

# Half Year Report December 31, 2014 (Unaudited)



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

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## **Vision**

To become synonymous with Savings.

## **Mission**

To become a preferred Savings and Investment Manager in the domestic and regional markets, while maximizing stakeholder's value.

## **Core Values**

The Company takes pride in its orientation towards client service. It believes that its key success factors include continuous investment in staff, systems and capacity building, and its insistence on universal best practices at all times.

**PAKISTAN INCOME  
ENHANCEMENT FUND**

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## FUND'S INFORMATION

<b>Management Company</b>	MCB-Arif Habib Savings & Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Board of Directors of the Management Company</b>	Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman Executive Vice Chairman Chief Executive Officer Director Director Director Director Director
<b>Audit Committee</b>	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib	Chairman Member Member
<b>Human Resource &amp; Remuneration Committee</b>	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Yasir Qadri	Chairman Member Member Member Member
<b>Company Secretary &amp; Chief Operating Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Financial Officer</b>	Mr. Umair Ahmed	
<b>Trustee</b>	Central Depository Company of Pakistan Ltd. CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi.	
<b>Bankers</b>	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited Faysal Bank Limited United Bank Limited Standard Chartered Bank Pakistan Limited NIB Bank Limited	
<b>Auditors</b>	KPMG Taseer Haidi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Building No. 2, Beaumont Road, Karachi-75530.	
<b>Legal Advisor</b>	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
<b>Transfer Agent</b>	MCB-Arif Habib Savings & Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Rating</b>	AM 2 - Management Quality Rating assigned by PACRA	

## **REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED DECEMBER 31, 2014**

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**Dear Investor,**

On behalf of the Board of Directors, I am pleased to present Pakistan Income Enhancement Fund's accounts review for the first half ended December 31<sup>st</sup> 2014.

### **ECONOMY AND MONEY MARKET OVERVIEW**

In the wake of decline in oil prices in the international market, the country witnessed significant improvement in the macroeconomic indicators. Oil prices fell by 48 percent during the first half of the current fiscal year, aided by increase in global oil production amid weak demand.

Consequently, inflation remained subdued with CPI averaging around 6.11 percent during the 1H FY15. If oil prices, which eased down to a five-year low in December, stabilize below \$60 per barrel, inflation is likely to persist in lower ranges during the second half of the current fiscal year.

Despite decline in oil prices, the country's trade deficit widened to \$ 9.7 billion during 1H FY15 as opposed to deficit of \$ 8.6 billion during the corresponding period last year. Exports remained subdued perhaps due to lower cotton prices and disruptive power supplies. With oil imports accounting for one-third of the country's total import bill, trade deficit is forecasted to narrow down in the coming months reflecting significant drop in oil prices.

At the same time, financial account registered a surplus of \$ 2.4 billion as compared to a surplus of \$ 0.24 billion recorded during the same period last year. This is mainly due to increase in portfolio investments after the government successfully raised \$ 1 billion through Sukuk auction. However, foreign direct investment yet failed to pick up pace during the first half.

The country's foreign reserve balance also improved towards the end of the year after the country received \$1 billion through Sukuk auction in November and IMF released 4th and 5th tranche amounting to \$1.1 billion in December. The country's reserve balance totaled to \$14.9 billion at the end of December 2014.

Keeping in view lower inflationary pressure and stable foreign reserves position, the government had announced 50 bps cut in the discount rate in the monetary policy held in November, bringing the discount rate to 9.5 percent. Moreover, the gap between discount rate and inflation is still hovering above 5 percent which supports the case for further monetary easing down the line.

M2 has expanded by 3.08 percent during the 1H FY15 (till 26th December) as opposed to expansion of 4.76 percent during the same period last year. While borrowing from the banking system stood at Rs 243 billion as opposed to borrowing of around Rs 539 billion during the same period last year.

In the money market, short term market rates remained on the higher side amid tight liquidity in the system. PIB rates moved downwards in anticipation of cut in the discount rate. Major activity was witnessed in the longer tenor bonds causing the yield curve to move sharply in the downward direction.

### **FUND PERFORMANCE**

During the period under review, the fund generated an annualized return of 15.35% as against its benchmark return of 10.57%. Keeping funds in well accumulated securities allowed the fund to outperform its benchmark.

## REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED DECEMBER 31, 2014

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The fund remained significantly invested in PIBs and TFCs almost throughout the period with a focus on keeping its portfolio duration at higher level, in order to safeguard its investors from declining interest rate scenario. At period-end, the fund was 0.00% invested in Treasury Bills, 16.3% in TFCs and 63.2% in PIBs.

The Net Assets of the Fund as at December 31, 2014 stood at Rs.1374 million as compared to Rs.1677 million as at June 30, 2014 registering a decrease of 18.07%.

The Net Asset Value (NAV) per unit as at December 31, 2014 was Rs.55.00 as compared to opening NAV of Rs.51.05 per unit as at June 30, 2014 registering an increase of Rs.3.95 per unit.

### **FUTURE OUTLOOK**

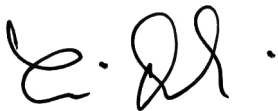
Economic activity is expected to gain momentum in 2015. The manufacturing activity will be driven by lower energy cost, weak raw material prices, improvement in gas supply situation and progress on the political front. In a major positive development, the government is planning to import LNG to ease off gas shortage in the country.

Although the government is eyeing increase in foreign inflows through pledges made by multilateral agencies, approved project financing and divestment of strategic assets, improvement in reserve position largely hinges on volatile law and order situation. In the near-term, realization of expected inflows-through divestment of shares of HBL would be crucial, where the country is expected to raise around \$1 billion. We believe that the sustainability of external account, in the presence of subdued inflationary pressures, would be a key factor in shaping up interest rate direction.

