



MCB-ARIF HABIB  
Savings and Investments Limited

# QUARTERLY REPORT

SEPTEMBER  
**2017**  
(UNAUDITED)

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



# **Pakistan Income Enhancement Fund**

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## FUND'S INFORMATION

<b>Management Company</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>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 Financial Officer &amp; Company Secretary</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 Fiance Bank Limited Khushali Micro Finance Bank Limited Tameer Micro Finance Bank Limited JS bank Limited Zarai Taraqiati Bank Limited Finca Micro Finance Bank Limited Habib Bank Limited	
<b>Auditors</b>	<b>Deloitte Yousuf Adil</b> Chartered Accountants Cavish Court, A-35, Block 7 & 8, KCHSU, Shahrah-e-Faisal, Karachi-75350.	
<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>	AM2++ Asset Manager Rating assigned by PACRA	

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2017

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **Pakistan Income Enhancement Fund's** accounts review for the quarter ended September 30th, 2017.

### ECONOMY AND MONEY MARKET OVERVIEW

The economic scorecard in first quarter of FY18 posted a mixed picture relative to several economic indicators. The LSM grew at an astounding pace of 13% YoY, boosted by growth in Steel, Auto and Food & Beverages sector. Add to this the agricultural sector growth (being reflected in cotton crop, sugar crop and wheat crop bumper numbers coming in), we are well on our way to meet the 6% target GDP growth for FY18.

CPI for the first quarter averaged at a moderate level of 3.4% YoY, supported by lower oil prices, stable food prices and a higher base effect. Going forward we expect inflation to remain under control, averaging below 4.5% for FY18, as stable commodity prices along with a contained currency to rein in inflation. As a result of the stable indicators, the monetary policy committee maintained a status quo in its first meeting held for the current fiscal year.

Indicators that have started to sound a warning alarm include the widening fiscal deficit and current account deficit (CA). On the back of rising overall imports bill, the CA deficit for 2MFY18 has doubled from USD 1.3bn in SPLY to USD 2.6bn. As a result of the financing gap, the foreign exchange reserves of the country fell by USD 1.3 billion during the 1QFY18.

Fiscal account which was one source of comfort turned out to be a red herring. Fiscal deficit for FY17 was recorded at ~ PKR 1.8 tn and provinces recorded an unexpected deficit on account of election preparation spending. Keeping this in view we remain skeptical on the government's ability to meet the target of 4.1% of GDP.

PIB yields during the quarter inched up by ~45 bps for 3 year, and 56 bps for 5 year bonds. Political uncertainty along with deterioration in the external account kept the market participants at bay from long tenor bonds. Furthermore, the bearish sentiment was also backed by SBP in its MPS, which highlighted its concerns on external account as trade deficit widened.

### FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 5.91% as against its benchmark return of 6.40%. At period-end, the fund was 31% invested in Cash, 1.2% in PIBs, and 34% in TFCs.

The Net Assets of the Fund as at September 30, 2017 stood at Rs. 1,575 million as compared to Rs. 1,688 million as at June 30, 2017 registering a decrease of 6.69%.

The Net Asset Value (NAV) per unit as at September 30, 2017 was Rs. 53.8863 as compared to opening NAV of Rs. 53.0957 per unit as at June 30, 2017 registering an increase of Rs. 0.7905 per unit.

### FUTURE OUTLOOK

While the government has been able to stabilize the economy, its ambitious plan to revive the growth can come in doldrums if it is not able to contain the twin deficits. We project a current account deficit of USD 17 billion for the FY18, and as such the ability of government to manage inflows will be highly tested. Nevertheless, our in-house projections estimate a financing gap of USD 6 billion which will gobble up the existing foreign exchange reserves. On the whole, cracks have started appearing in the economic façade which warrant immediate policy measure by the government of Pakistan if the economic progress is expected to be kept on track.

Going forward, we expect market to remain volatile in the short run, as political uncertainty along with twin deficits continue to haunt the basic macroeconomic fundamentals. We believe certain policy adjustments are necessary to maintain the direction of economic growth. Nevertheless, market valuations remain at a very attractive level, and they will sooner or later come into play. The risk premiums (difference between earnings yield and 10-year interest rates) are at historically high level, suggesting market to remain very cheap. Furthermore, KSE-100 trades at a forward P/E of 7.9x, at a steep discount of 35% from its emerging market peer group. Enduring themes that should play out over the medium-term regardless of the political situation include (i) PKR depreciation and higher interest rates (ii) CPEC and continued GoP support for the textiles sector that would encourage exports. We advise local investors to carefully watch the economic trends and build exposure on any weakness.

On the fixed income front, market is expected to remain cautious on back of a precarious external account position along with an uptick in inflation trajectory. Visibility on economic front, in particular to balance of payments, would guide further participation towards fixed income markets.

