



MCB-ARIF HABIB
Savings and Investments Limited

AM2
BY FACRA

HALF YEAR REPORT

DECEMBER
2018
(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 Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Mirza Qamar Beg Mr. Nasim Beg	Chairman Member Member Member
Risk Management Committee	Mr. Mirza Qamar Beg Mr. Ahmed Jahangir Mr. Nasim Beg	Chairman 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 Silk Bank Limited Bank Al-Habib Limited NRSP Micro Finance Bank Limited Mobilink Micro Finance Bank Limited U Micro Finance Bank Limited Khushali Micro Finance Bank Limited Telenor Micro Finance Bank Limited Finca Micro Finance Bank Limited JS Bank Limited Zarai Traqiati Bank Limited Habib Bank Limited First Mirco Finance Bank Limited National Bank of Pakistan	
Auditors	A. F. Ferguson & Co. Chartered Accountant State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box Karachi, Sindh-74000, Pakistan.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
Transfer Agent	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
Rating	AM2++ Asset Manager Rating assigned by PACRA	

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR ENDED DECEMBER 31, 2018

Dear Investor,

On behalf of the Board of Directors, We are pleased to present **Pakistan Income Enhancement Fund's** Half Yearly Report for the period ended December 31, 2018.

MARKET & ECONOMIC REVIEW

Economy and Money Market Review

FY19 started off with a positive note as smooth completion of election process resulted in a sigh of relief for the market participants. The new regime inherited many economic challenges particularly on the external front. To cope with the underlying challenges, major policy actions (currency depreciation of 15% along with interest rate hike of 250 bps) were taken to address the imbalances. Furthermore, major success came through diplomatically engaging with the friendly allies. As a result, Pakistan secured BOP support package from Saudi Arabia, UAE and China amounting to USD 14 billion while Saudi Arabia & UAE committed foreign direct investment of USD 20-30 billion.

Average CPI for the first half of current fiscal year clocked in at 6.0%. Nevertheless, it is expected to jack up during the second half, owing to a low base effect and lagged impact of currency adjustments. Furthermore, government is yet to adjust electricity prices as the gap between base tariff and actual cost of generation has widened significantly. We expect CPI to average 8.5% for the 2HFY19 after accounting for electricity adjustments.

Current Account Deficit for the first six months clocked in at ~USD 8 billion which is an improvement of 4.4% from same period last year. CAD was well supported by remittances growth of 10%. However, the improvement in the external position was masked by the higher oil prices and payments for the previous periods reflected in current accounts. The non-oil imports have shown encouraging trend, declining by ~5% over the previous year. Reflecting the elevated oil prices and limited financial flows, reserves declined by ~USD 2.7 bn during the period leading to rupee depreciation of ~13.7%.

The focus of government to stabilize aggregate demand has taken its toll on large scale manufacturing which posted a decline of 0.9% YoY in the first five months of FY19. The decline has been led by reduction in production of oil products followed by slow down in autos, pharmaceuticals, consumer products. LSM growth is reflecting the overall slowdown in economy as envisaged by the steps taken by authorities to control the external imbalances.

The yield curve showed an upward trajectory during the half year as market players continued to expect further monetary tightening. During the first 6 months, State Bank of Pakistan increased the policy rate by 350 bps in line with the expectations of most of the market. Most of PIB auctions during the period under review were rejected by State Bank of Pakistan due to thin volume and participation at higher levels. The 3 year, 5 year and 10 year PIB were accepted in the PIB auction held in December' 18 at 12.25%, 12.70% and 13.15% respectively. Two Floater rate PIB auction were conducted during 1HFY19. The first was accepted at a benchmark rate +70 bps. The second was rejected due to higher level of participation. Concerns over external front kept market participants at bay from longer tenor Treasury instruments with persistence towards accumulation in papers having maturity below or equal to 3 months.

Liquidity remained comfortable throughout the period owing to regular OMOs conducted by SBP. During the second quarter, 117.7 billion worth of floater rate GOP Ijara Sukuk matured. No fresh GOP Ijara Sukuk were issued whereas SBP conducted auction of Bai Muajjal in which 72.55 billion was accepted out of total participation of 76.55.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 6.70% as against its benchmark return of 9.72%. At period-end, the fund was 46.9% invested in Cash and 50.9% in TFCs.

The Net Assets of the Fund as at December 31, 2018 stood at Rs. 871 million as compared to Rs. 1,350 million as at June 30, 2018 registering a decrease of 35.48%.

The Net Asset Value (NAV) per unit as at December 31, 2018 was Rs. 54.8999 as compared to opening NAV of Rs. 55.8399 per unit as at June 30, 2018 registering a decrease of Rs. 0.9400 per unit.

MARKET & ECONOMY - FUTURE OUTLOOK

The government has managed to arrange adequate financial flows for the next half year supported by deferred payment facilities, loans and deposits from friendly nations. However, the external account balance needs to improve further to reach sustainable levels for future funding of deficits. The exports are expected to show an improved trend supported by lagged impacts of currency depreciation, tax refunds to exporters, better energy supplies and energy price parity with regional peers. Imports are expected to slow down in second half of the year as effects of the one-off adjustments and oil prices neutralize along with impact of currency depreciation becomes further visible. Current account deficit for FY19 is expected to be ~USD 13 bn with CAD for next half year to slow down to ~USD 5 bn compared with first half of ~USD

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR ENDED DECEMBER 31, 2018

8 bn. Subsequently, we expect normalize PKR/USD adjustment of around 5% in next half given the REER is close to its fundamental value.

The government has announced to approach the IMF for an economic program for balance of payments support. IMF program would lead to better policy management relative to dealing with the structural issues in the economy along with responsible fiscal management. Besides, entrance into IMF program would allow Pakistan to secure financial flows from other multilateral agencies which would allow better external account management.

