

# **PAKISTAN INCOME ENHANCEMENT FUND**

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## FUND'S INFORMATION

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

# REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2018

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**Dear Investor,**

On behalf of the Board of Directors, we are pleased to present **Pakistan Income Enhancement Fund** accounts review for the nine months ended March 31, 2018.

## **MARKET & ECONOMIC REVIEW**

### **Economy and Money Market Review**

The economic scorecard showed a mixed picture with the real side depicting strong growth momentum while external side demanding policy measures.

The policy makers allowed the PKR/USD parity to adjust towards ~115 to support the deteriorating reserves position by arresting the worsening external account. The government at the end of March announced a tax amnesty scheme for undeclared foreign and domestic assets with tax rates ranging from 2%-5%.

The real growth remained strong depicted by Large Scale Manufacturing registering a growth of 6.24% YoY in first eight months of FY18 supported by strong growth in Petroleum Products, Steel and Food & Beverage sectors. The better preliminary crop numbers of cotton, wheat and sugar along with strong LSM growth is expected to keep the growth target of 6% in reach.

The fiscal deficit for the first half of this financial year was recorded at ~2.2% of GDP, despite high tax collection. Tax Authorities managed to collect PKR 2.0 trillion during the period, showing a growth of 17.6% compared to same period last year.

CPI for the nine months of FY18 remained modest averaging 3.78% YoY supported by stable food prices, controlled house rent and higher base effect. However, rising oil prices and depreciating currency indicate upward pressure going forward.

On the external side, trade deficit widened to alarming levels. The current account deficit (CAD) for the nine months clocked in at ~USD 10.8 billion (up 50% YoY). Trade deficit for the first nine months of the financial year reached USD 19.7 billion up ~22% YoY. Import registered an increase of ~17% during the half year, propelled by petroleum imports and an expansionary fiscal and monetary policies. On the flip side, the impact of textile package introduced by the government in order to boost exports, started to gain some momentum as textile exports grew by ~8% during the nine months of the financial year, though insufficient to bridge the gap created by rising imports. Resultantly, the foreign exchange reserves declined by USD ~3.6 billion, despite USD 2.5 billion bond issuance in international bond markets. PKR also depreciated by ~10% against USD indicating a much need attempt from government to address widening external account.

Money markets took clue from the rising inflation expectations, after the recent rupee depreciation, as against all tenors, 3-months Treasury Bills remained the most preferred play. Meanwhile, longer tenor PIBs remained out of favor with very low participation from financial institutions and banks in auctions.

## **FUND PERFORMANCE**

During the period under review, the fund generated an annualized return of 5.13% as against its benchmark return of 6.44%. At period-end, the fund was 28.5% invested in Cash and 36.7% in TFCs.

The Net Assets of the Fund as at March 31, 2018 stood at Rs. 1,532 million as compared to Rs. 1,688 million as at June 30, 2017 registering a decrease of 9.26%.

The Net Asset Value (NAV) per unit as at March 31, 2018 was Rs. 55.1410 as compared to opening NAV of Rs. 53.0958 per unit as at June 30, 2017 registering an increase of Rs. 2.0452 per unit.

## **MARKET & ECONOMY - FUTURE OUTLOOK**

The recent rupee depreciation of ~10% is expected to reflect in the external account numbers going forward. Exports are expected to continue growth trajectory with textile package also providing support. Unnecessary imports are expected to slow down reflecting the higher imported cost. Given our outlook of trade deficit and weak performance on remittances, we expect current account deficit to approach ~USD 16 billion for the FY18 which in our estimates indicate an additional financing need of near USD 5 billion. Next year could fare better, provided oil stays close to current levels, given machinery imports would slow down and impact of recent rupee devaluation would be more visible in proceeding year's numbers.

## REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2018

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The recent tax amnesty scheme announced could be successful as it is followed by some complimentary steps to curb the undeclared money. Additionally, regulations over the world would allow information sharing of residents from September, 2017 and undeclared assets would be difficult to hide. The tax amnesty scheme could bring in much needed foreign inflow of around ~USD 4 bn.

KSE-100 trades at a forward P/E of 10.28x, at a steep discount of 19.5% from its emerging market peer group. Enduring themes that should play out over the medium-term include PKR depreciation and higher interest rates, CPEC and continued GoP support for the export-oriented sector that would encourage exports. The upcoming budget with expectations of removal of tax on bonus shares and rationalization of capital gains tax could propel positive sentiments. The success of the amnesty scheme would also be a positive omen as foreign inflows would allow to control external vulnerabilities and stock market would become a potential investment avenue after whitening of money.

On the fixed income front, market is expected to remain cautious on back of a precarious external account position along with an expected 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  
April 19, 2018



Nasim Beg  
Vice Chairman / Director

کے مقابلے میں 2.0452 روپے فی یونٹ اضافہ ہے۔

### بازار اور معیشت - مستقبل کی صورتحال

روپے کی قدر میں حالیہ 10% کمی کی عکاسی متوقع طور پر خارجی اکاؤنٹ کے بلند ہوتے ہوئے اعداد و شمار میں ہوگی۔ برآمدات کی ترقی کا سفر جاری رہنے کی امید ہے، اور ٹیکسٹائل پیکج بھی پشت پناہی فراہم کرے گا۔ درآمداتی لاگت میں اضافے کے باعث غیر ضروری درآمدات میں کمی متوقع ہے۔ تجارتی خسارے اور ترسیلات زر کی کمزور کارکردگی کے پیش نظر کرنٹ اکاؤنٹ کا خسارہ متوقع طور پر 16 بلین ڈالر تک پہنچ جائے گا، جس کے نتیجے میں ہمارے تخمینے کے مطابق تقریباً 5 بلین ڈالر کی اضافی سرمایہ کاری کی ضرورت ہوگی۔ اگلا برس کافی بہتر ہو سکتا ہے، بشرطیکہ تیل موجودہ سطحوں کے قریب برقرار رہے، مشینری کی موجودہ درآمدات میں کمی ہو، اور روپے کی قدر میں حالیہ کمی کی عکاسی اگلے سال کے اعداد و شمار میں واضح تر ہو۔