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2017

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### 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  
October 20, 2017



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**Samad A. Habib**  
Director

## ڈائریکٹرز رپورٹ برائے سہ ماہی اختتام پذیر 30 ستمبر 2017ء

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی طرف سے پاکستان انکم انہینسمنٹ فنڈ 30 ستمبر 2017ء کو ختم ہونے والی سہ ماہی کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

### معیشت اور بازار زر کا مجموعی جائزہ

مالی سال 2018ء کی پہلی سہ ماہی میں معاشی اشاریوں میں ملا جلا رجحان پایا گیا اور اکانامک سکور کارڈ میں صورتحال مختلف معاشی علامات کی بنیاد پر پلٹی جلی رہی۔ LSM نے توقعات سے زیادہ یعنی 13% YoY کے ساتھ فروغ پایا جس میں بنیادی کردار اسٹیل، آٹو اور غذائی ایشیا و مشروبات کی کارکردگی نے ادا کیا۔ علاوہ ازیں زرعی سیکٹر کی ترقی کے مطابق (جو کہ کپاس، چینی اور گیہوں کی فصلوں کے آنے والے اعداد و شمار سے ظاہر ہے) ہم پورے 2018ء کیلئے اپنا ہدف GDP 6% گروتھ حاصل کرنے کی راہ پر گامزن ہیں۔ پہلی سہ ماہی میں CPI اوسطاً 3.4% YoY پر رہا جسے تیل کی قیمت میں کمی اور غذائی ایشیا کی مستحکم قیمتوں سے سہارا ملا۔ ہمیں امید ہے کہ آگے افراتفری مقررہ حد میں رہے گا جس کا اوسط مالی سال 2018ء میں 4.5% سے کم رہنے کا امکان ہے کیونکہ کموڈٹی کی مستحکم قیمتوں کیساتھ روپے کی مضبوط قدر افراتفری کو قابو میں رکھے گی۔ لہذا ان سب انڈیکٹرز کے نتیجے میں مالیاتی پالیسی کمیٹی نے رواں مالی سال کیلئے ہونے والی اپنی پہلی میٹنگ میں شرح سود کو برقرار رکھا۔

انڈیکٹرز جنہوں نے انتہائی گھٹی بجانی شروع کر دی ان میں شامل ہیں وسیع ہوتے ہوئے فیکل اور کرنٹ خسارہ جات شامل ہیں (CA)۔ بنیادی طور پر بڑھتے ہوئے امپورٹ بل کی وجہ سے اس سال کے پہلے دو ماہ میں ہی ڈیفیسٹ 1.3 بلین ڈالر سے دو گنا ہو کر 2.6 بلین ڈالر ہو گیا۔ اس مالیاتی خلا کے نتیجے میں 1QFY18 کے دوران ملک کے غیر ملکی زرمبادلہ کے ذخائر میں 1.3 بلین ڈالر کی کمی ہوئی۔

فیکل اکاؤنٹ جو کہ پرسکون طور پر چل رہا تھا خطرے میں نظر آیا۔ FY17 میں فیکل ڈیفیسٹ 1.8 ٹریلین روپے پر ریکارڈ کیا گیا اور صوبائی سطح پر آنے والے الیکشن کی وجہ سے غیر متوقع خسارہ ریکارڈ کیا گیا۔ اس صورتحال کو سامنے رکھتے ہوئے ہم حکومت کا 4.1% معاشی ترقی کا ہدف پورا کرنے کی صلاحیت پر غیر یقینی کا شکار ہیں۔

PIB کا منافع اس سہ ماہی کی دوران نہایت ہی سست رفتاری سے تین سالہ بانڈز کیلئے 45 bps اور پانچ سالہ بانڈز کیلئے 56bps بڑھا۔ سیاسی عدم استحکام اور بیرونی اکاؤنٹ کی نازک صورتحال نے مارکیٹ کے شرکات داروں کو طویل المیعاد بانڈز سے دور رکھا۔ مزید برآں SBP کے MPS میں روپے نے Bearish Sentiment کو سہارا دیا جس نے اپنے تحفظات کا اظہار بیرونی اکاؤنٹ پر کیا کیونکہ مالیاتی خسارہ وسعت اختیار کر گیا تھا۔

## ڈائریکٹر رپورٹ برائے سہ ماہی اختتام پذیر 30 ستمبر 2017ء

### فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع مقررہ معیار %6.40 کے مقابلے میں %5.91 تھا۔  
اختتام مدت پر فنڈ کی سرمایہ کاری %31 فیصد نقد میں، %34 فیصد TFCs میں اور %1.2 فیصد PIBs میں تھی۔  
30 ستمبر 2017ء کو فنڈ کے net اثاثہ جات کی مالیت 1,575 ملین روپے تھی، جو 30 جون 2017ء پر 1,688 ملین روپے مالیت کے مقابلے میں %6.69 کم ہے۔  
0 ستمبر 2017ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 53.8863 روپے تھی، جو 30 جون 2017ء پر 53.0957 روپے فی یونٹ قدر کے مقابلے میں 0.7905 روپے فی یونٹ زیادہ ہے۔

### مستقبل کا منظر

گوکہ حکومت اب تک معیشت کو مستحکم رکھنے میں خاصی کامیاب رہی ہے۔ تاہم خدشات ہیں کہ جڑواں خساروں کو سنبھالنا ایک چیلنج ثابت ہو سکتا ہے۔ ہمارے اندازوں کے مطابق کرنٹ اکاؤنٹ خسارہ FY18 میں 17 بلین ڈالر کے قریب ہوگا، جو جمع شدہ زرمبادلہ کو تیزی کے ساتھ کم کرنے کی صلاحیت رکھتا ہے۔ اگر سارے حالات کو دیکھا جائے تو معاشی افق پر واضح اور تسلسل کے ساتھ پالیسیوں پر کام کرنے کی فوری ضرورت ہے تاکہ ہم اپنی معاشی ترقی کی راہ پر گامزن رہ سکیں۔