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

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

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

ACKNOWLEDGMENT

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

On behalf of Directors,



Muhammad Saqib Saleem
Chief Executive Officer
February 18, 2019



Nasim Beg
Vice Chairman / Director

ڈائریکٹرز رپورٹ
برائے ششماہی اختتام پذیر 31 دسمبر 2018ء

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

اظہار تشکر

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

من جانب ڈائریکٹرز،



نسیم بیگ
وائس چیئرمین / ڈائریکٹر



محمد ثاقب سلیم
چیف ایگزیکٹو آفیسر

18 فروری، 2019ء

پاکستان نے Bai Muajjal کی نیلامی منعقد کی جس میں 76.55 بلین کی کل شرکت میں سے 72.55 بلین قبول کیے گئے۔

فنڈ کی کارکردگی

دورانِ جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع 6.70% تھا، جبکہ بیج مارک منافع 9.72% تھا۔ اختتام مدت پر فنڈ کی 46.9% سرمایہ کاری نقد میں اور 50.9% ٹرم فائنانس سرٹیفکیٹس (TFCs) میں تھی۔

31 دسمبر 2018ء کو فنڈ کے net اثاثہ جات 871 ملین روپے تھے، جو 30 جون 2018ء کو 1,350 ملین روپے کے مقابلے میں 35.48% کمی ہے۔ 31 دسمبر 2018ء کو Net اثاثہ جاتی قدر (NAV) نی پونٹ 54.8999 روپے تھی، جو 30 جون 2018ء کو 55.8399 روپے ابتدائی NAV کے مقابلے میں 0.9400 روپے نی پونٹ کمی ہے۔

بازار اور معیشت - مستقبل کا منظر

حکومت اگلی ششماہی کے لیے خاطر خواہ مالیاتی فراہمی کا انتظام کر پائی ہے جس کی معاونت دوست ممالک کی طرف سے تاخیر سے ادائیگی کی سہولیات، قرضوں اور deposits سے ہوتی ہے۔ تاہم کاروباری اکاؤنٹ کے توازن میں مزید بہتری درکار ہے تاکہ مستقبل میں مالیات کی فراہمی اور خساروں کی قابلِ بقاء سطحوں تک رسائی ہو سکے۔ برآمدات میں بہتری کا رجحان متوقع ہے جس کی معاونت روپے کی قدر میں کمی، برآمدکاروں کو ٹیکس کی واپسی، توانائی کی بہتر فراہمیوں اور توانائی کی قیمتوں میں علاقائی فریقوں سے مساوات کے سست اثر سے ہوگی۔ درآمدات میں سال کے نصف آخر میں سست روی متوقع ہے کیونکہ یکبارگی کمی پیشیوں اور تیل کی قیمتوں کے اثرات توازن پیدا کریں گے، اور ساتھ ساتھ روپے کی قدر میں کمی کا اثر مزید واضح ہوگا۔ مالی سال 2019ء میں کرنٹ اکاؤنٹ کا متوقع خسارہ 13 بلین ڈالر ہے، اور اگلے نصف سال کے لیے CAD نصف اڈل کے 8 بلین ڈالر کے مقابلے میں سست روی کا شکار ہو کر 5 بلین ڈالر رہ جائے گا۔ بعد ازاں، اگلے نصف سال میں REER کے بنیادی قدر کے قریب ہونے کی صورت میں پاکستانی روپے امریکی ڈالر میں تقریباً 5% ایڈجسٹمنٹ متوقع ہے۔

حکومت نے اعلان کیا ہے کہ ادائیگیوں کے توازن میں معاونت کے معاشی پروگرام کے لئے آئی ایم ایف سے رجوع کیا جائے گا۔ آئی ایم ایف پروگرام کی بدولت پالیسی کے انتظام میں بہتری ہوگی جس سے معیشت کی ساخت سے متعلق مسائل سے نمٹا جاسکے گا اور ذمہ دارانہ مالیاتی انتظام ممکن ہو سکے گا۔ علاوہ ازیں، آئی ایم ایف پروگرام میں داخل ہونے سے پاکستان کو دیگر کثیر الجہت ایجنسیوں سے مالیات حاصل کرنے میں مدد ملے گی جس کی بدولت خارجی اکاؤنٹ کا بہتر انتظام ممکن ہو سکے گا۔ افراط زر کے دباؤ سال کے نصف آخر میں مزید واضح ہونے کی توقع ہے کیونکہ کرنسی کی قدر میں کمی، گیس کی قیمت میں اضافے اور بجلی کی قیمتوں میں کمی بیشی کے سست اثرات کا احاطہ کیا جائے گا۔ تاہم مالیاتی تنگی کا اکثر حصہ مکمل کیا جا چکا ہے جس میں آنے والے افراط زر کے دباؤ کی عکاسی ہوتی ہے، اور مزید تنگی 50 bps کی حد میں رہے گی۔ سال کے باقی حصے میں معاشی ترقی متوقع طور پر نسبتاً سست روی کا شکار رہے گی کیونکہ کرنسی میں کمی بیشی اور مالیاتی پالیسی میں مزید تنگی صرفی رجحان پر حاوی رہے گی۔ تاہم بجلی کی پہلے سے زیادہ فراہمی کے ساتھ ساتھ معیشت کی دستاویزی کی بدولت اس مشکل موڑ پر معاشی منتظمین کو سہولت فراہم ہوگی۔ نئی حکومت معاشی میدان کے دیرینہ مسائل کے حل پر توجہ دینے کی زیادہ مرکز اور مخلص کاوشیں کر رہی ہے، چنانچہ ہم بہتر حکومت داری اور معاشی بحالی کے طویل المیعاد امکانات کے حوالے سے پُر امید ہیں، تاہم راستہ متوقع طور پر دشوار اور ممکنہ ناپسندیدہ پالیسی اقدامات سے پُر ہوگا۔

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

ڈائریکٹر رپورٹ برائے ششماہی اختتام پذیر 31 دسمبر 2018ء

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی جانب سے ایم سی بی اے انھینسمنٹ فنڈ کی 31 دسمبر 2018ء کو اختتام پذیر ہونے والی مدت کی ششماہی رپورٹ پیش خدمت ہے۔

