Textile Mills Limited	-	144,500	144,000	500	28	28	0	0.00%	0.00%
Nishat (Chunian) Limited	34,000	1,661,000	758,500	936,500	48,301	48,455	153	1.27%	2.76%
Nishat Mills Limited	13,500	197,500	205,000	6,000	819	808	(11)	0.02%	0.05%
					<b>49,148</b>	<b>49,291</b>	<b>143</b>	<b>1.29%</b>	<b>2.81%</b>
<b>Transport</b>									
Pakistan International Bulk Terminal Limited	601,500	8,067,500	8,392,000	277,000	2,919	2,773	(146)	0.07%	0.16%
					<b>2,919</b>	<b>2,773</b>	<b>(146)</b>	<b>0.07%</b>	<b>0.16%</b>
<b>Total as at March 31, 2019</b>					<b>144,851</b>	<b>138,425</b>	<b>(6,425)</b>		
<b>Total as at June 30, 2018</b>					<b>118,378</b>	<b>117,007</b>	<b>(1,371)</b>		

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

\*\*These have a face value of Rs 5 per share

\*\*\*These Shares has been pledged with National Clearing Company of Pakistan Limited as security against exposure margin / MTM losses as per Circular no. 11 dated October 23, 2007 issued by the SECP.



# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

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

Name of investee company	Number of certificates				Balance as at March 31, 2019			Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 01, 2018	Purchased during the period	Disposed during the period	As at March 31, 2019	Carrying value	Market value	(loss) / gain		
----- (Rupees) ----- % -----									
<b>Commercial banks</b>									
Bank Alfalah Limited-V (February 20, 2013)	65,581	-	-	65,581	328,958	326,474	(2,485)	8.53%	18.62%
					328,958	326,474	(2,485)	8.53%	18.62%
<b>Fertilizer</b>									
Dawood Hercules Corporation Limited - Sukuk (November 16, 2017)	3,500	-	1,000	2,500	250,500	247,725	(2,775)	6.47%	14.13%
Dawood Hercules Corporation Limited - Sukuk (March 18, 2018)	1,000	-	-	1,000	100,065	100,000	(65)	2.61%	5.70%
					350,565	347,725	(2,840)	9.09%	19.83%
<b>Leasing companies</b>									
Saudi Pak Leasing Company Limited (March 13, 2010) (refer note 5.4.1)	10,000	-	-	10,000	27,548	-	-	-	-
Less: Provision for impairment					(27,548)	-	-	-	-
					-	-	-	-	-
<b>As at March 31, 2019</b>					<b>679,523</b>	<b>674,199</b>	<b>(5,324)</b>		
As at June 30, 2018					391,558	383,026	(8,532)		

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

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

Name of investee company	Number of certificates				Balance as at March 31, 2019			Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 01, 2018	Purchased during the period	Disposed/ Matured during the period	As at March 31, 2019	Carrying value	Market value	Unrealised (loss) / gain		
----- (Rupees in '000) ----- % -----									
<b>Commercial banks</b>									
Askari Bank Limited IV - TFC (September 30, 2014)	39,000	-	-	39,000	194,723	190,262	(4,460)	4.97%	10.85%
Bank AL Habib Limited (March 17, 2016) TFC-II	52,500	-	-	52,500	261,801	271,774	9,973	7.10%	15.50%
The Bank of Punjab Limited - TFC II - Issue Date April 23, 2018	-	850	-	850	84,983	82,033	(2,950)	2.14%	4.68%
The Bank of Punjab Limited TFC-I * (December 23, 2016)	550	-	-	550	53,926	52,133	(1,793)	1.36%	2.97%
					595,432	596,202	769	15.58%	34.00%
<b>Chemicals</b>									
Ghani Gases Limited - Sukuk *(February 02, 2017)	500	-	-	500	33,304	33,089	(214)	0.86%	1.89%
					33,304	33,089	(214)	0.86%	1.89%
<b>Fertilizer</b>									
Engro Fertilizers Limited (July 09, 2014) Sukuk	15,800	-	15,800	-	-	-	-	-	-
<b>Investment Bank</b>									
Jahangir Siddiqui and Company Limited- TFC-III- July 18, 2017	-	10,000	-	10,000	43,641	43,619	(22)	1.14%	2.49%
Jahangir Siddiqui & Co. Ltd. - TFC (March 06, 2018)	10,000	4,000	-	14,000	70,036	68,766	(1,270)	1.80%	3.92%
					113,677	112,385	(1,292)	2.94%	6.41%
<b>Household goods</b>									
New Allied Electronics Industries (Private) Limited (May 15, 2007) (refer note 5.4.1)	10,400	-	-	10,400	22,337				
Less: Provision for impairment					(22,337)				
					-	-	-	-	-
New Allied Electronics Industries (Private) Limited Sukuk (July 25, 2007) (refer note 5.4.1)	112,000	-	-	112,000	35,603				
Less: Provision for impairment					(35,603)				
					-	-	-	-	-
<b>As at March 31, 2019</b>					<b>742,412</b>	<b>741,676</b>	<b>(737)</b>	<b>19%</b>	<b>42%</b>
As at June 30, 2018					1,045,281	1,038,946	(6,335)		