مزید براں، رجحان کے مطابق ابھی کچھ عرصے تک مارکیٹ غیر مستحکم رہ سکتی ہے کیونکہ سیاسی عدم استحکام بشمول جڑواں خساروں کے بنیادی مالیاتی بنیادوں پر اثر انداز ہوتا رہے گا۔ ہمارے یقین ہے کہ معاشی ترقی کی سمت کو برقرار رکھنے کیلئے کچھ پالیسی ترمیم ضروری ہیں۔ اس کے باوجود اسٹاک مارکیٹ کے اعداد و شمار پر کشش سطح پر ہیں اور جلد یا بدیر شیئرز کی قیمتوں میں بہتری آسکتی ہے۔ خدشات کے پریمنیم (دس سالہ شرح منافع اور رینگ بییلڈ کی تفریق Equity Risk Premium) تاریخ کی اونچی سطح کے قریب ہونے کے باعث مارکیٹ کو بہت سستارہنے کا اشارہ دے رہے ہیں۔ اس کے ساتھ ساتھ کے ایس ای 100، 7.9x کے PE Ratio پر اپنے ایمرجنگ مارکیٹ پیئر گروپ سے پینتیس فیصد سے زائد ڈسکاؤنٹ پر تجارت کر رہا ہے۔ سیاسی صورتحال سے قطع نظر ان پائیدار عوامل کو میڈیم ٹرم سے وسیع ہو کر دیکھنا چاہیے (i) پاکستانی روپے کی قیمت میں کمی اور سود کی اعلیٰ شرح (ii) سی پیک، اور ٹیکسٹائل کے شعبے کے لیے حکومت پاکستان کا تعاون جو کہ برآمدات کی حوصلہ افزائی کرے گا۔ ہم مقامی سرمایہ کاروں کو معاشی رجحانات پر خصوصی توجہ دیتے ہوئے کسی بھی گراؤٹ کو شیئرز جمع کرنے کا موقع سمجھ کر سرمایہ کاری کرنے کا مشورہ دے رہے ہیں۔

فلسفہ انکم مارکیٹ میں غیر معمولی بیرونی اکاؤنٹس کی محتاط پوزیشن پر رہنے کی امید ہے۔ معاشی محاذ پر صورتحال، خاص طور پر ادا بیگیوں کا توازن، فلسفہ انکم مارکیٹوں کی سمت تعین کرنے میں اہم کردار ادا کرے گا۔

ڈائریکٹرز رپورٹ  
برائے سہ ماہی اختتام پذیر 30 ستمبر 2017ء

اظہارِ تشکر

بورڈ فنڈ کے گراں قدر سرمایہ کاروں، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور فنڈ کے ٹرسٹیز کی مسلسل معاونت اور پشت پناہی کے لئے شکرگزار ہے۔ علاوہ ازیں، ڈائریکٹرز مینجمنٹ ٹیم کی کوششوں کو بھی خراجِ تحسین پیش کرتے ہیں۔

برائے اور مین جانب بورڈ

  
صدر اے۔ حبیب  
ڈائریکٹر



محمد ثاقب سلیم  
چیف ایگزیکٹو آفیسر  
20 اکتوبر 2017ء

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES  
AS AT September 30, 2017**

		(Unaudited) September 30, 2017	(Audited) June 30, 2017
	Note	----- (Rupees in '000) -----	
<b>ASSETS</b>			
Balances with banks	5	497,834	642,493
Investments	6	963,800	977,912
Dividend and profit receivable		10,352	13,863
Advances, deposit, prepayments & Other Receivables		3,382	3,065
Advance against subscription of Term Finance Certificate		1,000	1,000
Receivable against margin trading system		111,852	10,919
Receivable from National Clearing Company of Pakistan Limited		17,232	48,021
Receivable against sale of equity securities		-	66,813
<b>Total assets</b>		<b>1,605,452</b>	<b>1,764,086</b>
<b>LIABILITIES</b>			
Payable to Management Company		2,568	2,753
Payable to Central Depository Company of Pakistan Limited - Trustee		203	235
Payable to Securities and Exchange Commission of Pakistan		311	1,826
Payable against redemption of units		2,079	2,079
Payable against purchase of equity securities		-	39,299
Accrued expenses and other liabilities	7	25,392	29,828
<b>Total liabilities</b>		<b>30,553</b>	<b>76,020</b>
<b>NET ASSETS</b>		<b>1,574,899</b>	<b>1,688,066</b>
<b>Unit holders' funds (as per statement attached)</b>		<b>1,574,899</b>	<b>1,688,066</b>
<b>Contingencies and commitments</b>			
		(Number of units)	
<b>Number of units in issue</b>		<b>29,226,341</b>	<b>31,792,881</b>
		(Rupees)	
<b>NET ASSET VALUE PER UNIT</b>		<b>53.8863</b>	<b>53.0957</b>

The annexed notes 1 to 13 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 QUARTER ENDED SEPTEMBER 30, 2017**

	Quarter ended 30 September	
	2017	2016
Note	----- (Rupees in '000) -----	
<b>INCOME</b>		
Income from government securities	1,195	33,558
Capital gain on sale of investments - net	(455)	(6,069)
Income from term finance and sukuk certificates	10,240	11,450
Profit on bank deposit	8,723	6,620
Income from Term Deposit Receipts	3,090	-
Markup income on margin trading system	3,400	-
Dividend income	-	-
Gain on spread transactions	61	-
Amortization on commercial papers	3,798	-
Other income	310	-
	30,362	45,559
Unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss' - net	2,206	37
Net element of Income included in prices of units issued less those in units redeemed.	-	(3,570)
Provision reversed / (charged) against non-performing debt securities	-	(2,549)
<b>Total income</b>	32,569	39,478
<b>EXPENSES</b>		
Remuneration of the Management Company	4,589	9,880
Sindh Sales tax and Federal Excise Duty on remuneration of the Management Company	597	1,284
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	567	774
Sindh Sales tax on remuneration of Trustee	74	101
Securities and Exchange Commission of Pakistan - fee	311	494
Allocated expense	469	744
Securities transaction cost	299	406
Provision for workers' welfare fund	497	-
Bank charges	56	128
Fees and subscriptions	84	84
Legal and professional charges	53	15
Auditors' remuneration	183	133
Other Expenses	423	40
<b>Total expenses</b>	8,202	14,083
<b>Net income for the period before taxation</b>	24,367	25,395
Taxation	9. -	-
<b>Net income for the period after taxation</b>	24,367	25,395
	<b>30 September</b>	
	2017	
	----- (Rupees in '000) -----	
<b>Allocation of Net income for the period:</b>		
Income already paid on units redeemed		(4,395)
Accounting income available for distribution		
- Relating to capital gains	1,436	
- Excluding capital gains	18,536	
<b>Accounting Income available for Distribution</b>		19,971
<b>Earnings per unit</b>	10.	

