



MCB-ARIF HABIB
Savings and Investments Limited

AM2
BY PACRA

HALF YEAR REPORT

DECEMBER
2017
(UNAUDITED)

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

PAKISTAN INCOME ENHANCEMENT FUND

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
Board of Directors	Mian Muhammad Mansha Mr. Nasim Beg Mr. Muhammad Saqib Saleem Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Qamar Beg	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Mirza Qamar Beg Mr. Nasim Beg	Chairman Member Member Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Operating Officer & Company Secretary	Mr. Muhammad Asif Mehdi Rizvi	
Chief Financial Officer	Mr. Abdul Basit	
Trustee	Central Depository Company of Pakistan Ltd. CDC House, 99-B, Block 'B'S.M.C.H.S Main Shahra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcPakistan.com	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited Faysal Bank Limited United Bank Limited Allied Bank Limited NIB Bank Limited Bank Al-Habib Limited NRSP Micro Finance Bank Limited Mobilink Micro Finance Bank Limited U Micro Finance Bank Limited Khushali Micro Finance Bank Limited Tameer Micro Finance Bank Limited Finca Micro Finance Bank Limited JS Bank Limited Zarai Traqiati Bank Limited Habib Bank Limited First Mirco Finance Bank Limited National Bank of Pakistan	
Auditors	Deloitte Yousuf Adil Chartered Accountant Cavish Court, A-35, Block-7 & 8, KCHSU, Shahra-e-Faisal, Karachi -75350.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
Transfer Agent	MCB-Arif Habib Savings & Investments Limited 24th Floor, Center point, off Shaheed-e-Millat Express Way Near K.P.T. Interchange, Karachi.	
Rating	AM2++ Asset Manager Rating assigned by PACRA	

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

Dear Investor,

On behalf of the Board of Directors, We are pleased to present **Pakistan Income Enhancement Fund's** accounts reviewed for the half year ended December 31st, 2017.

ECONOMY AND MONEY MARKET OVERVIEW

Economic scorecard continued to remain mixed with real side still indicating strong growth momentum, while external side conversely showing the vulnerabilities. Growth momentum of the economy continued during the period with LSM growing at strong pace of ~6% YoY, bolstered by growth in Steel, Auto and Food & Beverages sector. Add to this the agricultural sector growth (being reflected in cotton crop, sugar crop and wheat crop bumper numbers coming in), economy looks on track to approach 6% target GDP growth for FY18.

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

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

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

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

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 5.25% as against its benchmark return of 6.45%. At period-end, the fund was 21.8% invested in Cash and 30.4% in TFCs.

The Net Assets of the Fund as at December 31, 2017 stood at Rs. 2,167 million as compared to Rs. 1,688 million as at June 30, 2017 registering an increase of 28.37%.

The Net Asset Value (NAV) per unit as at December 31, 2017 was Rs. 54.5016 as compared to opening NAV of Rs. 53.0957 per unit as at June 30, 2017 registering an increase of Rs. 1.4058 per unit.

FUTURE OUTLOOK

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

Nevertheless, market valuations remain at a very attractive level as indicated by risk premiums (difference between earnings yield and 10-year interest rates) which are at historically high level, suggesting market to remain very cheap. Furthermore, KSE-100 trades at a forward P/E of 9.71x, at a steep discount of 40% from its emerging market peer group. Enduring themes that should play out over the medium-term regardless of the political situation include (i) PKR depreciation and higher interest rates (ii) CPEC and continued GoP support for the textiles sector that would encourage exports. While markets may react to overall happening events scheduled particularly in 2HFY18, we consider any weakness in the market as an opportunity to build long term exposures.

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

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

ACKNOWLEDGMENT

The Board is thankful to the Fund's valued investors, the Securities and Exchange Commission of Pakistan and the Trustees of the Fund for their continued cooperation and support. The Directors also appreciate the efforts put in by the management team.