بازار اور معیشت کا جائزہ

معیشت اور بازار کا جائزہ

مالی سال 2019ء کا آغاز مثبت فضا سے ہوا کیونکہ انتخابی عمل کی بلار کاؤٹ تکمیل کے نتیجے میں مارکیٹ کے فریقوں نے اطمینان کا سانس لیا۔ نئی حکومت کو متعدد معاشی مسائل وراثت میں ملے، خاص طور پر خارجی میدان میں۔ درپیش مشکلات سے نبرد آزما ہوتے ہوئے اہم پالیسی اقدامات کیے گئے (روپے کی قدر میں 15% کی کمی کے ساتھ ساتھ انٹریسٹ کی شرح میں 250 bps اضافہ) تاکہ عدم توازن سے نمٹا جاسکے۔ مزید برآں، اہم ترین کامیابی دوست اتحادیوں سے سفارتی تعلقات قائم کرنے سے حاصل ہوئی۔ نتیجتاً، پاکستان کو سعودی عرب، متحدہ عرب امارات اور چین سے ادائیگیوں کے توازن میں معاونت کے لیے 14 بلین ڈالر کے چیک حاصل ہوئے، جبکہ سعودی عرب اور متحدہ عرب امارات نے 20 سے 30 بلین ڈالر کی براہ راست غیر ملکی سرمایہ کاری کا وعدہ کیا۔

موجودہ مالی سال کی پہلی ششماہی کے لیے CPI کا اوسط 6% تھا۔ لیکن دوسری ششماہی میں پسٹ base effect اور کرنسی میں کمی بیشی کے سبب اثر کے باعث اس اوسط میں اضافہ متوقع ہے۔ مزید برآں، حکومت کی طرف سے بجلی کی قیمتوں میں کمی بیشی ہونا باقی ہے کیونکہ پیداوار کی بنیادی چٹنگ اور اصل قیمت کے درمیان فاصلے میں اچھا خاصا اضافہ ہو گیا ہے۔ مالی سال 2019ء کی دوسری ششماہی کے لیے CPI کا اوسط بجلی میں کمی بیشی کے اثر کا احاطہ کرنے کے بعد 8.5% متوقع ہے۔

پہلے چھ ماہ میں کرنٹ اکاؤنٹ کا خسارہ 8 بلین ڈالر تھا، جو گزشتہ سال کی مماثل مدت کے مقابلے میں 4.4% بہتری ہے۔ CAD کو ترسیل زر میں 10% اضافے کی بھرپور معاونت حاصل ہوئی۔ تاہم تیل کی بلند قیمتیں اور موجودہ اکاؤنٹس میں سابقہ مدتوں کی ادائیگیوں کی عکاسی خارجی صورتحال میں بہتری کی بھرپور اثر پذیری میں رکاوٹ بنے۔ Non-oil درآمدات میں گزشتہ سال کی نسبت 5% کمی حوصلہ افزا رہا۔ تیل کی بلند قیمتوں اور محدود مالی بہاؤ کی عکاسی کرتے ہوئے دوران مدت ذخائر میں 2.7 بلین ڈالر کمی، اور اس کے نتیجے میں روپے کی قدر میں 13.7% کمی ہوئی۔

مجموعی مانگ کو مستحکم کرنے کی حکومتی توجہ کے نتیجے میں بڑے پیمانے پر ہونے والی مینوفیکچرنگ (LSM) متاثر ہوئی جس میں مالی سال 2019ء کے ابتدائی پانچ ماہ میں YoY 0.9% کمی ہوئی۔ اس کمی کی وجہ تیل کی مصنوعات کی پیداوار میں کمی اور اس کے باعث گاڑیوں، دوا سازی اور صارفی مصنوعات میں سست روی ہے۔ LSM میں ترقی معیشت میں مجموعی سست روی کی عکاسی کر رہی ہے جس کی پیش بینی خارجی عدم توازن پر قابو پانے کے لیے حکام کے اقدامات سے ہوتی ہے۔ دوران ششماہی مالیاتی تنگی میں اضافے کے حوالے سے مارکیٹ کے فریقوں کی توقع برقرار رہی، چنانچہ پیداواری ٹیم بلندی کی طرف مائل ہوا۔ ابتدائی چھ ماہ کے دوران اسٹیٹ بینک آف پاکستان نے پالیسی کی شرح کو بازار کے زیادہ تر حصے کی توقعات کے مطابق بڑھا کر 350 bps کر دیا۔ زیر جائزہ مدت کے دوران پاکستان انویسٹمنٹ بانڈز (PIB) کی اکثر نیلامیوں کو اسٹیٹ بینک آف پاکستان نے کمزور حجم اور بلند سطح پر شرکت کے باعث مسترد کر دیا۔ تین سالہ، پانچ سالہ اور دس سالہ PIB کو دسمبر 2018ء میں ہونے والی نیلامی میں بالترتیب 12.25%، 12.70% اور 13.15% پر قبول کیا گیا۔ مالی سال 2019ء کی پہلی ششماہی کے دوران Two Floater شرح کے PIB کی نیلامیاں منعقد ہوئیں۔ پہلی کو بیچ مارک شرح 70 bps + پر قبول کیا گیا۔ دوسری شرکت کی بلند سطح کے باعث مسترد کر دیا گیا۔ خارجی صورتحال پر خدشات کے باعث طویل تر ميعاد کے ٹریڈری انفر وٹمنس میں بازار کی شرکت متاثر ہوئی اور 3 ماہ یا اس سے کم مدت کے دستاویزات میں بدستور اضافہ ہوا۔

اسٹیٹ بینک آف پاکستان کے باقاعدگی سے منعقدہ OMOs کی بدولت نقدیت پوری مدت کے دوران سہل سطح پر رہی۔ دوسری سہ ماہی کے دوران 117.7 بلین مالیت کے حکومت پاکستان کے فلوئز ریٹ اجارہ سلک کی مدت مکمل ہوئی۔ حکومت پاکستان کے تازہ اجارہ سلک کا اجراء نہیں کیا گیا جبکہ اسٹیٹ بینک آف

TRUSTEE REPORT TO THE UNIT HOLDERS

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office

CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shahra-e-Faisal
Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



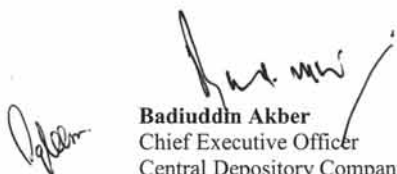
TRUSTEE REPORT TO THE UNIT HOLDERS

PAKISTAN INCOME 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, 2018 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.



Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 20, 2019





A.F. FERGUSON & CO.

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

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **Pakistan Income Enhancement Fund** (the Fund) as at December 31, 2018 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial statements'), for the six months period ended December 31, 2018. The Management Company (MCB-Arif Habib Savings and Investments Limited) is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review. The figures included in the condensed interim income statement and condensed interim statement of comprehensive income for the quarters ended December 31, 2018 and December 31, 2017 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2018.

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 condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Other matters

The condensed interim financial statements of the Fund for the half year ended December 31, 2017 were reviewed and the financial statements of the Fund for the year ended June 30, 2018 were audited by another firm of Chartered Accountants who had expressed an unmodified conclusion and opinion thereon vide their reports dated February 26, 2018 and September 14, 2018 respectively.

Chartered Accountants

Engagement Partner: **Noman Abbas Sheikh**

Dated: February 22, 2019

Karachi

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

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2018

		December 31, 2018 (Unaudited) (Rupees in '000)	June 30, 2018 (Audited)
	Note		
ASSETS			
Balances with banks	4	423,183	646,442
Investments	5	460,061	675,658
Dividend and profit receivable		14,552	13,220
Advances, deposits and prepayments		3,210	3,054
Advance against subscription of Term Finance Certificate		-	22,000
Receivable from National Clearing Company of Pakistan Limited		1,963	22,963
Total assets		902,969	1,383,337
LIABILITIES			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	12	1,310	2,535
Payable to Central Depository Company of Pakistan Limited - Trustee		148	190
Payable to the Securities and Exchange Commission of Pakistan		361	1,378
Payable against redemption of units		2,079	2,079
Accrued expenses and other liabilities	6	28,506	27,162
Total liabilities		32,404	33,344
NET ASSETS		870,565	1,349,993
Unit holders' fund (as per statement attached)		870,565	1,349,993
Contingencies and Commitments	7		
(Number of units)			
NUMBER OF UNITS IN ISSUE		15,857,305	24,176,126
(Rupees)			
NET ASSETS VALUE PER UNIT		54.8999	55.8399

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2018

		Six months period ended		Quarter ended	
		December 31,		December 31,	
		2018	2017	2018	2017
Note		(Rupees in '000)		(Rupees in '000)	
INCOME					
		1,149	2,541	508	1,346
		22,908	21,394	11,804	11,154
		17,523	25,826	10,224	18,233
		(606)	(1,107)	(391)	(652)
		-	7,310	-	3,090
		-	1,980	-	1,980
		-	7,129	-	3,729
		-	(1,327)	-	(1,388)
		1,705	5,275	-	1,477
		(509)	(1,513)	2,786	(3,719)
		6	402	-	92
		42,176	67,910	24,931	35,342
EXPENSES					
	12.1	6,124	10,212	3,149	5,623
	12.2	796	1,328	409	731
		799	1,265	384	698
		104	164	50	90
		361	738	171	427
	10	545	1,112	259	643
		224	682	115	383
		-	837	-	784
		308	219	138	218
		91	83	47	-
		337	336	205	153
		72	108	33	52
		25	9	(0)	(414)
		9,786	17,093	4,961	9,388
		32,390	50,817	19,970	25,954
		647	1,016	398	519
		31,743	49,801	19,572	25,435
	8	-	-	-	-
		31,743	49,801	19,572	25,435
Allocation of net income for the period:					
		31,743	49,801	19,572	25,435
		(5,009)	(10,805)	(2,511)	(6,941)
		26,734	38,996	17,061	18,494
Accounting income available for distribution					
		-	-	2,786	-
		26,734	38,996	14,275	18,494
		26,734	38,996	17,061	18,494
Earnings per unit					
11					

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2018**

	Note	Six months period ended December 31,		Quarter ended December 31,	
		2018	2017	2018	2017
		(Rupees in '000)		(Rupees in '000)	
Net income for the period after taxation		31,743	49,801	19,572	25,435
Unrealised diminution on re-measurement of investments classified as 'available-for-sale' - net		-	(146)	-	(63)
Total comprehensive income for the period		<u>31,743</u>	<u>49,655</u>	<u>19,572</u>	<u>25,372</u>