حالیہ اعلان کردہ ٹیکس معاف اسکیم کامیاب ہو سکتی ہے کیونکہ اس کے ساتھ ساتھ غیر اعلانیہ رقم پر قابو پانے کے لیے کچھ مفید اقدامات کیے گئے ہیں۔ اس کے علاوہ عالمی سطح کے اصول و ضوابط کے نتیجے میں ستمبر 2017ء سے رہائشیوں کی معلومات ظاہر کرنے کی اجازت ہوگی اور غیر اعلانیہ اثاثہ جات کو پوشیدہ رکھنا مشکل ہو جائے گا۔ ٹیکس معاف اسکیم تقریباً 4 بلین ڈالر کی مطلوبہ آمد کو بھی یقینی بنا سکتی ہے۔

KSE-100 کی تجارت 10.82x کی فارورڈ P/E پر ہوئی جو اس کے اُبھرتے ہوئے مارکیٹ peer گروپ کے مقابلے میں 19.5% کی بھرپور رعایت ہے۔ مستحکم پیش رفت، جن کا اثر درمیانی مدت تک رہے گا، میں روپے کی قدر میں کمی اور انٹریسٹ کی اونچی شرحیں، اور CPEC اور برآمدات پر منحصر شعبے کے لئے حکومت پاکستان کی مسلسل پشت پناہی (جن کی بدولت برآمدات کی حوصلہ افزائی ہوگی) شامل ہیں۔

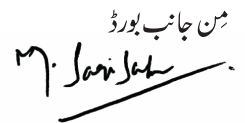
آئندہ بجٹ، جس میں بونس حصص پر ٹیکس ختم ہونے اور کیپٹل منافعوں کی rationalization کی متوقع ہے، خوش آئند ثابت ہو سکتا ہے۔ ٹیکس معاف اسکیم کی کامیابی بھی مثبت علامت ہوگی کیونکہ غیر ملکی آمدات سے خارجی خطرات پر قابو پایا جاسکے گا اور اسٹاک مارکیٹ کا لے دھن کی صفائی کے بعد سرمایہ کاری کا اچھا موقع فراہم کرے گی۔ 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 رُخ، خاص طور پر ادائیگیوں کے توازن کی واضح تصویر سے مقررہ آمدنی کی مارکیٹس میں مزید شرکت کی طرف راہنمائی ہوگی۔

### اظہار تشکر

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



نسیم بیگ  
وائس چیئرمین / ڈائریکٹر



محمد ثاقب سلیم  
چیف ایگزیکٹو آفیسر

19 اپریل 2018ء

## عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی جانب سے پاکستان انکم انہاسمنٹ فنڈ کے 31 مارچ 2018ء کو ختم ہونے والے نو ماہ کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

## بازار اور معیشت کا جائزہ

### معیشت اور بازار کا جائزہ

معاشی اعداد و شمار میں ملا جلا رجحان جاری رہا۔ حقیقی رُخ بدستور ترقی کی جانب اشارہ کر رہا ہے، جبکہ خارجی رُخ پالیسی کے اقدامات مطالبہ کر رہا ہے۔ پالیسی ساز پاکستانی روپے اور امریکی ڈالر کے مابین برابری کو 115 کی جانب لے گئے تاکہ گھٹتے ہوئے ذخائر کے باعث خارجی اکاؤنٹ کی بگڑتی ہوئی حالت پر قابو پایا جاسکے۔ مارچ کے اختتام پر حکومت نے غیر اعلانیہ منلکی وغیر منلکی اثاثہ جات کے لئے ٹیکس میں رعایت کی پالیسی کا اعلان کیا اور ٹیکس کی شرحوں کو 2% سے 5% کے درمیان لے آئی۔ حقیقی ترقی مستحکم رہی جس کی عکاسی بڑے پیمانے کی مینوفیکچرنگ (LSM) میں مالی سال 2018ء کے پہلے آٹھ ماہ میں 6.24% YoY ترقی سے ہوئی، اور اس کی پشت پناہی پٹرولیم مصنوعات، اسٹیل اور اشیائے خورد و نوش کے شعبے میں مستحکم ترقی نے کی۔ کپاس، گندم اور چینی کی بہتر ابتدائی فصل بشمول مضبوط LSM ترقی کی بدولت 6% ترقی کا ہدف متوقع طور پر قابل حصول ہے۔

موجودہ مالی سال کی پہلی ششماہی میں ٹیکس کے بھرپور حصول کے باوجود مالی خسارہ مجموعی منلکی پیداوار (GDP) کا 2.2% تھا۔ ٹیکس کے اداروں نے دوران مدت 2.0 ٹریلین روپے ٹیکس جمع کیا جو سال گزشتہ کی اسی مدت کے مقابلے میں 17.6% زیادہ ہے۔