On behalf of Directors,



Muhammad Saqib Saleem
Chief Executive Officer
February 23, 2018



Nasim Beg
Vice Chairman / Director

ڈائریکٹر رپورٹ برائے ششماہی اختتام پذیر 31 دسمبر 2017ء

31 دسمبر 2017 کو فنڈ کے net اثاثہ جات 2,167 ملین روپے تھے، جو 30 جون 2017 (1,688 ملین روپے) کے مقابلے میں 28.37% اضافہ ہے۔
31 دسمبر 2017 کو Net اثاثہ جاتی قدر (NAV) فی یونٹ 54.5016 روپے تھی، جو 30 جون 2017 کی ابتدائی NAV (53.0957 روپے فی یونٹ) کے مقابلے میں 1.4058 روپے فی یونٹ اضافہ ہے۔

مستقبل کی صورتحال

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

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

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

اظہار تشکر

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



نسیم بیگ
وائس چیئرمین / ڈائریکٹر



محمد ثاقب سلیم
چیف ایگزیکٹو آفیسر
23 فروری 2018ء

عزیز سرمایہ کار

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

معیشت اور بازار کا مجموعی جائزہ

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

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

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

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

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

فنڈ کی کارکردگی

زیر جائزہ مدّت کے دوران فنڈ کا ایک سال پر محیط منافع 5.25% تھا، جبکہ مقررہ معیار 6.45% تھا۔ اختتامِ مدّت پر فنڈ کی سرمایہ کاری نقد میں 21.8% اور ٹرم فنانس سرٹیفکیٹس (TFCs) میں 30.4% تھی۔

TRUSTEE REPORT TO THE UNIT HOLDERS

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office:

CDC House, 99-B, Block 'B',
S.M.C.H.S. Main Shakra-e-Faisal,
Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
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TRUSTEE REPORT TO THE UNIT HOLDERS

PAKISTAN INCOME ENHANCEMENT FUND

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

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

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

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

Karachi: February 22, 2018



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

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Shahrah-e-Faisal
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AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **Pakistan Income Enhancement Fund** (the Fund) as at 31 December 2017, and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim of movement in unit holders' fund and condensed interim cash flow statement and together with the notes forming part thereof (here-in-after referred to as the 'interim financial information'), for the half year ended December 31, 2017. The Management Company (MCB Arif Habib Savings and Investments Limited) is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim income statement and condensed interim statement of comprehensive income, for the quarters ended December 21, 2017 and 2016 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2017.

Scope of Review

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

Conclusion

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

Deloitte Yousuf Adil
Chartered Accountants

Engagement Partner
Hena Sadiq

Date: February 26, 2018
Karachi

Member of
Deloitte Touche Tohmatsu Limited

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

		(Un-audited) December 31, 2017	(Audited) June 30, 2017
	Note	----- (Rupees in '000) -----	
ASSETS			
Balance with banks		479,344	642,493
Investments	5	1,159,824	977,912
Dividend and profit receivable		22,362	13,863
Advances, deposit and prepayments		3,129	3,065
Advance against subscription of Term Finance Certificate		152,000	1,000
Receivable against margin trading system		328,477	10,919
Receivable from National Clearing Company of Pakistan Limited		33,948	48,021
Receivable against sale of equity securities		20,564	66,813
Total assets		2,199,648	1,764,086
LIABILITIES			
Payable to the Management Company		3,201	2,753
Payable to the Central Depository Company of Pakistan Limited - Trustee		276	235
Payable to the Securities and Exchange Commission of Pakistan		738	1,826
Payable against redemption of units		2,079	2,079
Payable against purchase of equity securities		-	39,299
Accrued expenses and other liabilities	6	26,473	29,828
Total liabilities		32,767	76,020
NET ASSETS		2,166,881	1,688,066
Unit holders' fund (as per statement attached)		2,166,881	1,688,066
Contingencies and commitments	7		
		(Number of units)	
Number of units in issue		39,758,102	31,792,881
		(Rupees)	
NET ASSET VALUE PER UNIT		54.5016	53.0957

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

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



Chief Executive Officer



Chief Financial Officer



Director

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

		Half year ended		Quarter ended	
		December 31,		December 31,	
		2017	2016	2017	2016
Note		----- (Rupees in '000) -----			
INCOME					
		2,541	42,595	1,346	9,037
		(1,107)	(4,777)	(652)	1,292
		21,394	20,041	11,154	8,591
		33,136	25,283	21,323	18,663
		1,980	3,844	1,980	3,844
		7,129	3,257	3,729	3,257
		(1,327)	(15,155)	(1,388)	(15,155)
		5,275	-	1,477	-
	5.8	(1,513)	6,967	(3,719)	6,930
		-	(2,560)	-	(2,560)
		-	(2,549)	-	-
		402	-	92	-
		67,910	87,920	35,342	48,442
EXPENSES					
		10,212	18,850	5,623	8,970
		1,328	2,450	731	1,166
		1,265	1,497	698	723
	8	164	195	90	94
		738	942	427	448
	9	1,112	1,420	643	676
		682	2,125	383	1,704
	6.1	1,016	-	519	-
		108	368	52	240
		302	269	218	185
		837	302	784	302
		336	276	153	143
		9	105	(414)	65
		18,109	28,799	9,907	14,716
		49,801	59,121	25,435	33,726
		-	10,974	-	14,543
		49,801	70,095	25,435	48,269
	10	-	-	-	-
		49,801	70,095	25,435	48,269
Allocation of net income for the period:					
		49,801		25,435	
		(10,805)		(6,941)	
		38,996		18,494	
Accounting income available for distribution					
		-		-	
		38,996		18,494	
		38,996		18,494	