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	Six months period ended December 31, 2018				Six months period ended December 31, 2017			
	(Rupees in '000)							
	Capital Value	Undistrib- uted income	Unrealised appreciatio n/(diminuti on) on 'available	Total	Capital Value	Undistrib- uted income	Unrealised appreciation / (diminution) on 'available	Total
Net assets at beginning of the period	1,204,082	145,951	(40)	1,349,993	1,596,441	94,679	(3,054)	1,688,066
Change in accounting policy - note 4.3	-	(40)	40	-	-	-	-	-
Net assets at beginning of the period	1,204,082	145,911	-	1,349,993	1,596,441	94,679	(3,054)	1,688,066
Issue of 21,353,751 units (2017: 34,513,878 units) including additional units								
- Capital value (at net asset value per unit at the beginning of the period)	1,134,034	-	-	1,134,034	1,833,684	-	-	1,833,684
- Element of income	20,474	-	-	20,474	27,552	-	-	27,552
	1,154,508	-	-	1,154,508	1,861,236			1,861,236
Redemption of 29,672,572 units (2017: 26,548,667 units)								
- Capital value (at net asset value per unit at the beginning of the period)	1,575,821	-	-	1,575,821	1,410,765	-	-	1,410,765
- Element of income	28,796	(5,009)	-	23,787	10,505	10,805	-	21,310
	1,604,617	(5,009)	-	1,599,608	1,421,270	10,805	-	1,432,075
Total comprehensive income for the period	-	31,743	-	31,743	-	49,801	(146)	49,655
Final Distribution for the year ended June 30, 2018 (including additional units) at the rate of Rs. 2.7329 per unit (Declared on July 04, 2018)	(14,799)	(51,272)	-	(66,071)	-	-	-	-
	(14,799)	(19,529)	-	(34,328)	-	49,801	(146)	49,655
Net assets at end of the period	739,174	121,373	-	870,565	2,036,407	133,675	(3,200)	2,166,882
Undistributed income brought forward								
- Realised		149,836				59,471		
- Unrealised		(3,885)				35,208		
		145,951				94,679		
Change in accounting policy - note 4.3		(40)				-		
		145,911				94,679		
Accounting income available for distribution								
- Relating to capital gains		-				-		
- Excluding capital gains		26,734				38,996		
		26,734				38,996		
Cash distribution during the period		(51,272)				-		
Undistributed income carried forward		121,373				133,675		
Undistributed income carried forward								
- Realised		121,882				135,188		
- Unrealised		(509)				(1,513)		
		121,373				133,675		
				(Rupees)				(Rupees)
Net assets value per unit at beginning of the period				55.8399				53.0958
Net assets value per unit at end of the period				54.8999				53.8863

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

Six months period ended
December 31, 2018 December 31, 2017
(Rupees in '000)

CASH FLOWS FROM OPERATING ACTIVITIES

Net income for the period before taxation	31,743	49,801
Adjustments for non cash and other items:		
Unrealised diminution / (appreciation) on re-measurement of investments classified as 'at fair value through profit or loss' - net	509	1,513
	<u>32,252</u>	<u>51,314</u>
Decrease/ (Increase) in assets		
Investments - net	215,088	(183,571)
Dividend and profit receivable	(1,332)	(8,499)
Advances, deposit and prepayments	(156)	(64)
Advance against subscription of Term Finance Certificate	22,000	(151,000)
Receivable against margin trading system	-	(317,558)
Receivable from National Clearing Company of Pakistan Limited	21,000	14,073
Receivable against sale of equity securities - net	-	46,249
	<u>256,600</u>	<u>(600,370)</u>
Decrease/ (Increase) in liabilities		
Payable to MCB-Arif Habib Savings and Investments Limited -	(1,225)	448
Payable to Central Depository Company of Pakistan Limited - Trustee	(42)	41
Payable to the Securities and Exchange Commission of Pakistan	(1,017)	(1,088)
Payable against purchase of equity securities	-	(39,299)
Accrued expenses and other liabilities	1,344	(3,355)
	<u>(940)</u>	<u>(43,253)</u>
Net cash generated from / (used in) operating activities	<u>287,912</u>	<u>(592,309)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Dividend paid	(51,272)	-
Receipts against issuance and conversion of units (excluding additional units)	1,139,709	1,861,236
Payment against redemption and conversion of units	(1,599,608)	(1,432,076)
Net cash (used in) / generated from financing activities	<u>(511,171)</u>	<u>429,160</u>
Net decrease in cash and cash equivalents during the year	<u>(223,259)</u>	<u>(163,149)</u>
Cash and cash equivalents at beginning of the period	646,442	642,493
Cash and cash equivalents at end of the period	<u>423,183</u>	<u>479,344</u>

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

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 the 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 Limited (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, reverse repurchase transactions, spread transactions and transactions under Margin Trading System.
- 1.5** The Pakistan Credit Rating Agency (PACRA) Limited has assigned Management quality rating of AM2++ dated October 08, 2018 to the Management Company and "A+(f)" as stability rating dated December 28, 2018 to the Fund.
- 1.6** Title to the assets of the Fund is held in the name of the Central Depository Company of Pakistan Limited as Trustee of the Fund.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for condensed interim financial reporting. The accounting and reporting standards applicable in Pakistan for interim financial reporting comprise of:

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

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

The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. These condensed interim financial statements do not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the year ended June 30, 2018.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

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

3.1 The accounting policies adopted and the methods of computation of balances used in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2018 except for the change in accounting policy as explained in note 3.3.

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

3.3 Standards and amendments to published accounting and reporting standards that are effective in the current period

'Effective from July 01, 2018, the Fund has adopted IFRS 9: "Financial Instruments" which has replaced IAS 39: "Financial Instruments: Recognition and Measurement". The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'expected credit losses' (ECL) approach rather than 'incurred credit losses' approach, as previously given under IAS 39. However, the SECP vide its letter dated November 21, 2017, has deferred the applicability of requirements relating to impairment for debt securities on mutual funds till further instructions. Currently, the Asset Management Companies are required to continue to follow the requirements of Circular 33 of 2012 for impairment of debt securities. Furthermore, the ECL has impact on all other assets of the Fund which are exposed to credit risk. However, majority of the assets of the Fund other than debt securities (for which there is a separate criteria as mentioned above) that are exposed to credit risk pertain to counter parties which have high credit rating. Therefore, the management believes that the impact of ECL would be very minimal and hence, the same has not been accounted for in these condensed interim financial statements.

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

IFRS 9 requires securities managed as a portfolio or group of assets and whose performance is measured on a fair value basis to be recognized as FVPL. The management considers its investments being managed as a group of assets and hence has classified them as FVPL. Other financial assets which are held for collection continue to be measured at amortised cost. Consequently, on adoption of IFRS 9 all investments which were previously classified as "available for sale" or "Loans and Receivables" have been transferred / redesignated as FVPL.