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



# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

## 5.4.1 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 March 31, 2019, 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 total investments
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### Listed debt securities

Saudi Pak Leasing Company Limited	TFC	27,548	(27,548)	-	0.00%	0.00%
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### Unlisted debt securities

New Allied Electronics Industries (Private) Limited	TFC	22,337	(22,337)	-	0.00%	0.00%
New Allied Electronics Industries (Private) Limited	Sukuk	35,063	(35,063)	-	0.00%	0.00%

## 5.5 Government securities - Pakistan investment bonds : At fair value through profit or loss

Name of security	Date of issue	Face value					Balance as at March 31, 2019			Market value as a percentage of net assets	Market value as a percentage of total investments		
		As at July 01, 2018	Transferred in financial assets at fair value through profit or loss category upon adoption of IFRS 9 - Note 3.3	Purchased during the period	Disposed/ matured during the period	As at March 31, 2019	Carrying value	Market value	Unrealised gain / (loss)				
----- (Rupees in '000) -----												----- % -----	
Pakistan Investment Bonds-10 Years	August 9, 2018	-	-	300,000	150,000	150,000	147,756	149,295	1,539	3.90%	8.51%		
Pakistan Investment Bonds - 5 Years	March 26, 2015		500	-	500	-	-	-	-	-	-		
Pakistan Investment Bonds-5 Years	July 18, 2013		200	-	200	-	-	-	-	-	-		
As at March 31, 2019							147,756	149,295	1,539				
As at June 30, 2018							-	-	-				

(Unaudited)  
March 31,  
2019

(Audited)  
June 30,  
2018

## 5.6 Unrealised (diminution) / appreciation in value of investments at fair value through profit or loss - net

----- (Rupees in '000) -----

Market value of investments	5.1 to 5.5	<b>1,753,042</b>	1,686,288
Carrying value of investments		<b>1,764,008</b>	1,703,573
		<b>(10,966)</b>	<b>(17,285)</b>

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

		(Unaudited) March 31, 2019	(Audited) June 30, 2018
<b>6 ACCRUED AND OTHER LIABILITIES</b>	<b>Note</b>	----- (Rupees in '000) -----	
Provision for Sindh Workers' Welfare Fund (SWWF)	6.1	26,117	21,737
Federal Excise Duty on remuneration to the Management Company	6.2	99,060	99,060
Federal Excise Duty and related taxes payable on sales load		27,933	27,933
Sale load payable to MCB Bank Limited (a related party)		577	6
Auditors' remuneration		314	505
Withholding tax payable		269	241
Brokerage payable		676	887
Others		377	2,689
		<u>155,322</u>	<u>153,058</u>

## 6.1 Provision for Sindh Workers' Welfare Fund

There is no change in the status of the SWWF as reported in the annual financial statements of the Fund for the year ended June 30, 2018. Had the provision for SWWF not been recorded in the condensed interim financial information of the Fund, the net asset value of the Fund as at March 31, 2019 would have been higher/lower by Re. 0.77 per unit (June 30, 2018 Re. 0.50 per unit).

## 6.2 Federal Excise Duty and related tax payable

There is no change in the status of the appeal filed by the Federal Board of Revenue in the Honorable Supreme Court of Pakistan in respect of levy of Federal Excise Duty as reported in the annual financial statements of the Fund for the year ended June 30, 2018. Had the said provision for FED not been recorded in the condensed interim financial information of the Fund, the net asset value of the Fund as at March 31, 2019 would have been higher by Re. 2.91 per unit (June 30, 2018: Re.2.26 per unit).