Earnings per unit

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The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

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



Chief Executive Officer



Chief Financial Officer



Director

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

	Half year ended December 31,		Quarter ended December 31,	
	2017	2016	2017	2016
	----- (Rupees in '000) -----			
Net income for the period after taxation	49,801	70,095	25,435	48,269
Other comprehensive income for the period				
<i>Items that may be reclassified to profit and loss account</i>				
Unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'	(146)	(3,040)	(63)	4,520
Total comprehensive income for the period	49,655	67,055	25,372	52,789

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

	Half year ended December 31, 2017 (Rupees in '000)				2016
	Capital Value	Undistributed income	Unrealised appreciation / (diminution) 'available for sale' investments	Total	Total
Net assets at beginning of the period	1,596,441	94,679	(3,054)	1,688,066	2,462,552
Issue of 34,513,878 units (2016: 47,137,860 units)					
- Capital value (at net asset value per unit at the beginning of the period)	1,833,684	-	-	1,832,539	
- Element of income	27,552	-	-	27,532	
Total proceeds on issuance of units	1,861,236	-	-	1,860,071	2,489,582
Redemption of 26,548,657 units (2016: 36,086,968 units)					
- Capital value (at net asset value per unit at the beginning of the period)	(1,410,765)	-	-	(1,409,620)	
- Amount paid out of element of income	(10,505)	(10,805)	-	(21,310)	
- Relating to 'Net income for the period after taxation'	-	-	-	-	
- Relating to 'Other comprehensive income for the period'	-	-	-	-	
- Refund / (adjustment) on units as element of income	-	-	-	-	
Total payments on redemption of units	(1,421,271)	(10,805)	-	(1,430,911)	(1,891,291)
Element of income / loss and capital gains / losses included in prices of units issued less those in units redeemed - net	-	-	-	-	(10,974)
Total comprehensive income for the period	-	49,801	(146)	49,655	56,081
Distribution during the period	-	-	-	-	-
Net income / (loss) for the period less distribution	-	49,801	(146)	49,655	56,081
Net assets at end of the period	2,036,406	133,675	(3,200)	2,166,881	3,105,950
Undistributed income brought forward					
- Realised	59,471				109,834
- Unrealised	35,208				32,813
	94,679				142,647
Accounting income available for distribution					
- Relating to capital gains	-				
- Excluding capital gains	38,996				
	38,996				
Net income for the period after taxation	-				59,121
Net element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed	-				34,794
Distribution during the period	-				-
Undistributed income carried forward	133,675				236,562
Undistributed income carried forward					
- Realised	135,188				229,595
- Unrealised	(1,513)				6,967
	133,675				236,562
				(Rupees)	(Rupees)
Net assets value per unit at beginning of the period				53.0957	53.16
Net assets value per unit at end of the period				54.5016	54.13