The annexed notes 1 to 13 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

**STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

	Quarter ended 30 September	
	2017	2016
	----- (Rupees in '000) -----	
<b>Net income for the period after taxation</b>	<b>24,367</b>	25,395
<b>Other comprehensive income for the period</b>		
Items that may be reclassified to profit and loss account		
Unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'	(83)	(7,560)
<b>Total comprehensive income for the period</b>	<b>24,283</b>	17,835

The annexed notes 1 to 13 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' FUND (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

	Quarter ended 30 September	
	2017	2016
	----- (Rupees in '000) -----	
<b>Net assets at beginning of the period</b>	1,688,066	2,462,552
Issue of 10,507,926 units (2016:13,240,222 units)	561,473	705,802
Redemption of 13,074,466 units (2016:16,283,321 units)	(698,924)	(869,966)
	(137,450)	(164,164)
<b>Accounting Income available for Distribution</b>	19,971	28,964
Income already paid on units redeemed	4,395	
Net unrealised diminution on re-measurement on investments classified as available for sale	(83)	(7,560)
<b>Net assets as at the end of the period</b>	<u>1,574,899</u>	<u>2,319,793</u>
<b>Net Assets value per unit as at beginning of the period</b>	<u>53.0957</u>	53.5976
<b>Net Assets value per unit as at end of the period</b>	<u>53.8863</u>	53.1584
<b>Distribution during for the period:</b>		
<b>Undistributed income brought forward comprises of:</b>		
- Realised Gain	59,471	109,834
- Unrealised Gain	35,208	32,813
	94,679	142,647
<b>Accounting income available for distribution:</b>		
- Relating to capital gains	1,436	-
- Excluding capital gains	18,536	-
	19,971	25,395
Net element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed	-	(8,440)
<b>Distributions during the period</b>	-	-
<b>Undistributed income carried forward</b>	<u>114,650</u>	<u>159,602</u>
<b>Undistributed income carried forward comprises of:</b>		
- Realised Gain	112,444	159,565
- Unrealised Gain	2,206	37
	<u>114,650</u>	<u>159,602</u>

The annexed notes 1 to 13 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 QUARTER ENDED SEPTEMBER 30, 2017**

	Quarter ended 30 September	
	2017	2016
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation	24,367	25,395
Adjustments for non cash and other items:		
Net unrealised (appreciation) in fair value of investments classified as 'at fair value through profit or loss'	(2,206)	(37)
Net element of loss and capital losses included in prices of units issued less those in units redeemed:	-	3,569
Reversal of provision against debt securities	-	(2,549)
	<u>22,160</u>	<u>26,379</u>
<b>Decrease / (Increase) in assets</b>		
Investments	16,235	(673,708)
Dividend and profit receivable	3,511	10,585
Receivable against margin trading system	(100,933)	-
Receivable from National Clearing Company of Pakistan Limited	30,789	-
Receivable against sale of equity securities	66,813	-
Advances, deposit, prepayments & Other Receivables	(317)	86
	<u>16,098</u>	<u>(663,037)</u>
<b>(Decrease) in liabilities</b>		
Payable to Management Company	(186)	(1,236)
Payable to the Central Depository Company of Pakistan Limited - Trustee	(32)	(106)
Payable to the Securities and Exchange Commission of Pakistan	(1,515)	(1,931)
Payable against redemption of units	(0)	40,703
Payable against purchase of equity securities	(39,299)	-
Accrued expenses and other liabilities	(4,436)	(10,531)
	<u>(45,467)</u>	<u>26,899</u>
<b>Net cash (used in) operating activities</b>	<u>(7,209)</u>	<u>(609,760)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issuance of units	561,473	705,802
Payments on redemption of units	(698,924)	(869,966)
<b>Net cash (used in) financing activities</b>	<u>(137,450)</u>	<u>(164,164)</u>
<b>Net (decrease) in cash and cash equivalents during the period</b>	<u>(144,659)</u>	<u>(773,923)</u>
Cash and cash equivalents at beginning of the period	642,493	1,291,192
<b>Cash and cash equivalents at end of the period</b>	<u>497,834</u>	<u>517,269</u>

The annexed notes 1 to 13 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 QUARTER ENDED SEPTEMBER 30, 2017**