مالی سال 2018ء کے نو ماہ کے لئے CPI کا اوسط YoY 3.78% کے درمیانے درجے پر تھا جس کی پشت پناہی اشیائے خورد و نوش کی مستحکم قیمتوں، محدود رہائشی کرائے اور پہلے سے زیادہ base effect سے ہوئی۔ تاہم تیل کی بڑھتی ہوئی قیمتیں اور روپے کی گھٹتی ہوئی قدر دباؤ میں مزید اضافے کی طرف اشارہ کر رہی ہیں۔ خارجی رُخ پر تجارتی خسارے میں تشویشناک سطح تک اضافہ ہو گیا۔ کرنٹ اکاؤنٹ کا خسارہ (CAD) برائے نو ماہ 10.8 بلین ڈالر تھا (YoY 50% اضافہ)۔ مالی سال کے پہلے نو ماہ میں تجارتی خسارہ 19.7 ڈالر تک پہنچ گیا، جو YoY 22% اضافہ ہے۔ سال کے نصف اوّل کے دوران درآمدات میں 17% اضافہ ہوا جس کے اسباب پٹرولیم کی درآمدات اور وسعت پذیر اقتصادی اور مالیاتی پالیسی ہیں۔ دوسری جانب برآمدات کے فروغ کے لئے حکومت کے متعارف کردہ ٹیکسٹائل پیکیج کے اثرات نے کچھ رفتار پکڑی اور مالی سال کے پہلے نو ماہ کے دوران ٹیکسٹائل کی برآمدات میں 8% اضافہ ہوا، لیکن یہ اضافہ بڑھتی ہوئی برآمدات سے پیدا ہونے والی خلیج کو پر کرنے کے لئے ناکافی تھا۔ نتیجتاً، غیر منلکی زرمبادلہ کے ذخائر میں 3.6 بلین ڈالر کمی ہوئی، اگرچہ بین الاقوامی بانڈ مارکیٹ میں 2.5 بلین ڈالر مالیت کے بانڈز کا اجراء ہوا۔ علاوہ ازیں، امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں 10% کمی ہوئی جس سے وسعت پذیر خارجی اکاؤنٹ پر حکومتی توجہ کی ضرورت کی عکاسی ہوتی ہے۔

روپے کی قدر میں حالیہ کمی کے بعد افراط زر میں تمام tenors کے مقابلے میں اضافے کی توقعات بازارز کے لئے اشارہ تھا۔ سہ ماہی ٹریڈری بلز کو سب سے زیادہ ترجیح حاصل رہی، جبکہ طویل المیعاد پاکستان انویسٹمنٹ بانڈز (PIBs) سب سے کم مقبول رہے کیونکہ ان کو مالیاتی اداروں اور auctions میں ٹینکوں سے بہت محدود پذیرائی حاصل ہوئی۔

## فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع 5.13% تھا، بالمقابل اس کے بنچ مارک منافع 6.44% کے۔ اختتام مدت پر فنڈ کی سرمایہ کاری 28.5% نقد میں اور 36.7% ٹرم فنانس سرٹیفکیٹس (TFCs) میں تھی۔

31 مارچ 2018ء کو فنڈ کے net اثاثہ جات 1,532 ملین روپے تھے، جو 30 جون 2017ء کو 1,688 ملین روپے کے مقابلے میں 9.26% کمی ہے۔ 31 مارچ 2018ء کو Net اثاثہ جاتی قدر (NAV) نی یونٹ 55.1410 روپے تھی، جو 30 جون 2017ء کو 53.0985 نی یونٹ ابتدائی NAV

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

		(Un-audited) March 31, 2018	(Audited) June 30, 2017
	Note	----- (Rupees in '000) -----	
<b>ASSETS</b>			
Balance with banks		451,738	642,493
Investments	5	1,003,796	977,912
Dividend and profit receivable		15,130	13,863
Advances, deposit and prepayments		3,122	3,065
Advance against subscription of Term Finance Certificate		25,000	1,000
Receivable against margin trading system		13,953	10,919
Receivable from National Clearing Company of Pakistan Limited		48,050	48,021
Receivable against sale of equity securities		24,124	66,813
<b>Total assets</b>		<b>1,584,913</b>	<b>1,764,086</b>
<b>LIABILITIES</b>			
Payable to the Management Company		1,775	2,753
Payable to the Central Depository Company of Pakistan Limited - Trustee		220	235
Payable to the Securities and Exchange Commission of Pakistan		1,104	1,826
Payable against redemption of units		2,079	2,079
Payable against purchase of equity securities		19,776	39,299
Accrued expenses and other liabilities	6	28,188	29,828
<b>Total liabilities</b>		<b>53,142</b>	<b>76,020</b>
<b>NET ASSETS</b>		<b>1,531,770</b>	<b>1,688,066</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>1,531,770</b>	<b>1,688,066</b>
<b>Contingencies and commitments</b>	7		
		(Number of units)	
<b>Number of units in issue</b>		<b>27,779,163</b>	<b>31,792,881</b>
		(Rupees)	
<b>NET ASSET VALUE PER UNIT</b>		<b>55.1410</b>	<b>53.0958</b>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

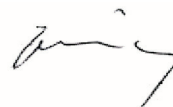
**For MCB-Arif Habib Savings and Investments Limited  
(Management Company)**