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

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



Chief Executive Officer



Chief Financial Officer



Director

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

	Half year ended December 31,	
	2017	2016
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before taxation	49,801	59,121
Adjustments for non cash and other items:		
Unrealised diminution / (appreciation) in value of investments classified as 'at fair value through profit or loss' - net	1,513	(6,967)
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	-	(10,974)
Provision charged against non-performing debt securities	-	2,549
	51,314	43,729
(Increase) / decrease in assets		
Investments	(183,571)	(124,714)
Dividend and profit receivable	(8,499)	9,889
Advances, deposit and prepayments	(64)	(58,932)
Advance against subscription of Term Finance Certificate	(151,000)	(100,000)
Receivable against margin trading system	(317,558)	(131,911)
Receivable from National Clearing Company of Pakistan Limited	14,073	-
Receivable against sale of equity securities	46,249	(434,302)
	(600,370)	(839,970)
Increase / (decrease) in liabilities		
Payable to the Management Company	448	1,780
Payable to the Central Depository Company of Pakistan Limited - Trustee	41	(121)
Payable to the Securities and Exchange Commission of Pakistan	(1,088)	(1,482)
Payable against redemption of units	-	(1,029)
Payable against purchase of equity securities	(39,299)	401,369
Future contract payable	-	2,560
Accrued expenses and other liabilities	(3,355)	(7,998)
	(43,253)	395,079
Net cash used in operating activities	A	(592,309)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issuance of units	1,861,236	2,489,582
Payments on redemption of units	(1,432,076)	(1,891,291)
Net cash generated from financing activities	B	429,160
Net (decrease) / increase in cash and cash equivalents during the period	A + B	(163,149)
Cash and cash equivalents at beginning of the period	642,493	1,291,192
Cash and cash equivalents at end of the period	479,344	1,488,321

The annexed notes 1 to 15 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 THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

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-end 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 March 6, 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. STATEMENT OF COMPLIANCE

- 2.1** "This condensed interim financial information of the Company for the half year ended December 31, 2017 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information does not include all the information required for the full financial statements and therefore should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2017.

In 2017, the Companies Act, 2017 (the new Companies Act) was enacted and promulgated by the SECP on May 30, 2017. An exemption was granted to companies whose financial year ended on or before June 30, 2017 via circular No. 23 of October 04, 2017. No further exemption has been provided and the Company is currently in process of determining impact, if any, on annual financial statements due to implementation of the Act. There is no impact on this condensed interim financial information as they have been prepared primarily under IAS 34 as stated above. "

- 2.2** This condensed interim financial information comprise of condensed interim statement of assets and liabilities, condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement together with the notes forming part thereof. 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'. It does not include all the information and disclosures made in the annual published financial statement and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2017. Comparative information of the condensed interim income statement and condensed interim statement of comprehensive income for the quarters ended December 31, 2017 and December 31, 2016 are un-audited and have been included to facilitate comparison.
- 2.3** This condensed interim financial information is un-audited. However, limited scope review has been performed by the statutory auditors in accordance with the requirements of clause 5.9.13 of the Code of Corporate Governance and this condensed interim financial information are being circulated to the unit holders as required under the NBFC Regulations.

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

2.4 This condensed interim financial information is presented in Pak Rupees, which is the functional and presentation currency of the Fund and has been rounded off to the nearest thousand rupees, unless otherwise specified.

2.5 The directors of the Management Company declare that this condensed interim financial information give a true and fair view of the Fund.

3. SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

3.1 The accounting policies and methods of computation adopted in preparation of this condensed interim financial information are same as those applied in preparation of financial statements of the Fund as at and for the year ended June 30, 2017.

3.2 The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, significant judgments made by management in applying accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the financial statements as at and for the year ended June 30, 2017.

3.3 Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Fund's operations and did not have any impact on the accounting policies of the Fund and therefore not disclosed in this condensed interim financial information.

3.4 The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, 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.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 as required by SECP vide its letter no 354 (I)/2017 dated 19th May 2017. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations through the aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the income / loss of the Fund would have been higher by Rs 6.31 million. However, the change in accounting policy does not have any impact on the 'Cash flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

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

4. FINANCIAL RISK MANAGEMENT

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

		(Un-audited) December 31, 2017	(Audited) June 30, 2017
		---- (Rupees in '000) ----	
5.	INVESTMENTS	Note	
At fair value through profit or loss			
Listed debt securities	5.1	162,437	175,021
Unlisted debt securities	5.2	354,974	313,450
Listed equity securities	5.3	-	-
Government securities	5.4	64,376	74,597
		581,787	563,068
Available for sale			
Government securities	5.5	19,378	19,598
Loans and receivables			
Term deposit receipt	5.6.1	150,000	200,000
Commercial papers	5.6.2	258,659	195,246
Musharika certificate	5.6.3	150,000	-
		558,659	395,246
		1,159,824	977,912
		(Un-audited) December 31, 2017	(Audited) June 30, 2017
		---- (Rupees in '000) ----	
5.1	Listed debt securities	Note	
Market value as at period / year end	5.1.1	235,007	247,591
Provision at July 1		(72,570)	(69,814)
Provision (charged) / reversed during the period / year			
Pace Pakistan Limited			
- Reversal against carrying value matured		-	12,220
- Charge against face value receivable		-	(14,976)
		(72,570)	(72,570)
		162,437	175,021