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**1. LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1** Pakistan Income Enhancement Fund (the Fund) was established through 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 July 14, 2008 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on June 26, 2008 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).
- 1.2** The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi, Pakistan.
- 1.3** The Fund is an open-ended mutual fund and has been categorised as 'Aggressive Fixed Income Scheme' by the Board of Directors of the Management Company in pursuant to Circular 7 of 2009, dated 6 March 2009 issued by the SECP, and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. Unit holders are divided into plan 'A' and plan 'B'. The unit holders under plan "A" are entitled for bonus units as well as cash dividend, whereas unit holders under plan "B" are entitled for cash dividend. The units are listed on Pakistan Stock Exchange (PSX).
- 1.4** The Fund primarily invests in a mix of listed equity and debt securities, unlisted government securities and secured debt securities, money market transactions and reverse repurchase transactions, spread transactions and transaction under Margin Trading System.
- 1.5** The Pakistan Credit Rating Agency (PACRA) Limited has assigned Management quality rating of AM2++ dated June 23, 2017 to the Management Company and "A+(f)" as stability rating dated July 12, 2017 to the Fund.
- 1.6** 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 Act 2017, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), the Non-Banking Finance and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations, Companies Act 2017 or the directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations, Companies Act 2017 or the directives issued by the SECP prevail.
- 2.1.2** The Companies Act, 2017 was enacted on 30th May 2017 and is applicable with immediate effect. However, owing to the practical difficulty being faced by the companies in the preparation of the Financial Statements Circular No. 17/ 2017 dated October 06, 2017 issued by Institute of Chartered Accountants of Pakistan to be read with circular no. 23 of 2017 dated October 04, 2017 issued by Securities and Exchange Commission of Pakistan (SECP) have notified that the companies whose interim period ends on or before 31 December 2017, shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.
- 2.1.3** These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2017.
- 2.1.4** The comparatives in the condensed interim statement of assets and liabilities presented in the condensed interim financial information as at 30 September 2017 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2017, where as the comparative in condensed interim income statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement are extracted from unaudited condensed interim financial information for the period ended 30 September 2016.
- 2.1.5** These condensed interim financial statements are unaudited and are presented in Pak rupees, which is the functional and presentation currency of the Fund. Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

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

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- 3.1** The accounting policies adopted and the methods of computation of balances in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2017 except for change in accounting policy as stated
- 3.2** The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations, 2008). The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (Amount distributable to unit holders) of the NBFC Regulations, 2008. As per the notification, Element of Income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.
- 3.3** Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed to the extent it was represented by distributable income earned during the year was recognised in the income statement and the element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed represented by distributable income carried forward from prior period was included in the distribution statement.
- 3.4** As per IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, a change in accounting policy requires retrospective application from the earliest prior period, however, aforementioned change in policy has been applied prospectively from July 01, 2017 and figures for corresponding financial period has not been rearranged or restated as the management believes that notification by the SECP is not applicable on previous years.

**4. FINANCIAL RISK MANAGEMENT**

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

	Note	(Unaudited) September 30, 2017 (Rupees in '000)	(Audited) June 30, 2017
<b>5 BANK BALANCES</b>			
In current account		3,541	103
In deposit accounts		494,293	642,390
		<u>497,834</u>	<u>642,493</u>
<b>5.1</b>		These carry mark-up at rates ranging between 3.75% to 8% per annum (2017: 3.75% to 8% per annum).	
<b>6 INVESTMENTS</b>			
Available for sale			
Government securities	6.1	19,478	19,598
At fair value through profit or loss			
Government securities	6.2	49,799	74,597
Listed debt securities	6.3	440,929	383,330
Unlisted debt securities	6.4	104,549	105,141
Listed equity securities	6.5	-	-
Loans and receivables		595,278	563,068
Term deposit receipts	6.6.1	150,000	200,000
Commercial Paper	6.6.2	199,044	195,246
		<u>963,800</u>	<u>977,912</u>

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

**6.1 Government securities - Available for Sale**

Issue date	Face value			At September 30, 2017			Market value as a percentage of net assets	Market value as a percentage of total investments	
	At July 01, 2017	Purchases during the period	Sales / matured during the period	At September 30, 2017	Carrying value	Market value			Appreciation / (diminution)
				2016			%		
Pakistan Investment Bond - 5 Years	800			800	842	840	(2)	0.00	0.09
Pakistan Investment Bond - 15 Years	18,000			18,000	18,359	18,638	279	0.01	1.93
<b>As at September 30, 2017</b>					<b>19,201</b>	<b>19,478</b>	<b>277</b>		
As at June 30, 2017					19,117	19,598	481		

**6.2 Government securities - 'at fair value through profit or loss'**

Issue date	Face value			At September 30, 2017			Market value as a percentage of net assets	Market value as a percentage of total investments	
	At July 01, 2017	Purchases during the period	Sales / matured during the period	At September 30, 2017	Carrying value	Market value			Appreciation
				(Rupees in '000)			%		
Treasury bills - 5 months	75,000	50,000	75,000	50,000	49,798	49,799	1	0.03	0.05
<b>As at September 30, 2017</b>					<b>49,798</b>	<b>49,799</b>	<b>1</b>		
As at June 30, 2017					74,599	74,597	(2)		

**6.3 Listed debt securities**

Less: Provision at July 1								
Less: Provision charged / (reversed) during the period								
Pace Pakistan Limited								
- Reversal against carrying value matured								9,878
- Charge against face value receivable								(14,976)
								(5,098)
								<b>440,929</b>
								<b>284,553</b>

**(Unaudited) (Audited)**  
**September 30, 2017**      **June 30, 2017**

**Note**

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

2016      2016      6.3.1      513,499      354,367  
(72,570)      (64,716)