The Fund has adopted modified retrospective restatement for adopting IFRS-9 and accordingly, all changes arising on adoption of IFRS-9 have been adjusted at the beginning of the current period.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

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

	As at June 30, 2018	Change	As at July 1, 2018
	-----Rs. In '000-----		
Impact on Statement of Unit holders' fund			
Unrealised appreciation/(diminution) on 'available for sale' investments	(40)	40	-
Undistributed income	145,951	(40)	145,911
Impact on Statement of Assets and Liabilities			
Investments - 'available for sale'	811	(811)	-
Investments - 'Loans and Receivables'	118,295	(118,295)	-
Investments - 'At fair value through profit or loss'	556,552	119,106	675,658

There is no impact on the condensed interim income statement, condensed interim statement of comprehensive income and condensed interim cash flow statement.

There are no other standards, amendments to standards or interpretations that are effective for annual accounting periods beginning on July 1, 2018 that have a material effect on the condensed interim financial statements of the Fund.

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

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

	Note	December 31, 2018 (Un-audited) (Rupees in '000)	June 30, 2018 (Audited) (Rupees in '000)
4 BALANCES WITH BANKS			
In current accounts		11	11
In saving accounts	4.1	423,172	646,431
		<u>423,183</u>	<u>646,442</u>
4.1	This includes balances of Rs.0.615 million (June 30, 2018: Rs.1.59 million) maintained with MCB Bank Limited (a related party) that carry profit at 8.00% per annum (June 30, 2018: 3.75%). Other profit and loss saving accounts of the Fund carry profit rates ranging from 8% to 10% per annum (June 30, 2018: 6% to 8% per annum).		
5 INVESTMENTS			
At fair value through profit or loss			
Government securities	5.1	-	42,927
Listed debt securities	5.2	138,694	170,096
Unlisted debt securities	5.3	321,367	343,529
		<u>460,061</u>	<u>556,552</u>
Available for sale			
Government securities	5.5	-	811
Loans and receivables			
Commercial papers	5.4	-	118,295
		<u>460,061</u>	<u>675,658</u>

5.1 Government securities

5.2 Listed debt securities

Term finance certificates
Provision against Eden Housing Limited
Book value

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

5.2.1 Listed debt securities - Term Finance Certificates/Sukuks

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

Name of investee company	Number of Certificates					At December 31, 2018			Market value as a percentage of net assets	Market value as a percentage of total investment
	At July 1, 2018	Purchased during the period	Matured during the period	Disposed during the period	At December 31, 2018	Carrying value	Market value	diminution		
Rupees in '000- ---- %										
Commercial Banks										
Bank Alfalah Limited (20-02-13 issue)	6,581	-	-	-	6,581	33,017	31,688	(1,329)	3.64	6.89
Fertilizer										
Dawood Hercules Corporation Limited (16-11-2017 issue) *-Sukuk	1,320	-	-	250	1,070	107,214	107,006	(208)	12.29	23.26
Real Estate investment and services										
Pace Pakistan Limited (15-02-08 issue)	15,000	-	-	-	15,000	72,570				
Less: Provision for impairment						(72,570)				
As at December 31, 2018										
As at June 30, 2018						140,231	138,694	(1,537)		
						173,802	170,096	(3,706)		

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

5.3 Unlisted debt securities

	Note	December 31, 2018 (Un-audited) (Rupees in '000)	June 30, 2018 (Audited) (Rupees in '000)
Term finance certificates	5.3.1	331,618	353,780
Provision against Eden Housing Limited	5.3.1	(10,251)	(10,251)
Book value		<u>321,367</u>	<u>343,529</u>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

5.3.1 Term Finance Certificates/Sukuks

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

Name of investee company	Number of Certificates					As at 31 December 31, 2018			Market value** as a percentage of net assets	Market value** as a percentage of total investment
	As at July 1, 2018	Purchased during the period	Matured during the period	Disposed during the period	As at December 31, 2018	Carrying value*	Market value	Appreciation / (diminution)		
Rupees in '000										
%										
Commercial Banks										
Bank Al Habib Limited (17-03-16 issue)	17,000	-	-	-	17,000	84,791	89,971	5,180	10.33	19.56
The Bank of Punjab Limited - TFC -II- Issue date 23 April 2018 *	-	220	-	-	220	21,996	20,502	(1,494)	2.36	4.46
Askari Bank Limited (30-9-14 issue)	8,300	-	-	-	8,300	41,449	41,227	(222)	4.74	8.96
The Bank of Punjab Limited (23-12-16 issue)*	975	-	-	(100)	875	85,791	83,879	(1,912)	9.64	18.23
Investment Bank										
Jahangir Siddiqui & Company Limited (18-07-2017 issue)	25,000	-	-	8,000	17,000	85,312	84,788	(524)	9.74	18.43
Construction and Material										
Byco Petroleum Limited (18-01-2017 issue) *-Sukuk	10	-	-	-	10	998	1,000	2	0.11	0.22
Eden Housing Limited - Sukuk - (31-03-2008 issue) - Due but not received	10,415	-	-	-	10,415	10,251	-	-	-	-
Less: Provision for impairment						(10,251)	-			
As at 31 December 31, 2018										
						320,337	321,367	1,030		
As at June 30, 2018										
						353,879	353,780	(99)		

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

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

5.4 Commercial papers - Amortised cost

Particulars	Profit / mark-up rates	Issue date	Maturity date	Amortised cost as at July 1, 2018	Transferred to financial assets at fair value through profit or loss category upon adoption of IFRS 9 - Note 3.3	Adjusted balance as at July 1, 2018	Amortised cost	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
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----- Rupees in '000 -----

Pak Elektron Limited 7.72% December 14, 2017 September 18, 2018 118,295 (118,295) - - - -

As at December 31, 2018

As at June 30, 2018

120,000 118,295

5.4.1 Commercial papers - Fair value through profit or loss

Particulars	Profit / mark-up rates	Issue date	Maturity date	Transferred from amortised cost upon adoption of IFRS 9 - Note 3.3	Matured during the period	Closing balance as at December 31, 2018	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
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----- Rupees in '000 -----

Pak Elektron Limited 7.72% December 14, 2017 September 18, 2018 118,295 (118,295) - - -

As at December 31, 2018

-

5.5 Government securities - 'at fair value through other comprehensive income'

	117	PAKISTAN INCOME ENHANCEMENT FUND
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**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