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

5.1.1 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				As at December 31, 2017			Market value*** as a percentage of net assets	Market value*** as a percentage of total investment
	As at July 1, 2017	Purchased during the period	Matured during the period	Disposed off during the period	As at December 31, 2017	Carrying value**	Market value		
Commercial banks									
Askari Bank Limited (30-9-14 issue)	15,000	-	-	2,000	13,000	66,216	65,073	3.00	5.61
Bank of Punjab (23-12-16 issue)*	975	-	-	-	975	98,582	97,364	4.49	8.39
Real Estate investment and services									
Pace Pakistan Limited (15-02-08 issue)	15,000	-	-	-	15,000	72,570	72,570	-	-
- Due but not received									
As at December 31, 2017						237,368	235,007	(2,361)	
As at June 30, 2017						246,475	247,591	1,116	

* Face value of the investment is Rs. 100,000

** Carrying value before provision

*** Market value after provision

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

Note	(Un-audited) December 31, 2017 ---- (Rupees in '000) ----	(Audited) June 30, 2017 ----
5.2	365,225	323,701
5.2.1	(10,251)	(10,251)
	-	-
	(10,251)	(10,251)
	354,974	313,450

5.2 Unlisted debt securities

Market value as at period / year end

Provision as at July 01

Provision (charged) / reversed during the period / year

- Charge against face value receivable

- Reversal against carrying value matured

5.2.1 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				As at December 31, 2017			Market value*** as a percentage of net assets	Market value**** as a percentage of total investment
	As at July 1, 2017	Purchased during the period	Matured during the period	Disposed during the period	As at December 31, 2017	Market value	Appreciation / (diminution)		
						(Rupees in '000)			%
Commercial banks									
Bank Al Habib Limited (17-03-16 issue)	9,000	8,000	-	-	17,000	85,034	(611)	3.92	7.33
Bank Alfalah Limited (20-02-13 issue)	11,581	-	-	-	11,581	58,829	(622)	2.71	5.07
Askari Bank Limited (23-12-11 issue)*	82	-	-	-	82	81,803	(1,227)	3.78	7.05
Habib Bank Limited (19-02-16 issue)**	1,250	-	-	1,250	-	-	-	-	-
Refinery									
Byco Petroleum Pakistan Limited (18-01-2017 issue)	-	10	-	-	10	1,006	6	0.05	0.09
Investment Company									
Jahangir Siddiqui & Company Limited (18-07-2017 issue)**	-	25,000	-	-	25,000	128,302	3,302	5.92	11.06
Construction and Material									
Eden Housing Limited - Sukuk - (31-03-2008 issue)	10,415	-	-	-	10,415	10,251	-	0.47	0.88
- Due but not received									
Total as at December 31, 2017						364,377	848		
Total as at June 30, 2017						322,294	1,407		

* Face value of the investment is Rs. 1 million

** Face value of the investment is Rs. 100,000

*** Carrying value before provision

**** Market value after provision

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

5.3 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 December 31, 2017	As at December 31, 2017			Market value as a percentage of net assets	Market value as a percentage of total investments	Market Value as a percentage of total paid-up capital of the investee company
					Carrying Value	Market value	Appreciation/ (diminution)			
----- Number of shares ----- (Rupees in '000) ----- % -----										
Shares of listed companies - fully paid ordinary shares / certificates of Rs. 10 each										
Oil And Gas Exploration Companies										
Oil and Gas Development Company Limited	-	3,000	3,000	-	-	-	-	-	-	-
Oil And Gas Marketing Companies										
Pakistan State Oil Company Limited	-	500	500	-	-	-	-	-	-	-
Power generation and distribution										
Hub Power Company Limited	-	3,500	3,500	-	-	-	-	-	-	-
K-Electric Limited	-	206,000	206,000	-	-	-	-	-	-	-
Fertilizer										
Engro Fertilizers Limited	-	5,500	5,500	-	-	-	-	-	-	-
Fatima Fertilizer Company Limited	-	500	500	-	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	-	2,000	2,000	-	-	-	-	-	-	-
Fauji Fertilizer Company Limited	-	3,500	3,500	-	-	-	-	-	-	-
Commercial Banks										
Askari Bank Limited	-	49,500	49,500	-	-	-	-	-	-	-
Bank Al-Falah Limited	-	503,500	503,500	-	-	-	-	-	-	-
Cement										
D.G. Khan Cement Company Limited	-	18,500	18,500	-	-	-	-	-	-	-
Fauji Cement Company Limited	-	26,500	26,500	-	-	-	-	-	-	-
Maple Leaf Cement Factory Limited	-	4,500	4,500	-	-	-	-	-	-	-