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

**6.3.1 Listed debt securities - term finance certificates**

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

Name of investee company	Number of Certificates				At September 30, 2017			Market value as a percentage of net assets	Market value as a percentage of total investment	
	At July 01, 2017	Purchased during the period	Matured during the period	Disposed off during the period	At September 30, 2017	Carrying value**	Market value			Appreciation / (diminution)
<b>Commercial banks</b>										
Askari Bank Limited (30-9-14 issue)	15,000	-	-	-	15,000	76,403	75,909	(494)	0.05	7.88
Askari Bank Limited (23-12-11 issue)*	82	-	-	-	82	83,047	85,136	2,090	0.05	8.83
Habib Bank Limited (19-02-16 issue)**	1,250	-	-	700	550	55,104	54,428	(676)	0.03	5.65
Bank of Punjab (23-12-16 issue)**	975	-	-	-	975	98,602	97,826	(775)	0.06	10.15
Jahangir Siddiqui and Company Ltd		25,000	-	-	25,000	125,000	127,630	2,630	0.08	13.24
<b>Real Estate investment and services</b>										
Pace Pakistan Limited (15-02-08)	15,000	-	-	-	15,000	2,756	2,756	-	-	-
- Redeemable amount						69,814	69,814	-	-	-
- Due but not received						72,570	72,570	-	-	-
<b>As at September 30, 2017</b>						<b>510,726</b>	<b>513,499</b>	<b>2,774</b>		
As at June 30, 2017						454,491	455,900	1,409		

\* Face value of the investment is Rs. 1,000,000 each

\*\* Carrying value before provision

\*\*\* Market value after provision

**6.4 Unlisted debt securities**

Less: Provision as at July 01

Less: Provision charged / (reversed) during the period

Pak Electron Limited - Sukuk

- Charge against face value receivable

- Reversal against carrying value matured

	(Unaudited) September 30, 2017	Note	(Audited) June 30, 2017
	114,800	6.4.1	137,522
	(10,251)		(27,395)
	<b>104,549</b>		<b>127,271</b>

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

**6.4.1 Unlisted debt securities - term finance certificates**

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

Name of investee company	Number of Certificates						At September 30, 2016			Market value as a percentage of net assets**	Market value as a percentage of total investment**	
	At July 01, 2017	Purchased during the period	Matured during the period	Disposed during the period	At September 30, 2016	Carrying value*	Market value	Appreciation / (diminution)				
	Rupees in '000											%
<b>Commercial banks</b>												
Bank Al Habib Limited (17-03-16 issue)	9,000	-	-	-	9,000	45,669	45,355	(314)			0.03	0.05
Bank Alfalah Limited (20-02-13 issue)	11,581	-	-	-	11,581	59,451	59,193	(258)			0.04	0.06
<b>Construction and Material</b>												
Eden Housing Limited - Sukuk - (31-03-2008 issue)												
- Due but not received	10,415	-	-	-	10,415	10,252	10,252	-			-	-
<b>As at September 30, 2017</b>						<b>115,372</b>	<b>114,800</b>	<b>(572)</b>				
Total as at June 30, 2017						114,278	115,392	1,114				

\* Carrying value before provision - Provision detail is specified in note 6.7

\*\* Market value after provision

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

6.5 Listed equity securities 'at fair value through profit or loss'

Name of the Investee Company	As at July 1, 2017	Purchases during the period	Sales during the period	As at September 30, 2017	As at September 30, 2017			Market value as a percentage of total investments	Market value as percentage of total paid up capital of the investee company
					Carrying Value	Market value	Appreciation / (diminution)		
		Number of shares							%
<b>Shares of listed companies - fully paid ordinary shares / certificates of Rs. 10 each</b>									
<b>CABLE &amp; ELECTRICAL GOODS</b>									
Pak Elektron Limited	-	3,500	3,500	-	-	-	-	-	-
TPL Trakker Limited	-	8,000	8,000	-	-	-	-	-	-
<b>CEMENT</b>									
Fauji Cement Company Limited	-	13,000	13,000	-	-	-	-	-	-
Maple Leaf Cement Factory Limited	-	500	500	-	-	-	-	-	-
<b>Power Generation &amp; Distribution</b>									
Hub Power Company Ltd	-	1,000	1,000	-	-	-	-	-	-
K-Electric Ltd	-	8,500	8,500	-	-	-	-	-	-
<b>ENGINEERING</b>									
International Steels Limited	-	7,500	7,500	-	-	-	-	-	-
<b>FERTILIZER</b>									
* Fatima Fertilizer Company Limited	-	500	500	-	-	-	-	-	-
Fauji Fertilizer Company Limited	-	500	500	-	-	-	-	-	-
<b>FOOD AND PERSONAL CARE PRODUCTS</b>									
Engro Foods Limited	-	10,000	10,000	-	-	-	-	-	-
<b>OIL &amp; GAS EXPLORATION COMPANY</b>									
Oil & Gas Development Company Limited	-	1,500	1,500	-	-	-	-	-	-
Pakistan State Oil Co Ltd.	-	500	500	-	-	-	-	-	-
<b>Refinery</b>									
Attock Refinery Limited	-	1,500	1,500	-	-	-	-	-	-
<b>Technology &amp; Communications</b>									
TRG Pakistan	-	12,000	12,000	-	-	-	-	-	-
<b>Textile Composite</b>									
* Nishat (Chunian) Limited	-	49,000	49,000	-	-	-	-	-	-
* Nishat Mills Ltd	-	3,500	3,500	-	-	-	-	-	-

\* These represent transactions with related parties.