## 7 CONTINGENCIES AND COMMITMENTS

There were no contingencies outstanding as at March 31, 2019 and June 30, 2018 except for the following mentioned below:

	(Unaudited) March 31, 2019	(Audited) June 30, 2018
<b>7.1 Commitments</b>	----- (Rupees in '000) -----	
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 end	<u>158,644</u>	<u>116,691</u>
Margin Trading System (MTS) transactions entered into by the Fund which have not been settled as at period end:		
- Sale transactions	<u>3,963</u>	<u>949</u>

## 8 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 available for distribution for the year as reduced by capital gains whether realized or unrealized 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 available for distribution

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

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. The management intends to distribute the income to be earned by the Fund during the year ending June 30, 2019 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.

## 9 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.

## 10 TOTAL EXPENSE RATIO

The total expense ratio of the Fund from July 1, 2018 to March 31, 2019 is 1.79% (March 31, 2018: 1.85%) and this includes 0.26% (March 31, 2018: 0.29%) representing government levy, Sindh Worker's Welfare Fund and SECP fee. This ratio is within the maximum limit of 2% prescribed under the NBFC Regulations for a collective investment scheme categorized as Income Scheme.

## 11 TRANSACTIONS AND BALANCES OUTSTANDING WITH CONNECTED PERSONS / OTHER RELATED PARTIES

Related parties / connected persons of the Fund include the Management Company, other collective investment schemes managed by the Management Company, MCB Bank Limited being the holding company of the Management Company, the Trustee, directors and key management personnel, other associated undertakings and unit holders holding more than 10% units of the Fund.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provision of the NBFC Regulations 2008 and Constitutive documents of the Fund.

The transactions with connected persons / related parties are in the normal course of business and are carried out on agreed terms at contracted rates.

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

### 11.1 Unit Holders' Fund

	For the Nine Months ended March 31, 2019 (Un-Audited)							
	As at July 01, 2018	Issuance (including additional units)	Redeemed	As at March 31, 2019	As at July 01, 2018	Issuance	Redeemed	As at March 31, 2019
	Units				(Rupees in '000)			
<b>Group / associated companies</b>								
MCB Employees' Provident Fund	1,255,728	57,539	-	1,313,267	139,814	6,126	-	147,744
MCB Employees' Pension Fund	1,255,728	57,539	-	1,313,267	139,814	6,126	-	147,744
MCB-Arif Habib Savings And Investments Limited	-	4,081	4,081	-	-	456,678	457,052	-
D.G. Khan Cement Company Limited - Employees' Provident Fund Trust	3,777	173	-	3,950	421	18	-	444
Adamjee Life Assurance Company Limited - Employees' Gratuity Fund	166,862	7,646	174,508	-	18,579	4	18,591	-
Nishat Power Limited Employees Provident Fund Trust	86,109	3,946	90,055	-	9,587	2	9,607	-
Adamjee Insurance Co.Ltd Employees Provident Fund	335,292	15,364	350,656	-	37,332	9	37,388	-
<b>Key Management Personnel</b>	-	45	45	-	-	5	5	-
<b>Mandate under discretionary portfolio services</b>	1,554,333	157,855	1,692,840	19,348	173,061	9,377	180,618	2,177

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

	For the nine months ended March 31, 2018 (Un-Audited)							
	As at July 01, 2017	Issuance	Redeemed	As at March 31, 2018	As at July 01, 2017	Issuance	Redeemed	As at March 31, 2018
	Units				(Rupees in '000)			
<b>Associated companies</b>								
MCB Employees' Provident Fund	1,255,728	-	-	1,255,728	133,646	-	-	138,072
MCB Employees' Pension Fund	1,255,728	-	-	1,255,728	133,646	-	-	138,072
D.G. Khan Cement Company Limited - Employees' Provident Fund Trust	3,777	-	-	3,777	402	-	-	415
Adamjee Life Assurance Company Limited - Employees' Gratuity Fund	27,549	-	-	27,549	2,932	-	-	3,029
<b>Mandate under discretionary portfolio services</b>	331,381	41	331,382	40	35,269	4	35,990	4
<b>Key management personnel</b>	-	5	5	-	-	575	560	-
<b>Unit holders holding 10% or more units</b>								
Gul Ahmed Energy Limited	6,667,860	337,914	2,729,791	4,275,983	709,656	35,999	300,000	470,162

(Un-Audited)  
March 31,                  March 31,  
2019                          2018  
----- (Rupees in '000) -----