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

Name of the investee company	As at July 1, 2017	Purchases during the period	Sales during the period	As at December 31, 2017	As at December 31, 2017			Market value as a percentage of net assets	Market value as a percentage of total investments	Market Value as a percentage of total paid-up capital of the investee company
					Carrying Value	Market value	Appreciation/ (diminution)			
Number of shares (Rupees in '000) %										
Engineering										
Amreli Steels Limited	-	5,000	5,000	-	-	-	-	-	-	-
Crescent Steel & Allied Products	-	18,500	18,500	-	-	-	-	-	-	-
International Steels Limited	-	9,500	9,500	-	-	-	-	-	-	-
Cable and electrical goods										
Pak Elektron Limited	-	17,000	17,000	-	-	-	-	-	-	-
TPL Trakker Limited	-	8,000	8,000	-	-	-	-	-	-	-
Refinery										
Attock Refinery Limited	-	98,000	98,000	-	-	-	-	-	-	-
Technology And Communications										
TRG Pakistan Limited	-	103,500	103,500	-	-	-	-	-	-	-
Textile Composite										
* Nishat Chunian Limited	-	105,000	105,000	-	-	-	-	-	-	-
* Nishat Mills Limited	-	218,500	218,500	-	-	-	-	-	-	-
Food And Personal Care Products										
Engro Foods Limited	-	10,000	10,000	-	-	-	-	-	-	-
Treet Corporation Limited	-	6,500	6,500	-	-	-	-	-	-	-
Total - December 31, 2017										
Total - June 30, 2017					-	-	-	-	-	-

The above equity securities were purchased in the ready market and simultaneously sold in the future market, resulting in spread income due to difference in ready and future stock prices.

* These represent transactions with related parties.

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

5.4 Government securities - At fair value through profit or loss

Security	Face value			As at December 31, 2017			Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 01, 2017	Purchases during the period	Sales / matured during the period	As at December 31, 2017	Carrying value	Appreciation / (diminution)		
(Rupees in '000) ----- % -----								
Treasury bills - 3 months	75,000	130,000	140,000	65,000	64,378	64,376	(2)	2.97
Treasury bills - 6 months	-	50,000	50,000	-	-	-	-	5.55
As at December 31, 2017					64,378	64,376	(2)	
As at June 30, 2017					74,599	74,597	(2)	

* These Treasury bills have been pledged with National Clearing Company of Pakistan Limited.

5.5 Government securities - Available for sale

Security	Face value				As at December 31, 2017			Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 01, 2017	Purchases during the period	Sales / matured during the period	As at December 31, 2017	Cost	Market value	Appreciation		
----- (Rupees in '000) ----- % -----									
Pakistan Investment Bond - 5 Years	800	-	-	800	836	831	(5)	0.04	0.07
Pakistan Investment Bond - 15 Years	18,000	-	-	18,000	18,328	18,547	219	0.86	1.60
As at December 31, 2017					19,164	19,378	214		
As at June 30, 2017					19,117	19,598	481		

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

5.6 Loans and Receivables

5.6.1 Term deposit receipt - Loans and receivables

Particulars	Profit / mark-up rates	Issue Date	Maturity Date	As at December 31, 2017	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
					----- % -----	
Zarai Taraqiati Bank Limited	6.50%	14-Sep-17	13-Mar-18	150,000	6.92	12.93
Total as at December 31, 2017				150,000		
Total as at June 30, 2017				<u>200,000</u>		

5.6.2 Commercial papers - Loans and receivables

Particulars	Profit / mark-up rates	Issue date	Maturity date	Face value	Amortised cost	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
						----- % -----	
Pak Elektron Limited	7.72%	14-Dec-17	10-Sep-18	120,000	113,950	5.54	10.35
Hascol Petroleum Limited	7.46%	29-Dec-17	29-Jun-18	150,000	144,709	6.92	12.93
Total as at December 31, 2017				270,000	258,659		
Total as at June 30, 2017				<u>200,000</u>	<u>195,246</u>		