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

**6.6.1 Term deposit receipt**

Particulars	Profit / Mark - up rate	Maturity Date	At September 30, 2017	Market value as a percentage of net assets	Market value as a percentage of total
Rupees in '000'					
Zarai Taraqiyati Bank Ltd.	6.50%	13-Mar-18	150,000	0.10	0.16
<b>As at September 30, 2017</b>			<b>150,000</b>	<b>0.10</b>	<b>0.16</b>
Total as at June 30, 2017			200,000	0.12	0.20

**6.6.2 Commercial papers**

Particulars	Profit / Mark - up rate	Issue date	Maturity Date	Face Value	Amortised cost	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
----- Rupees in '000' -----							
Pak Elektron Limited	7.89%	12-Jan-17	09-Oct-17	100,000	99,836	0.06	0.10
JS Global Capital Limited	7.90%	12-May-17	07-Nov-17	100,000	99,208	0.06	0.10
<b>As at September 30, 2017</b>				<b>200,000</b>	<b>199,044</b>	<b>0.13</b>	<b>0.21</b>
Total as at June 30, 2017				200,000	195,246	0.12	0.20

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

**6.7 DETAILS OF NON-COMPLIANT INVESTMENT WITH THE INVESTMENT CRITERIA AS**

**SPECIFIED BY SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

"In accordance with Clause (v) of the investment criteria laid down for 'Income Scheme' in Circular no. 7 of 2009, the Fund is required to invest in any security having rating not lower than the investment grade (credit rating of BBB and above). However, as at September 30, 2017, the Fund is non-compliant with the above mentioned requirement in respect of the following investments. The securities were in compliance of 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. The Fund holds 100% provision against such investment as enumerated below:

Category of non-compliant investment	Type of Investment / Name of Company	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
		-----Rupees in '000'-----			----- % -----	

Investment in debt securities	a) Pace Pakistan Limited (note 6.3)	72,570	72,570	-	-	-
	b) Eden Housing Limited (note 6.4)	10,252	10,252	-	-	-

	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>September 30,</b>	<b>June 30,</b>
	<b>2017</b>	<b>2017</b>
<b>Note</b>	<b>(Rupees in '000)</b>	

**7. ACCRUED EXPENSES AND OTHER LIABILITIES**

Federal excise duty payable and other related taxes on management fee	7.1	<b>16,590</b>	16,590
Federal excise duty payable and other related taxes on sales load	7.1	<b>4,746</b>	4,746
Provision for Workers' Welfare Fund	7.2	<b>3,671</b>	3,173
Brokerage		<b>23</b>	1,089
Legal and professional charges		<b>75</b>	61
Auditors' remuneration		<b>142</b>	419
Dividend payable to unit holders		-	2,611
Printing and related expenditure		<b>120</b>	80
Capital gain tax		<b>24</b>	1,058
Zakat		<b>1</b>	1
		<b><u>25,392</u></b>	<b><u>29,828</u></b>

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

On September 04, 2013, a constitutional petition was filed in Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustee, challenging the levy of FED.

The SHC vide its Order dated June 30, 2016 has disposed of the petition by referring its judgment dated June 02, 2016 whereby it rendered the FED on certain services to be 'Ultra Vires' in the presence of Sindh Sales Tax Act 2011. However, the Federal Board of Revenue (FBR) has filed an appeal in the Supreme Court of Pakistan against this judgment of the SHC.

Further, the Federal Government vide Finance Act 2016 has excluded asset management companies and other non banking finance companies from charge of FED on their services.

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

In view of the pending decision and as a matter of prudence, the Management Company of the Fund has made a provision for FED in the books of account of the Fund with effect from June 13, 2013 to June 30, 2015. However, the Management Company of the Fund has not made any further provision for FED after the year ended June 30, 2015. The aggregate balance of FED provision in the books of accounts of the Fund as on September 30, 2017 was Rs. 21.34 million. The impact of decrease in NAV per unit is Rs. 0.73 as at September 30, 2017.

- 7.2** The Supreme Court passed a judgment on November 10, 2016, which upheld the view of Lahore High Court, declaring the insertion of amendments through Finance Acts 2006 and 2008 pertaining to Workers' Welfare Fund (WWF) as unlawful and there by striking down the amendments introduced through these Finance Acts. The Federal Board of Revenue has filed an appeal in the Supreme Court against the said judgment, which is pending hearing.

Mutual Fund Association of Pakistan (MUFAP), on behalf of all Asset Management Companies (AMCs), obtained a legal opinion dated December 5, 2016 on the matter according to which there is no longer any basis in law to claim WWF payments from the mutual funds under the WWF Ordinance. After deliberating the position, The Mutual Fund Association of Pakistan (MUFAP) decided that the provision for WWF held for the period from January 1, 2013 to June 30, 2015 be reversed effective January 12, 2017. The provision was amounted to Rs. 18.23 million reversed on January 12, 2017 which resulted in an increase in NAV per unit of Rs. 0.01 on January 12, 2017.

Furthermore, the Sindh Revenue Board (SRB) had asked to mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after December 31, 2013. MUFAP reviewed the issue and based on an opinion dated August 2016 decided that SWWF is not applicable on mutual funds as they are neither financial institutions as required by SWWF Act, 2014, nor establishments but only pass through vehicles and hence, do not have any worker and no SWWF is payable by them. This fact has been communicated to SRB who have responded on November 11, 2016 that as mutual funds are included in definition of financial institutions in The Financial Institutions (Recovery of Finance) Ordinance, 2001, SWWF is payable by them. MUFAP has taken up the matter with the Sindh Finance Ministry to have mutual funds excluded from SWWF.

MUFAP has also obtained a legal opinion that SWWF, if applicable, can only be applied from the date of enactment of SWWF Act, 2014, i.e. May 21, 2015. Accordingly, on January 12, 2017, MUFAP decided to provide for SWWF with effect from May 21, 2015, while the efforts to exclude mutual funds from SWWF continue. The provision made for SWWF on January 12, 2017, amounted to Rs. 3.05 million. The aggregated provision as at September 30, 2017 is Rs. 3.67 million. The impact of decrease in NAV per unit as at September 30, 2017 is Rs. 0.1256.