5.6 Significant terms and conditions of term finance certificates and other securities outstanding at December 31, 2018 are as follows:

Name of security	Number of certificates	Face value per unit	Face value/redemption value in total	Interest rate per annum	Maturity	Secured / unsecured	Rating
Bank Al Falah Limited (20 february 2013)	6,581	5,000	4,989	6M KIBOR+1.25%	February 20, 2021	Unsecured	AA
Dawood Hercules Corporation Limited - Sukuk (16 November, 2017)	1,070	100,000	100,000	3M KIBOR+1%	November 16, 2022	Secured	AA
Askari Bank Limited IV - TFC (30 September, 2014)	8,300	5,000	4,992	6M KIBOR+1.2%	September 30, 2024	Unsecured	AA-
Bank ALHabib Limited - TFC II (16 march, 2017)	17,000	5,000	4,995	6M KIBOR+0.75%	March 17, 2026	Unsecured	AA
The Bank of Punjab (23 April, 2018)	220	100,000	99,980	6M KIBOR+1.25%	April 23, 2028	Unsecured	AA-
The Bank of Punjab Limited - TFC 23 December, 2016)	875	100,000	99,920	6M KIBOR+1%	December 23, 2026	Unsecured	AA-

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

5.7 Details of non-compliant investment with the investment criteria as specified by the 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, 2018, 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 the respective issuer in repayment of coupon due on respective dates. The Fund holds 100% provision against these 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
-----Rs in '000'-----						
Investment in debt securities	a) Pace Pakistan Limited (note 5.2)	72,570	72,570	-	8.34%	8.34%
	b) Eden Housing Limited (note 5.3)	10,251	10,251	-	1.18%	1.18%

6 ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	December 31, 2018 (Unaudited) (Rupees in '000)	June 30, 2018 (Audited)
Provision for Sindh workers' welfare fund	6.1	5,684	5,037
Provision for federal excise duty and related taxes on	6.2		
- Management fee		16,590	16,590
- Sales load		4,746	4,746
Brokerage		14	24
Capital gain tax		102	85
Auditors' remuneration		264	360
Printing and related expenditure		30	40
Zakat		14	-
Other		1,062	280
		<u>28,506</u>	<u>27,162</u>

6.1 Provision for Sindh Workers' Welfare Fund

As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act (SWWF Act), 2014 had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs.0.5 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies (including the Management Company of the Fund) whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF which is currently pending. However, as a matter of abundant caution, MUFAP has recommended to all its members to record a provision for SWWF from the date of enactment of SWWF Act, 2014 (i.e. starting from May 21, 2015).

In the repealed Companies Ordinance, 1984 as well as the Companies Act, 2017, mutual funds have not been included in the definition of "financial institutions". The MUFAP has held the view that SWWF is applicable on asset management companies and not on mutual funds.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

Had the provision for SWWF not been recorded in the condensed interim financial statements of the Fund, the net assets value of the Fund as at December 31, 2018 would have been higher by Re.0.36 (June 30, 2018: Re.0.21) per unit.

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) as a result of which FED at the rate of 16 percent on the remuneration of the Management Company and sales load was applicable with effect from June 13, 2013. The Management Company was of the view that since the remuneration was already subject to provincial sales tax, further levy of FED would result in double taxation which did not appear to be the spirit of the law. Hence, on September 4, 2013 a constitutional petition was filed with the Sindh High Court (SHC) by the Management Company together with various other asset management companies challenging the levy of FED.

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

With effect from 01 July 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 01, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 21.336 million is being retained in these condensed financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been made, the Net Assets Value of the Fund as at December 31, 2018 would have been higher by Rs 1.046 (June 30, 2018: Re 0.88) per unit.

7 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments outstanding as at December 31, 2018 and June 30, 2018.

8 TAXATION

The Fund's income is exempt from income tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders by way of cash dividend. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders in cash. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the management intends to distribute the income earned by the Fund during the year ending June 30, 2019 to the unit holders in cash in the manner as explained above, accordingly, no provision for taxation has been made in these condensed interim financial statements.

9 SELLING AND MARKETING EXPENSES

SECP vide a Circular No.40 of 2016 dated December 30, 2016 (later amended via circular 05 of 2017 dated February 13, 2017 and circular 5 of 2018 dated June 4, 2018) has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds and money market funds), initially for three years (from January 1, 2017 till December 31, 2019). The maximum cap of selling and marketing expense shall be 0.4% per annum of net assets of the Fund or actual expenses whichever is lower. Accordingly, such expenses have been charged at the rate of 0.4% of net assets of the Fund, being lower than actual expenses incurred.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

10 ALLOCATED EXPENSES

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 is charging such expenses at a rate of 0.1% of average annual net assets which is less than the actual expenses allocable to the Fund.

11 EARNINGS PER UNIT

Earnings per unit based on cumulative weighted average units for the period has not been disclosed as in the opinion of the Management Company the determination of the same is not practicable.

		December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
	Note	(Rupees in '000)	
12 PAYABLE TO THE MANAGEMENT COMPANY			
Remuneration Payable	12.1	1,091	1,170
Sindh sales tax payable on management fee	12.2	141	152
Sales load payable		-	221
Back office payable		78	992
		1,310	2,535

12.1 Under the provisions of the NBFC Regulations, 2008, the Management Company of the Fund is entitled to a remuneration, during the first five years of the Fund of an amount not exceeding 3% percent of the average annual net assets of the Fund and thereafter, of an amount equal to 2% percent of such assets of the Fund and, in any case, it shall not exceed the limit prescribed by the NBFC Regulations, 2008. The Management company has charged the fee at the lower of 15% of the gross earnings of the scheme calculated on a daily basis not exceeding the maximum rate of remuneration permitted under the Rules & Regulations. Provided that Fund is subject to a minimum fee of 0.25% of the average daily net assets of the Scheme.