5.6.3 Musharika Certificate - Loans and receivables

Particulars	Profit / mark-up rates	Issue Date	Maturity Date	As at December 31, 2017	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
					----- % -----	
Orix Modarba	6.50%	27-Oct-17	27-Apr-18	150,000	6.92	12.93
Total as at December 31, 2017				150,000		
Total as at June 30, 2017				<u>-</u>		

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

5.7 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 December 31, 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 5.1)	72,570	72,570	-	3.35%	3.30%
	b) Eden Housing Limited (note 5.2)	10,251	10,251	-	0.47%	0.47%
					(Un-audited) December 31, 2017	(Audited) 30 June 2017
					(Rupees in '000)	

5.8 Net unrealised appreciation in value of investments at fair value through profit or loss

Market value of investments	5.1.1, 5.2.1, 5.3,5.4	664,608	549,318
Carrying value of investments	5.1.1, 5.2.1, 5.3,5.4	(666,121)	(548,030)
		(1,513)	1,288

6. ACCRUED EXPENSES AND OTHER LIABILITIES

Provision for Sindh Workers' Welfare Fund	6.1	4,190	3,173
Provision for federal excise duty and related tax on	6.2		
- Management fee		16,590	16,590
- Sales load		4,746	4,746
Brokerage		26	1,089
Capital gain tax		417	1,058
Auditors' remuneration		295	419
Printing and related expenditure		50	80
Zakat		-	1
Other		159	2,672
		26,473	29,828

6.1 Provision for Sindh Workers' Welfare Fund

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 thereby striking down the amendments introduced through these Finance Acts. The Federal Board of Revenue has filed a petition 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 according to which there is no 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 amounted to Rs. 18.23 million and it resulted in an increase in NAV per unit of Rs. 0.01 on January 12, 2017.

Furthermore, in January 2016, the Sindh Revenue Board (SRB) had asked mutual funds 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 Ministry of Finance, Sindh 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 December 31, 2017 is Rs. 4.19 million. The impact of decrease in NAV per unit as at December 31, 2017 is Rs. 0.11.

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

The SECP has also concurred with the directions issued by MUFAP through its letter no. SCD/AMCW/MUFAP/2017 - 405 dated February 01, 2017.

6.2 Federal Excise Duty and related tax payable

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 is not justified.

On September 04, 2013, a constitutional petition was filed in Sindh High Court (SHC) jointly by various asset management companies, together with Collective Investment Schemes through their trustees, 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.

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. The aggregate balance of FED provision in the books of accounts for the Fund as on December 31, 2017 was Rs. 21.34 million. The impact of decrease in NAV per unit is Rs. 0.54 as at December 31, 2017.

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

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

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

7.2 Commitments

Margin Trading System (MTS) transactions entered into by the Fund in respect of which the purchase transactions not settled as at period end	80,099	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	78,018	8,232

8. SINDH SALES TAX ON REMUNERATION OF TRUSTEE

The Sindh Revenue Board through Circular No. SRB-3-4/TP/01/2015/86554 dated June 13, 2015 has amended the definition of services of shares, securities and derivatives and included the custodianship services within the purview of Sindh Sales Tax. Accordingly Sindh Sales Tax of 13 % is applicable on Trustee fee which is now covered under the section 2(79A) of the Sindh Finance Bill 2010 amended upto 2016. Accordingly the Fund has made an accrual of Rs. 0.16 million on account of Sindh Sales Tax on services chargeable on custodianship services for the half year ended December 31, 2017.

9. ALLOCATED EXPENSE

SRO 1160 dated November 25, 2015 issued by SECP has amended Clause 60 of NBFC Regulations, 2008. The new regulation has entitled the Management Company to reimbursement of fees and expenses related to registrar services, accounting, operation and valuation services related to CIS a maximum of 0.1% of average annual net assets of the scheme or actual whichever is less. Accordingly, the Fund has made an accrual of Rs.1.11 million for the half year ended December 31, 2017 at a rate of 0.1% of average annual net assets which is less than the actual expenses allocable to the fund.

10. TAXATION

The Fund's income is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. 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 management intends to distribute at least 90% of income to be earned during current year to the unit holders, therefore, no provision for taxation has been recorded in this condensed interim financial information.

11. EARNINGS PER UNIT

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

12. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons of the Fund include the Management Company, other collective investment schemes being 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 undertaking and unit holders holding more than 10% units of the Fund.