**8. CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at September 30, 2017 and June 30, 2017 other than those below:

	<b>September 30, 2017</b>	<b>June 30, 2017</b>
	<b>(Rupees in '000)</b>	
<b>8.1 COMMITMENTS</b>		
Margin Trading System (MTS) transactions entered into by the Fund		
in respect of which the purchase transactions not settled as at period end	-	17,881
Margin Trading System (MTS) transactions entered into by the Fund		
in respect of which the sale transactions not settled as at period end	<b>1,576</b>	8,232

**9. TAXATION**

The Fund is exempt from taxation under clause 99 of the Part I of the 2nd Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The management intends to distribute at least 90% of the income earned during the year by the Fund to the unit holders. Accordingly, no provision has been made in this condensed interim financial statement.

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

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**10 EARNINGS PER UNIT**

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

**11 TOTAL EXPENSE RATIO**

The Total Expense Ratio (TER) of the Fund as at September 30, 2017 is 1.89 % which includes 0.07% representing government levies on the Fund such as sales taxes, annual fee payable to the SECP, etc. This ratio is within the maximum limit of 2% prescribed under the NBFC Regulations, 2008 for a collective investment scheme categorized as an income fund.

**12. TRANSACTIONS WITH CONNECTED PERSONS**

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

The transactions with connected persons are in the normal course of business and at contracted rates.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of the Non-Banking Finance Companies & Notified Entities Regulations, 2008 and the Trust Deed respectively.

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

**12.1 Unit Holders' Fund:**

For the quarter ended September 30, 2017

	As at July 01, 2017	Issued for cash	Bonus	Redeemed	As at September 30, 2017	As at July 01, 2017	Issued for cash	Bonus	Redeemed	As at September 30, 2017
	Units					(Rupees in '000)				
<b>Associated Companies:</b>										
Adamjee Life Assurance Co. Ltd. Conventional Business	819,194	-	-	-	819,194	10,943	-	-	-	10,943
Adamjee Insurance Co Limited Employees Provident Fund	206,090	-	-	-	206,090	43,496	-	-	-	43,496
<b>Mandate Under Discretionary Portfolio Services</b>	3,534,865	-	-	272,859	3,262,006	190,773	-	-	14,500	176,273
<b>Key management personnel</b>	-	69,777	-	-	69,777	-	3,759	-	-	3,759
<b>Unit holders holding 10% or more units</b>	5,839,596	-	-	5,614,456	225,140	310,058	-	-	300,000	10,058

For the quarter ended September 30, 2016

	As at July 01, 2016	Issued for cash	Bonus	Redeemed	As at September 30, 2016	As at July 01, 2016	Issued for cash	Bonus	Redeemed	As at September 30, 2016
	Units					(Rupees in '000)				
<b>Associated Companies:</b>										
Adamjee Life Assurance Co. Ltd. Conventional Business	198,375	-	-	-	198,375	10,546	-	-	-	10,546
Adamjee Insurance Co Limited Employees Provident Fund	342,744	-	-	-	342,744	18,220	-	-	-	18,220
<b>Mandate Under Discretionary Portfolio Services</b>	59,671	18,723	-	78,394	-	3,183	1,000	-	4,183	-
<b>Key management personnel</b>	5,980	52,734	-	57,062	1,652	324	2,804	-	3,039	89
<b>Unit holders holding 10% or more units</b>	-	-	-	-	-	-	-	-	-	-

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

	(Unaudited) September 30, 2017	(Unaudited) September 30, 2016
	----- (Rupees in '000) -----	
<b>MCB-Arif Habib Savings and Investments Limited</b>		
Remuneration including indirect taxes	5,186	11,165
Allocated expenses including indirect taxes	415	744
<b>Central Depository Company of Pakistan Limited</b>		
Remuneration of the trustee (including indirect taxes)	641	875
CDC settlement charges	166	8
<b>MCB Bank Limited</b>		
Profit on bank deposits	3	188
Bank charges	9	28
<b>Next Capital Limited</b>		
Brokerage expense*	-	8
<b>12.2 Amount outstanding as at period end / year end</b>		
	(Unaudited) September 30, 2017	(Audited) June 30, 2017
	----- (Rupees in '000) -----	
<b>MCB - Arif Habib Savings &amp; Investment Limited - Management Company</b>		
Remuneration payable	1,405	1,651
Sale tax payable on remuneration to the Management Company	183	215
Sales load payable including related taxes	20	87
Allocated expense payable	129	162
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration including indirect taxes payable	180	208
Sindh Sales tax payable on remuneration of Trustee	23	27
Security deposits	200	2,700
<b>MCB Bank Limited</b>		
Bank deposit held	4,062	148
Accrued profit on bank deposit	-	-

**13 General**

**13.1** Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and better presentation. The effect of rearrangement / reclassification is not considered to be material.

**13.2** This condensed interim financial information has been authorised for issue in the meeting of the Board of Directors of the Management Company held on October 20, 2017.

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



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



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



\_\_\_\_\_  
Director

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

**Head Office:** 24th Floor, Centrepoint, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi-74900  
UAN: (+92-21) 11-11-62224 (11-11-MCB-AH), 111-468-378 (111-INVEST), Fax: (+92-21) 35316080, 35316081,  
URL: [www.mcbah.com](http://www.mcbah.com), Email: [info@mcbah.com](mailto:info@mcbah.com)