## 11.2 Transactions during the period:

### Management Company

#### MCB Arif Habib Savings and Investments Limited

Remuneration (including indirect taxes)	49,763	73,520
Expense allocated by the Management Company and related taxes	3,256	4,901

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

Remuneration (including indirect taxes)	3,541	4,788
Settlement charges	418	-

### Group / associated companies

#### MCB Bank Limited

Mark-up on deposit accounts	57	75
Bank charges	15	30

#### Silk Bank Limited

Mark-up on deposit accounts	57,985	12,502
Bank charges	97	25
Sale of Government securities having face value of Rs.1,325,000,000 (2018:Rs:Nil)	1,303,145	-

#### Next Capital Limited - Brokerage House

Brokerage and settlement charges *	492	215
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#### Arif Habib Limited

Brokerage expense *	-	8
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**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2019**

	<b>(Un-Audited)</b>	
	<b>March 31, 2019</b>	<b>March 31, 2018</b>
	<b>----- (Rupees in '000) -----</b>	
<b>Fatima Fertilizer Company Limited</b>		
Purchase of Nil (2018: 8,500) shares	-	270
Sale of Nil (2018: 8,500) shares	-	272
<b>Adamjee Insurance Company Limited</b>		
Purchase of 58,500 (2018: 65,000) shares	2,739	3,813
Sale of 58,500 (2018: 59,500) shares	2,771	3,526
<b>Nishat (Chunian) Limited</b>		
Purchase of 1,661,000 (2018: 3,723,000) shares	87,230	196,635
Sale of 724,500 (2018: 3,719,500) shares	39,347	196,606
Dividend income		930
<b>D.G. Khan Cement Company Limited</b>		
Purchase of 4,211,000 (2018: 4,785,500) shares	376,524	697,818
Sale of 4,211,000 (2018: 4,783,500) shares	376,465	683,035
Dividend income	1,394	18,094
<b>Nishat Mills Limited</b>		
Purchase of 197,500 (2018: 1,002,000) shares	27,348	145,122
Sale of 191,500 (2018: 990,500) shares	26,780	143,929
Dividend income	-	1,050
<b>Power Cement Limited</b>		
Purchase of Nil (2018: 7,000 ) shares	-	71
Sale of Nil (2018: 7,000) shares	-	72
<b>Mughal Iron &amp; Steel</b>		
Purchase of Nil (2018: 50,500) shares	-	3,763
Sale of Nil (2018: 20,000) shares	-	1,509
<b>Aisha Steel Ltd</b>		
Purchase of Nil (2018:1,575,500 ) shares	-	33,394
Sale of Nil (2018:1,158,000 ) shares	-	32,421

\* 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.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2019**

(Un-Audited)  
March 31,                      March 31,  
2019                              2018  
----- (Rupees in '000) -----

**11.3 Balances outstanding at period end:**

**Management Company**

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

Remuneration payable	4,906	5,638
Sindh sales tax payable on remuneration payable	637	733
Sales load payable	65	322
Sindh sales tax payable on sales load	8	42
Back End Load Payable	14	27
Expense allocated by the Management Company	327	376

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

Security deposit	200	200
Remuneration payable (including indirect taxes)	396	441

**Group / associated companies**

**MCB Bank Limited**

Balances with bank	6,412	3,242
Sales load payable	577	6

**Silk Bank Limited**

Balances with bank	271,737	1,674,650
Profit Recievable	11,665	11,771

**Next Capital Limited - Brokerage House**

Brokerage and settlement charges payable*	143	136
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**Nishat (Chunian) Limited**

936,500 shares (2018: 34,000) shares held	48,455	1,614
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**D.G. Khan Cement Company Limited**

Nil (2018: 25,000) shares held	-	2,862
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**Nishat Mills Limited**

6,000 shares (2018: 13,500) shares held	808	1,902
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**Mughal Iron & Steel Industries Limited**

Nil (2018: 500) shares held	-	31
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**Adamjee Insurance Company Limited**

1000 shares (2018: 7,000) shares held	40	341
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**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2019**

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**12. GENERAL**

**12.1.** Figures have been rounded off to the nearest thousand rupees, unless otherwise specified.

**12.2.** Corresponding figures have been reclassified and rearranged in these condensed interim financial statements, wherever necessary, for the purpose of better presentation. However, no significant rearrangements or reclassifications were made in these condensed interim financial statements to report.

**13. DATE OF AUTHORISATION**

These condensed interim financial statements were authorised for issue on April 19, 2019 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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