Chief Executive Officer



Chief Financial Officer



Director



# CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2018

		Nine months ended		Quarter ended	
		March 31,		March 31,	
	Note	2018	2017	2018	2017
		(Rupees in '000)			
<b>INCOME</b>					
Income from government securities		3,669	45,722	1,128	3,127
Capital (loss) / gain on sale of investments - net		(1,539)	7,856	(432)	12,633
Income from term finance certificates		33,109	29,711	11,715	9,670
Profit on bank deposit and term deposit receipts		46,706	45,344	13,570	20,061
Dividend income		1,980	5,892	(0)	2,048
Markup income on margin trading system		10,331	9,106	3,202	5,849
Loss on spread transaction		(1,853)	(15,789)	(526)	(634)
Amortization on commercial papers		10,096	-	4,821	-
Unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss' - net	5.8	(2,866)	(3,067)	(1,353)	(10,034)
Unrealised diminution in fair value of listed equity securities sale in future (for spread transaction)		-	2,292	-	4,852
Provision charged against non-performing debt securities		-	(2,756)	-	(207)
Other income		571	52	169	52
<b>Total income</b>		<b>100,203</b>	<b>124,364</b>	<b>32,293</b>	<b>47,418</b>
<b>EXPENSES</b>					
Remuneration of the Management Company		15,107	27,565	4,895	8,715
Sindh Sales Tax and Federal Excise Duty on remuneration of the Management Company		1,964	3,583	636	1,133
Remuneration of the Central Depository Company of Pakistan Limited - Trustee		1,889	2,220	624	723
Sindh Sales Tax on remuneration of Trustee	8	246	289	82	94
Securities and Exchange Commission of Pakistan - annual fee		1,104	1,396	366	454
Allocated expense		1,663	2,102	551	682
Securities transaction cost		1,051	4,669	369	2,544
Provision for Sindh Workers' Welfare Fund	6.1	1,493	-	477	-
Bank charges		167	455	59	87
Fees and subscriptions		507	1,464	205	893
Professional charges on marginal trading system		1,326	410	489	134
Auditors' remuneration		486	468	150	468
Printing and related costs		30	198	21	93
<b>Total expenses</b>		<b>27,032</b>	<b>44,819</b>	<b>8,923</b>	<b>16,020</b>
<b>Net income from operating activities</b>		<b>73,171</b>	<b>79,545</b>	<b>23,370</b>	<b>31,398</b>
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed		-	(3,973)	-	(14,947)
Provision for Workers' Welfare Fund		-	14,519	-	14,519
<b>Net income for the period before taxation</b>		<b>73,171</b>	<b>90,091</b>	<b>23,370</b>	<b>30,970</b>
Taxation	10	-	-	-	-
<b>Net income for the period</b>		<b>73,171</b>	<b>90,091</b>	<b>23,370</b>	<b>30,970</b>
<b>Allocation of net income for the period:</b>					
Net income for the period		73,171	90,091	23,370	30,970
Income already paid on units redeemed		(27,316)	-	(16,511)	-
		<b>45,855</b>	<b>90,091</b>	<b>6,859</b>	<b>30,970</b>
<b>Accounting income available for distribution</b>					
- Relating to capital gains		-		-	
- Excluding capital gains		45,855		6,859	
		<b>45,855</b>		<b>6,859</b>	

## Earnings per unit

11

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

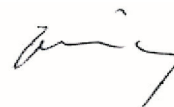
## For MCB-Arif Habib Savings and Investments Limited (Management Company)



**Chief Executive Officer**



**Chief Financial Officer**



**Director**

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2018**

	<b>Nine Months ended March 31,</b>		<b>Quarter ended December 31,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>----- (Rupees in '000) -----</b>			
<b>Net income for the period after taxation</b>	<b>73,171</b>	<b>90,091</b>	<b>23,370</b>	<b>30,970</b>
<b>Other comprehensive income for the period</b>				
<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'	<b>(358)</b>	<b>(3,108)</b>	<b>(212)</b>	<b>(68)</b>
<b>Total comprehensive income for the period</b>	<b>72,813</b>	<b>86,983</b>	<b>23,158</b>	<b>30,902</b>

The annexed notes 1 to 14 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 NINE MONTHS ENDED MARCH 31, 2018

	Nine Months ended March 31,				2017
	2018				
	(Rupees in '000)				
	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 37,962,333 units (2017: 79,076,460 units)					
- Capital value (at net asset value per unit at the beginning of the period)	2,015,640	-	-	2,015,640	
- Element of income	30,088	-	-	30,088	
Total proceeds on issuance of units	2,048,728	-	-	2,048,728	4,001,099
Redemption of 41,976,051 units (2017: 76,322,948 units)					
- Capital value (at net asset value per unit at the beginning of the period)	(2,228,752)	-	-	(2,228,752)	
- Amount paid out of element of income					
- Relating to 'Net income for the period after taxation'	-	(27,316)	-	(27,316)	
- Relating to 'Other comprehensive income for the period'	-	-	-	-	
- Refund / (adjustment) on units as element of income	(21,769)	-	-	(21,769)	
Total payments on redemption of units	(2,250,521)	(27,316)	-	(2,277,837)	(3,986,577)
Element of income / loss and capital gains / losses included in prices of units issued less those in units redeemed - net	-	-	-	-	3,973
Total comprehensive income for the period	-	73,171	(358)	72,813	86,983
Distribution during the period	-	-	-	-	-
Net income / (loss) for the period less distribution	-	73,171	(358)	72,813	86,983
<b>Net assets at end of the period</b>	<b>1,394,647</b>	<b>140,534</b>	<b>(3,412)</b>	<b>1,531,770</b>	<b>2,568,030</b>
Undistributed income brought forward					
- Realised		59,471			109,834
- Unrealised		35,208			32,813
		<b>94,679</b>			<b>142,647</b>
Accounting income available for distribution					
- Relating to capital gains		-			
- Excluding capital gains		45,855			
		45,855			
Net income for the period after taxation		-			90,091
Net element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed		-			(4,529)
Distribution during the period		-			-
<b>Undistributed income carried forward</b>		<b>140,534</b>			<b>228,209</b>
<b>Undistributed income carried forward</b>					
- Realised		144,263			228,984
- Unrealised		(3,729)			(775)
		<b>140,534</b>			<b>228,209</b>
				(Rupees)	(Rupees)
Net assets value per unit at beginning of the period				53.0958	53.1600
Net assets value per unit at end of the period				55.1410	55.0909

The annexed notes 1 to 14 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 NINE MONTHS ENDED MARCH 31, 2018