12.2 Sindh sales tax on management remuneration has been charged at the rate of 13% (June 30, 2018: 13%)

13 TRANSACTIONS WITH CONNECTED PERSON / RELATED PARTIES

Related parties / connected persons of the Fund include the Management Company, other collective investment schemes managed by the Management Company, MCB Bank Limited being the Holding Company of the Management Company, the Trustee, directors, key management personnel and other associated undertakings and connected persons. Connected persons also include any person beneficially owing directly or indirectly 10% or more of the units in the issue / net assets of the Fund.

Transactions with connected persons essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, other charges, sale and purchase of investments and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.

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

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

13.1 Transactions during the period with connected persons / related parties in units of the Fund:

FOR THE HALF YEAR ENDED DECEMBER 31, 2018 (unaudited)								
	As at July 01, 2018	Issued for cash	Redeemed	As at December 31, 2018	As at July 01, 2018	Issued for cash	Redeemed	As at December 31, 2018
	Units			(Rupees in '000)				
Associated Companies:								
MCB Arif Habib Savings and Investments Limited	-	13,091,079	13,091,079	-	-	709,757	710,277	-
Adamjee Life Assurance Company Limited Conventional Business	-	-	-	-	-	-	-	-
Adamjee Insurance Company Limited Employees Gratuity Fund	-	-	-	-	-	-	-	-
Adamjee Insurance Company Limited Employees Provident Fund	-	-	-	-	-	-	-	-
Security General Insurance Company Limited Employees Provident Fund Trust	36,603	1,884		38,487	2,013	43,928	-	2,113
Fatima Fertilizer Company Limited Management Staff Gratuity Fund	183,106	9,423	192,529	-	10,071	225	10,300	-
Mandate Under Discretionary Portfolio Services *	1,515,710	67,274	1,582,010	974	84,637	3,572	84,358	53
Key management personnel	17	38	55	-	1	2	3	-
Unit holders holding 10% or more units								
Security General Insurance Company Ltd	3,929,901	181,132	4,111,033	-	219,445	6,350	219,397	-

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

For the six months period ended December 31, 2017 (unaudited)								
	As at July 01, 2017	Issued for cash	Redeemed	As at December 31, 2017	As at July 01, 2017	Issued for cash	Redeemed	As at December 31, 2017
	Units			(Rupees in '000)				
Associated Companies:								
Adamjee Life Assurance Company Limited Conventional Business	206,090	-	-	206,090	10,943	-	-	11,229
Adamjee Insurance Company Limited Employees Gratuity Fund	-	343,544	115,549	227,995	-	18,526	6,291	12,235
Adamjee Insurance Company Limited Employees Provident Fund	819,194	-	819,194	-	43,496	-	44,628	-
Mandate Under Discretionary Portfolio Services *								
	3,535,864	3,945,977	743,928	6,737,914	187,740	212,783	40,085	360,438
Key management personnel	-	95,764	86,434	9,331	-	5,156	4,700	508
Unit holders holding 10% or more units								
Security General Insurance Company Limited	5,839,596	3,704,760	5,614,456	3,929,900	310,058	200,000	300,000	214,123

* This reflects position of related party / connected persons status

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

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

	December 31, 2018 (Unaudited)	December 31, 2017 (Unaudited)
	----- (Rupees in '000) -----	
MCB-Arif Habib Savings and Investments Limited - Management Company		
Remuneration including indirect taxes	6,920	11,540
Allocated expenses including indirect taxes	545	1,112
Central Depository Company of Pakistan Limited		
Remuneration of the trustee (including indirect taxes)	903	1,429
CDC settlement charges	12	273
MCB Bank Limited		
Profit on bank deposits	6	14
Bank charges	5	12
D.G. Khan Cement Company Limited		
Dividend income	-	139
Nishat Mills Limited		
Dividend income	-	1,042
Nishat Chunian Limited		
Dividend income	-	154
Next Capital Limited		
Brokerage expense*	12	-
Summit Capital Private Limited		
Brokerage expense*	-	-

* 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.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

	December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
	----- (Rupees in '000) -----	
13.3 Amount outstanding as at period end / year end		
MCB - Arif Habib Savings & Investments Limited - Management Company		
Remuneration payable	1,091	1,170
Sindh Sale tax payable on remuneration to the Management Company	141	152
Sales load payable	-	221
Allocated expenses payable excluding related taxes	78	992
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	131	168
Sindh Sales tax payable on remuneration of Trustee	17	22
Security deposits	200	200
MCB Bank Limited		
Bank deposits held	615	1,599
Next Capital Limited		
Brokerage expense*	12	0
Silk Bank Limited		
Bank deposit held	220,829	364,904
Accrued profit on bank deposit	2,003	1,171

14 TOTAL EXPENSE RATIO

The expense ratio of the Fund for the period is 1.02%, (December 31, 2017: 0.93%) the total expense ratio includes 0.21% (December 31, 2017: 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 a aggressive fixed income fund.

15 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

15.1 FAIR VALUE HIERARCHY

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

Level 1: 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).

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

-----December 31, 2018-----				
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000') -----			
Investment classified at fair value through profit and loss				
Listed debt securities	-	138,694	-	138,694
Unlisted debt securities	-	321,367	-	321,367
	-	460,061	-	460,061
-----June 30, 2018-----				
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000') -----			
Investment classified as fair value through profit or loss				
Government securities	-	42,927	-	42,927
Listed debt securities	-	170,096	-	170,096
Unlisted debt securities	-	343,529	-	343,529
	-	556,552	-	556,552
Investments classified as available for sale				
Government securities	-	811	-	811
	-	557,363	-	557,363

17 GENERAL

17.1 Figures have been rounded off to the nearest thousand rupees.

17.2 Corresponding figures have been reclassified and rearranged in these condensed interim financial statements, wherever necessary, for the purpose of better presentation. No significant rearrangements or reclassifications were made in these condensed interim financial statements.

18 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorised for issue on February 18, 2019 by the Board of Directors of the Management Company.

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



Chief Executive Officer



Chief Financial Officer



Director

MCB-Arif Habib Savings and Investments Limited

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