12.1

	For the Six months ended December 31, 2017					
	As at July 01, 2017	Issued for cash	Bonus	Redeemed	As at December 31, 2017	
Associated Companies:						(Rupees in '000)
						Units
Adamjee Life Assurance Co. Ltd. Conventional Business	206,090	-	-	-	206,090	10,943
Adamjee Insurance Co Limited Employees Gratuity Fund	-	343,544	-	115,549	227,995	-
Adamjee Insurance Co Limited Employees Provident Fund	819,194	-	-	819,194	-	43,496
Mandate Under Discretionary Portfolio Services	3,535,864	3,945,977	-	743,928	6,737,914	187,740
Key management personnel	-	95,764	-	86,434	9,331	-
Unit holders holding 10% or more units						
Security General Insurance Company Ltd	5,839,596	3,704,760	-	5,614,456	3,923,900	310,058
						200,000
						300,000
						214,123
For the Six months ended December 31, 2016						
	As at July 01, 2016	Issued for cash	Bonus	Redeemed	As at December 31, 2016	
Associated Companies:						(Rupees in '000)
						Units
Adamjee Life Assurance Co. Ltd. Conventional Business	198,375	-	-	-	198,375	10,748
Adamjee Insurance Co Limited Employees - Investment Department	6,409,782	-	-	6,409,782	-	340,744
Adamjee Insurance Co Limited Employees Provident Fund	1,590,591	1,590,004	-	1,590,591	1,590,004	86,178
Adamjee Insurance Co Limited Employees Ganity Fund	342,744	-	-	342,744	-	18,570
Mandate Under Discretionary Portfolio Services	59,671	6,993,250	-	78,394	6,974,527	3,233
Key management personnel	995	61,187	-	66,173	928	53
						3,257
						3,529
						377,531

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

12.2 Details of transactions with the connected persons / related parties during the period are as follows:

	(Unaudited) December 31, 2017	(Unaudited) December 31, 2016
	----- (Rupees in '000) -----	
MCB-Arif Habib Savings and Investments Limited - Management Company		
Remuneration including indirect taxes	11,540	21,301
Allocated expenses including indirect taxes	1,112	1,420
Central Depository Company of Pakistan Limited		
Remuneration of the trustee (including indirect taxes)	1,429	1,692
CDC settlement charges	273	120
MCB Bank Limited		
Profit on bank deposits	14	450
Bank charges	12	34
D.G. Khan Cement Company Limited		
Dividend income	139	-
Nishat Mills Limited		
Dividend income	1,042	-
Nishat Chunian Limited		
Dividend income	154	217
Next Capital Limited		
Brokerage expense*	-	48
Summit Capital Private Limited		
Brokerage expense*	-	25

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

12.3 Amount outstanding as at period end / year end

	(Un-audited) December 31, 2017	(Audited) June 30, 2017
	----- (Rupees in '000) -----	
MCB - Arif Habib Savings & Investment Limited - Management Company		
Remuneration payable	1,893	1,651
Sale tax payable on remuneration to the Management Company	246	215
Sales load payable	10	76
Sindh Sales tax payable on sales load	11	11
Allocated expenses payable excluding related taxes	202	162
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	244	208
Sindh Sales tax payable on remuneration of Trustee	32	27
Security deposits	200	2,700
MCB Bank Limited		
Bank deposit held	3,497	148
Accrued profit on bank deposit	-	-

13. EXPENSE RATIO

The expense ratio of the Fund from July 1 2017 to December 31 2017 is 0.93%, the total expense ratio includes 0.17% representing government levy and SECP fee. This ratio is within the maximum limit of 2% prescribed under the NBFC Regulations for a collective investment scheme categorised as an aggressive fixed income fund.

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

14. FAIR VALUE HIERARCHY

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

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

Financial assets which are trade able in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book values as the items are either short term in nature or periodically repriced.

International Financial Reporting Standard 7 - Financial Instruments : Disclosure requires an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs).

	-----December 31, 2017 -----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Investment classified				
- at fair value through profit or loss	162,437	419,350	-	581,787
- available for sale	-	19,378	-	19,378
	<u>162,437</u>	<u>438,728</u>	<u>-</u>	<u>601,165</u>
	-----June 30, 2017 -----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Investment classified				
- at fair value through profit or loss	175,021	388,047	-	563,068
- available for sale	-	19,598	-	19,598
	<u>175,021</u>	<u>407,645</u>	<u>-</u>	<u>582,666</u>

15. DATE OF AUTHORISATION

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

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



Chief Executive Officer



Chief Financial Officer



Director

MCB-Arif Habib Savings and Investments Limited

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