	Nine Months ended March 31,	
	2018	2017
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation	73,171	90,091
<b>Adjustments for non cash and other items:</b>		
Unrealised diminution / (appreciation) in value of investments classified as 'at fair value through profit or loss' - net	2,866	3,067
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	-	3,973
Provision charged against non-performing debt securities	-	2,756
	<b>76,037</b>	<b>99,886</b>
<b>(Increase) / decrease in assets</b>		
Investments	(29,108)	(120,615)
Dividend and profit receivable	(1,267)	17,499
Advances, deposit and prepayments	(57)	(52,544)
Fair value derivative asset	-	(2,292)
Advance against subscription of Term Finance Certificate	(24,000)	-
Receivable against margin trading system	(3,034)	(380,066)
Receivable from National Clearing Company of Pakistan Limited	(29)	-
Receivable against sale of equity securities	42,689	(45,513)
	<b>(14,805)</b>	<b>(583,531)</b>
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	(978)	(3,967)
Payable to the Central Depository Company of Pakistan Limited - Trustee	(15)	(119)
Payable to the Securities and Exchange Commission of Pakistan	(722)	(1,030)
Payable against redemption of units	-	(1,029)
Payable against purchase of equity securities	(19,523)	-
Accrued expenses and other liabilities	(1,640)	(21,488)
	<b>(22,878)</b>	<b>(27,633)</b>
<b>Net cash used in operating activities</b>	<b>A</b>	<b>(511,278)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issuance of units	2,048,728	4,001,099
Payments on redemption of units	(2,277,837)	(3,986,577)
<b>Net cash generated from financing activities</b>	<b>B</b>	<b>14,522</b>
<b>Net (decrease) / increase in cash and cash equivalents during the period</b>	<b>A + B</b>	<b>(496,756)</b>
Cash and cash equivalents at beginning of the period	642,493	1,291,192
<b>Cash and cash equivalents at end of the period</b>	<b>451,738</b>	<b>794,436</b>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

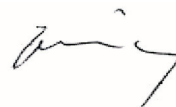
**For MCB-Arif Habib Savings and Investments Limited  
(Management Company)**



**Chief Executive Officer**



**Chief Financial Officer**



**Director**

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 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 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. BASIS OF PREPARATION

- 2.1** "This condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan which comprises of:
- International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
  - 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 requirements of the Trust Deed.
- Where provisions of the 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 IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed."
- 2.2** This condensed interim financial information does not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the financial statements for the year ended 30 June 2017.
- 2.3** The comparative in the statement of assets and liabilities presented in the condensed interim financial information as at 31 March 2018 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2017, where as the comparatives in the condensed interim income statement, condensed interim cash flow statement, condensed interim distribution statement and condensed interim statement of movement in unit holders' funds are stated from unaudited condensed interim financial information for the nine months ended 31 March 2017.

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2018

**2.4** In compliance with schedule V of the NBFC Regulations the Directors of the Management Company, hereby declare that this condensed interim financial statement give a true and fair view of the Fund.

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

### **3. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ESTIMATES, JUDGEMENTS AND CHANGES THEREIN:**

The accounting policies, financial risk management objectives and policies, basis of accounting estimates applied and methods of computation adopted in the preparation of the condensed interim financial statement are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2017, except as described in notes 3.1:

**3.1** The Securities and Exchange Commission of Pakistan (SECP) through its SRO 756(I)/2017 dated August 03, 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 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 in the form of additional units at zero cost 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 equalization 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 unrealized 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 recognized 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 01, 2017 as required by SECP vide its S.R.O. No. 756(I) / 2017 dated August 03, 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 the aforementioned SRO issued by the SECP.

Had the element of loss been recognized as per the previous accounting policy, the income of the Fund would have been lower by Rs.16 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.

### **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.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2018**

		<b>(Un-audited) March 31, 2018 ---- (Rupees in '000) ----</b>	<b>(Audited) June 30, 2017</b>
<b>5. INVESTMENTS</b>	<b>Note</b>		
<i>At fair value through profit or loss</i>			
Listed debt securities	5.1	<b>95,869</b>	383,330
Unlisted debt securities	5.2	<b>460,370</b>	105,141
Listed equity securities	5.3	-	-
Government securities	5.4	<b>33,257</b>	74,597
		<b>589,496</b>	563,068
<i>Available for sale</i>			
Government securities	5.5	<b>820</b>	19,598
<i>Loans and receivables</i>			
Term deposit receipt	5.6.1	-	200,000
Commercial papers	5.6.2	<b>263,480</b>	195,246
Musharika certificate	5.6.3	<b>150,000</b>	-
		<b>413,480</b>	395,246
		<b>1,003,796</b>	977,912

		<b>(Un-audited) March 31, 2018 ---- (Rupees in '000) ----</b>	<b>(Audited) June 30, 2017</b>
<b>5.1 Listed debt securities Fair Value through Profit &amp; Loss</b>	<b>Note</b>		
Market value as at period / year end	5.1.1	<b>168,439</b>	455,900
Provision at July 1		<b>(72,570)</b>	(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)
		<b>(72,570)</b>	(72,570)
		<b>95,869</b>	383,330

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2018**

**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 March 31, 2018			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 March 31, 2018	Carrying value**	Market value	Appreciation / (diminution)	
						(Rupees in '000)			%
<b>Commercial banks</b>									
Askari Bank Limited (30-9-14 issue)	15,000	-	-	15,000	-	-	-	-	-
Bank of Punjab (23-12-16 issue)*	975	-	-	-	975	98,582	95,869	(2,713)	6.26
<b>Real Estate investment and services</b>									
Pace Pakistan Limited (15-02-08 issue)	15,000	-	-	-	15,000	72,570	72,570	-	-
- Due but not received									
<b>As at March 31, 2018</b>						<b>171,152</b>	<b>168,439</b>	<b>(2,713)</b>	
As at June 30, 2017						454,491	455,900	1,409	

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

\*\* Carrying value before provision

\*\*\* Market value after provision



**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2018**

**5.2 Unlisted debt securities**

Market value as at period / year end	(Un-audited) March 31, 2018 ---- (Rupees in '000) ----	(Audited) June 30, 2017
Provision as at July 01	470,621	115,392
Provision (charged) / reversed during the period / year	(10,251)	(10,251)
- Charge against face value receivable	-	-
- Reversal against carrying value matured	-	-
	(10,251)	(10,251)
	460,370	105,141

**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 March 31, 2018			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 March 31, 2018	Carrying value***	Market value		
								----- (Rupees in '000) -----	----- % -----
<b>Commercial banks</b>									
Bank Al Habib Limited (17-03-16 issue)	9,000	8,000	-	-	17,000	85,628	84,932	(696)	8.46
Bank Alfalah Limited (20-02-13 issue)	11,581	-	-	5,000	6,581	33,777	33,069	(707)	3.29
Askari Bank Limited (23-12-11 issue)*	82	-	-	-	82	83,030	82,621	(409)	8.23
Habib Bank Limited (19-02-16 issue)**	1,250	-	-	1,250	-	-	-	-	-
<b>Food Company</b>									
Dawood Hercules Corporation Limited ( 16-11-2017 issue)	-	1,320	-	-	1,320	132,000	132,675	675	13.22
<b>Refinery</b>									
Byco Petroleum Pakistan Limited ( 18-01-2017 issue)	-	10	-	-	10	1,000	1,004	4	0.10
<b>Investment Company</b>									
Jahangir Siddiqui & Company Limited (18-07-2017 issue)**	-	25,000	-	-	25,000	125,000	126,069	1,069	12.56
<b>Construction and Material</b>									
Eden Housing Limited - Sukuk - (31-03-2008 issue)	10,415	-	-	-	10,415	10,251	10,251	-	1.02
- Due but not received								0.67	
<b>Total as at March 31, 2018</b>						<b>470,686</b>	<b>470,621</b>	<b>(65)</b>	
Total as at June 30, 2017						114,278	115,392	1,114	

\* 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 AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2018**

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 March 31, 2018	As at March 31, 2018			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
					(Rupees in '000)					
					Carrying Value	Market value	Appreciation/ (diminution)			
Number of shares										
Shares of listed companies - fully paid ordinary shares / certificates of Rs. 10 each										
Cable & Electrical Goods										
Pak Elektron	-	75,000	75,000	-	-	-	-	-	-	-
TPL Trakker Ltd	-	8,000	8,000	-	-	-	-	-	-	-
Cement										
D.G. Khan Cement	-	155,000	155,000	-	-	-	-	-	-	-
Fauji Cement Co Ltd	-	43,500	43,500	-	-	-	-	-	-	-
Lucky Cement	-	40,000	40,000	-	-	-	-	-	-	-
Maple Leaf Cement Factory Ltd	-	39,500	39,500	-	-	-	-	-	-	-
Pioneer Cement Ltd	-	3,500	3,500	-	-	-	-	-	-	-
Power Cement Limited	-	4,500	4,500	-	-	-	-	-	-	-
Power generation and distribution										
Hub Power Company Ltd	-	3,500	3,500	-	-	-	-	-	-	-
K-Electric Ltd	-	232,000	232,000	-	-	-	-	-	-	-
Fertilizer										
Engro Corporation Limited	-	2,000	2,000	-	-	-	-	-	-	-
Engro Fertilizer Limited	-	5,500	5,500	-	-	-	-	-	-	-
Fatima Fertilizer Company	-	500	500	-	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Ltd	-	2,000	2,000	-	-	-	-	-	-	-
Fauji Fertilizer Company Ltd	-	4,000	4,000	-	-	-	-	-	-	-
Commercial Banks										
Askari Bank Limited	-	49,500	49,500	-	-	-	-	-	-	-
Bank Al Falah Limited	-	503,500	503,500	-	-	-	-	-	-	-
Engineering										
Aisha Steel Ltd	-	49,000	49,000	-	-	-	-	-	-	-
Amrell Steels Limited	-	5,000	5,000	-	-	-	-	-	-	-
Crescent Steel & Allied Prod	-	18,500	18,500	-	-	-	-	-	-	-
International Industries	-	1,000	1,000	-	-	-	-	-	-	-
International Steels Ltd	-	21,500	21,500	-	-	-	-	-	-	-

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2018**

Name of the investee company	As at July 1, 2017	Purchases during the period	Sales during the period	As at March 31, 2018	As at March 31, 2018			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)										
------%-----										
Oil & Gas Expoloration Companies										
Oil & Gas Development Co Ltd	-	31,500	31,500	-	-	-	-	-	-	-
Pakistan Oilfields Limited	-	1,000	1,000	-	-	-	-	-	-	-
Pakistan Petroleum Ltd	-	10,000	10,000	-	-	-	-	-	-	-
					-	-	-	-	-	-
Oil And Gas Marketing Companies										
Pakistan State Oil Co Ltd.	-	1,500	1,500	-	-	-	-	-	-	-
Sui Northern Gas	-	7,000	7,000	-	-	-	-	-	-	-
Sui Southern Gas	-	10,000	10,000	-	-	-	-	-	-	-
					-	-	-	-	-	-
Pharmaceuticals										
Searle Company	-	14,500	14,500	-	-	-	-	-	-	-
Transport										
Pakistan Interntional Bulk Terminal Ltd	-	46,000	46,000	-	-	-	-	-	-	-
Chemicals										
Descon Oxychem Limited	-	6,000	6,000	-	-	-	-	-	-	-
Lotte Chemical Pakistan	-	298,500	298,500	-	-	-	-	-	-	-
					-	-	-	-	-	-
Refinery										
Attock Refinery Limited	-	102,500	102,500	-	-	-	-	-	-	-
National Refinery	-	500	500	-	-	-	-	-	-	-

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2018**

Name of the investee company	As at July 1, 2017	Purchases during the period	Sales during the period	As at March 31, 2018	As at March 31, 2018			Market value as a percentage of net assets	Market value as a percentage of total	Market Value as a percentage of total paid-up capital of the investee
					Carrying Value	Market value	Appreciation/ (diminution)			
----- Number of shares ----- (Rupees in '000) ----- % -----										
<b>Technology And Communications</b>										
TRG Pakistan Limited	-	104,500	104,500	-	-	-	-	-	-	-
P.T.C.L "A"	-	5,000	5,000	-	-	-	-	-	-	-
<b>Textile Composite</b>										
Gul Ahmed Textile	-	50,000	50,000	-	-	-	-	-	-	-
Nishat (Chunian) Limited	-	143,000	143,000	-	-	-	-	-	-	-
Nishat Mills Ltd	-	220,000	220,000	-	-	-	-	-	-	-
<b>Food And Personal Care Products</b>										
Engro Foods Limited	-	10,000	10,000	-	-	-	-	-	-	-
Treet Corporation Limited	-	6,500	6,500	-	-	-	-	-	-	-
<b>Total as at March 31, 2018</b>										
<b>Total - June 30, 2017</b>										

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 AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2018**

**5.4 Government securities - At fair value through profit or loss**

Security	Issue Date	Face value				As at March 31, 2018			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 March 31, 2018	Carrying value	Market value	Appreciation / (diminution)		
(Rupees in '000)										
Treasury bills - 3 months	February 01, 2018	75,000	445,000	505,000	15,000	14,937	14,937	(0)	0.98	1.49
Treasury bills - 6 months	June 07, 2017	-	50,000	50,000	-	-	-	-	-	-
Pakistan Investment Bond - 15 Years	January 20, 2014	-	18,000	-	18,000	18,410	18,320	(90)	1.20	0.01
<b>As at March 31, 2018</b>						<b>33,347</b>	<b>33,257</b>	<b>(90)</b>		
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	Issue Date	Face value				As at March 31, 2018			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 March 31, 2018	Carrying Value	Market value	Appreciation		
(Rupees in '000)										
Pakistan Investment Bond - 5 Years	March 20, 2015	800	-	-	800	818	820	2	0.05	0.08
Pakistan Investment Bond - 15 Years	July 18, 2013	18,000	-	18,000	-	-	-	-	-	-
<b>As at March 31, 2018</b>						<b>818</b>	<b>820</b>	<b>2</b>		
As at June 30, 2017						19,117	19,598	481		

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2018**

**5.6 Loans and Receivables**

**5.6.1 Term deposit receipt - Loans and receivables**

Particulars	Profit / mark-up rates	Issue Date	Maturity Date	Carrying Value	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
<b>----- (Rupees in '000) ----- % -----</b>						
Zarai Taraqiat Bank Limited	6.50%	14-Sep-17	13-Mar-18	-	-	-
<b>Total as at March 31, 2018</b>				-		
Total as at June 30, 2017				200,000		

**5.6.2 Commercial papers - Loans and receivables**

Particulars	Profit / mark-up rates	Issue Date	Maturity Date	Face Value	Amortized Cost	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
<b>----- (Rupees in '000) ----- % -----</b>							
Pak Elektron Limited	7.72%	14-Dec-17	10-Sep-18	120,000	116,110	7.83	11.95
Hascol Petroleum Limited	7.46%	29-Dec-17	29-Jun-18	150,000	147,369	9.79	14.94
<b>Total as at March 31, 2018</b>				<b>270,000</b>	<b>263,480</b>		
Total as at June 30, 2017				200,000	195,246		

**5.6.3 Musharika Certificate - Loans and receivables**

Particulars	Profit / mark-up rates	Issue Date	Maturity Date	As at March 31, 2018	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
<b>----- (Rupees in '000) ----- % -----</b>						
Orix Modarba	6.50%	27-Oct-17	27-Apr-18	150,000	9.79	14.94
<b>Total as at March 31, 2018</b>				<b>150,000</b>		
Total as at June 30, 2017				-		

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2018

## 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 March 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 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	-	4.74%	4.58%
	b) Eden Housing Limited (note 5.2)	10,251	10,251	-	0.67%	0.65%

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

	Note	(Un-audited) March 31, 2018 (Rupees in '000)	(Audited) June 30, 2017
Market value of investments	5.1.1, 5.2.1, 5.3, 5.4	672,317	645,889
Carrying value of investments	5.1.1, 5.2.1, 5.3, 5.4	(675,183)	(643,368)
		(2,866)	2,521

## 6. ACCRUED EXPENSES AND OTHER LIABILITIES

Provision for Sindh Workers' Welfare Fund	6.1	4,667	3,173
Provision for federal excise duty and related tax on	6.1		
- Management fee		16,590	16,590
- Sales load		4,746	4,746
Brokerage		154	1,089
Capital gain tax		648	1,058
Auditors' remuneration		445	419
Printing and related expenditure		48	80
Zakat		-	1
Other		891	2,672
		28,188	29,828

### 6.1 Federal Excise Duty And Provision for Sindh Workers' Welfare Fund

There is no change in the status of the SWWF as reported in the annual financial statements of the Fund for the year ended June 30, 2017. Had the provision for SWWF not been recorded in the condensed interim financial information of the Fund, the net asset value of the Fund as at March 31, 2018 would have been higher by Rs. 0.1679 per unit (June 30, 2017 Rs. 0.002 per unit).

There is no change in the status of the appeal filed by the Federal Board of Revenue in the Honorable Supreme Court of Pakistan in respect of levy of Federal Excise Duty as reported in the annual financial statements of the Fund for the year ended June 30, 2017. Had the said provision for FED not been recorded in the condensed interim financial information of the Fund, the net asset value of the Fund as at March 31, 2018 would have been higher by Rs.0.5972 per unit (June 30, 2017: Re. 0.01 per unit).

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2018

## 7. CONTINGENCIES AND COMMITMENTS

### 7.1 Contingencies

There are no contingencies as at March 31, 2018 and June 30, 2017 other than those disclosed in note 6.1

	(Unaudited) March 31, 2018	(Audited) June 30, 2017
<b>7.2 Commitments</b>		
	----- (Rupees in '000) -----	
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. 0.25 million on account of Sindh Sales Tax on services chargeable on custodianship services for the nine months ended March 31, 2018.

## 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.1.66 million for the nine months ended March 31, 2018 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

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

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

Remuneration of the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed respectively.

The details of transactions carried out by the Fund with connected persons / related parties and balances with them at the period end, other than those which have been disclosed elsewhere in this condensed interim financial information, are as follows:



# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2018

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

For the Nine months ended March 31, 2018										
	As at July 01, 2017	Issued for cash	Bonus	Redeemed	As at March 31, 2018	As at July 01, 2017	Issued for cash	Bonus	Redeemed	As at March 31, 2018
	Units									
	(Rupees in '000)									
Associated Companies:										
Adamjee Life Assurance Co. Ltd. Conventional Business	206,090	-	-	-	206,090	10,942	-	-	-	11,364
Adamjee Insurance Co Limited Employees Provident Fund	819,194	-	-	819,194	-	44,628	-	-	44,628	-
Mandate Under Discretionary Portfolio Services	2,050,076	1,267,673	-	810,559	2,507,190	113,189	68,358	-	44,439	138,250
Key management personnel	-	98,804	-	98,797	7	-	5,322	-	5,375	-
Unit holders holding 10% or more units	5,839,596	3,704,760	-	5,614,456	3,929,900	310,057	200,000	-	300,000	216,699

For the Nine months ended March 31, 2017										
	As at July 01, 2017	Issued for cash	Bonus	Redeemed	As at March 31, 2017	As at July 01, 2017	Issued for cash	Bonus	Redeemed	As at March 31, 2017
	Units									
	(Rupees in '000)									
Associated Companies:										
Adamjee Life Assurance Co. Ltd. Conventional Business	-	-	-	-	-	-	-	-	-	-
Adamjee Insurance Co Limited Employees - Investment Department	6,409,782	-	-	6,409,782	-	340,744	-	-	342,475	-
Adamjee Insurance Co Limited Employees Provident Fund	1,590,591	1,590,004	-	1,590,591	1,590,004	86,178	86,067	-	86,067	87,595
Mandate Under Discretionary Portfolio Services	3,535,864	16,945,275	-	15,181,311	4,583,724	187,740	921,594	-	826,519	252,251
Key management personnel	-	61,187	-	66,173	928	-	3,257	-	3,529	51

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2018

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

	(Unaudited) March 31, 2018	(Unaudited) March 31, 2017
	----- (Rupees in '000) -----	
<b>MCB-Arif Habib Savings and Investments Limited - Management Company</b>		
Remuneration including indirect taxes	17,070	31,148
Allocated expenses including indirect taxes	1,663	2,102
<b>Central Depository Company of Pakistan Limited</b>		
Remuneration of the trustee (including indirect taxes)	2,135	2,508
CDC settlement charges	389	397
<b>MCB Bank Limited</b>		
Profit on bank deposits	41	694
Bank charges	19	42
Sale of securities - Face Value: 140,000,000 (2017: 200,100,000)	139,082	230,419
Purchase of securities - Face Value: Nil (2017: 450,000,000)	-	510,554
<b>Silk Bank Limited</b>		
Profit on bank deposits	2,668	-
Bank charges	11	-
Purchase of securities - Face Value: Nil (2017: 250,000,000)	-	238,360
<b>D.G. Khan Cement Company Limited</b>		
Dividend income	139	-
<b>Nishat Mills Limited</b>		
Dividend income	1,042	-
<b>Nishat Chunian Limited</b>		
Dividend income	154	-
<b>Next Capital Limited</b>		
Brokerage expense*	-	48

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

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2018

## 12.3 Amount outstanding as at period end / year end

	March 31, 2018	(Audited) June 30, 2017
	----- (Rupees in '000) -----	
<b>MCB - Arif Habib Savings &amp; Investment Limited - Management Company</b>		
Remuneration payable	1,443	1,651
Sale tax payable on remuneration to the Management Company	188	215
Sales load payable	1	76
Sindh Sales tax payable on sales load	11	11
Allocated expenses payable excluding related taxes	143	162
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	195	208
Sindh Sales tax payable on remuneration of Trustee	25	27
Security deposits	200	2,700
<b>MCB Bank Limited</b>		
Bank deposit held	3,748	148
Accrued profit on bank deposit	-	-
<b>Silk Bank Limited</b>		
Bank deposit held	245,764	-
Accrued profit on bank deposit	1,434	-

## 13. EXPENSE RATIO

The expense ratio of the Fund from July 1 2017 to March 31 2018 is 1.38% (March 31, 2017:1.88%), the total expense ratio includes 0.26% (March 31, 2017:0.28%) 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.

## 14. DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue on April 19, 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