### **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,



**Yasir Qadri**  
Chief Executive Officer

Karachi, February 02, 2015



## 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 Shahr-e-Faisal  
Karachi - 74400. Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: [www.cdcpakistan.com](http://www.cdcpakistan.com)  
Email: [info@cdcpak.com](mailto: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, 2014 in accordance with the provisions of the following:

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

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

Karachi: February 20, 2015





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



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi, 75530 Pakistan

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## Report on review of Condensed Interim Financial Information 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 31 December 2014 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes to the accounts for the six months period then ended (here-in-after referred to as the "condensed interim financial information"). Management Company is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### *Scope of Review*

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

### *Conclusion*

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

### *Other matters*

The figures for the quarter ended 31 December 2014 and 31 December 2013 in the condensed interim financial information have not been reviewed by us and we do not express a conclusion on them.

**Date: 02 February 2015**

**Karachi**

  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Monceza Usman Butt**

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED)**  
**AS AT 31 DECEMBER 2014**  
**FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2014**

	(Unaudited)	(Audited)
Note	31 December 2014	30 June 2014
	(Rupees in '000)	
<b>Assets</b>		
Balances with bank	236,383	315,888
Investments	6 1,116,651	1,306,124
Advance against subscription of Term Finance Certificates	-	18,083
Income and profit receivable	50,273	61,533
Deposits, prepayments and other receivables	639	728
<b>Total Assets</b>	<b>1,403,946</b>	<b>1,702,356</b>
<b>Liabilities</b>		
Payable against redemption of units	565	565
Payable to Management Company	4,507	3,103
Payable to Central Depository Company of Pakistan Limited - Trustee	166	182
Payable to Securities and Exchange Commission of Pakistan - annual fee	577	867
Accrued expenses and other liabilities	7 24,259	20,473
<b>Total Liabilities</b>	<b>30,074</b>	<b>25,190</b>
<b>Net Assets</b>	<b>1,373,872</b>	<b>1,677,166</b>
<b>Unit holders' fund</b>	<b>1,373,872</b>	<b>1,677,166</b>
	(Number of units)	
<b>Number of units in issue</b>	<b>24,979,157</b>	<b>32,856,013</b>
	(Rupees)	
<b>Net assets value per unit</b>	<b>55.00</b>	<b>51.05</b>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

  
Chief Executive Officer

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

  
Director

**CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2014**

	Six months period ended		Quarter ended	
	31 December		31 December	
	2014	2013	2014	2013
	(Rupees in '000)			
<b>Income</b>				
Capital (loss) / gain on sale of investments - net	3,794	(1,845)	4,856	(64)
Income from term finance and sukuk certificates	19,818	15,646	7,464	7,293
Income from government securities	66,134	38,193	29,003	15,355
Profit on bank deposits	4,169	2,947	1,808	1,162
Net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss'	26,836	(2,327)	17,671	292
(Provision) / reversal of principal against non-performing exposures	(3,893)	2,929	-	-
<b>Total income</b>	<b>116,858</b>	<b>55,543</b>	<b>60,802</b>	<b>24,038</b>
<b>Expenses</b>				
Remuneration of Management Company	11,544	8,522	5,185	3,693
Sales tax and Federal Excise Duty on remuneration of Management Company	3,856	2,944	1,732	1,275
Remuneration of Central Depository Company of Pakistan Limited - Trustee	1,083	901	508	413
Annual fee - Securities and Exchange Commission of Pakistan	577	426	259	185
Provision for Workers' Welfare Fund	1,748	5,287	764	1,951
Securities transaction cost	220	67	52	7
Settlement and bank charges	205	170	100	78
Fees and subscriptions	115	112	58	56
Legal and professional charges	-	20	-	10
Auditors' remuneration	267	257	143	144
Amortization of preliminary expenses and floatation costs	-	31	-	-
Printing and related costs	79	144	68	61
<b>Total expenses</b>	<b>19,694</b>	<b>18,881</b>	<b>8,869</b>	<b>7,873</b>
	<b>97,164</b>	<b>36,662</b>	<b>51,933</b>	<b>16,165</b>
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed	(11,527)	(374)	(14,509)	(86)
<b>Net income for the period before taxation</b>	<b>85,637</b>	<b>36,288</b>	<b>37,424</b>	<b>16,079</b>
Taxation	-	-	-	-
<b>Net income for the period after taxation</b>	<b>85,637</b>	<b>36,288</b>	<b>37,424</b>	<b>16,079</b>
<b>Earnings per unit</b>				

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The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

  
Chief Executive Officer

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

  
Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2014\**

	<b>Six months period ended</b>		<b>Quarter ended</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>----- (Rupees in '000) -----</b>			
Net income for the period after taxation	<b>85,637</b>	36,288	<b>37,424</b>	16,079
<b>Other comprehensive income:</b>				
<i>Items to be reclassified to income statement in subsequent periods:</i>				
Net unrealised appreciation on remeasurement of investments classified as 'available-for-sale'	<b>13,638</b>	-	<b>12,310</b>	-
Total comprehensive income for the period	<b>99,275</b>	<b>36,288</b>	<b>49,734</b>	<b>16,079</b>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

  
 Chief Executive Officer

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

  
 Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2014**

	<b>Six months period ended 31 December</b>		<b>Quarter ended 31 December</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>----- (Rupees in '000) -----</b>			
Undistributed income brought forward	<b>33,808</b>	47,223	<b>83,905</b>	20,907
Net income for the period	<b>85,637</b>	36,288	<b>37,424</b>	16,079
Net element of (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed - transferred to Distribution Statement	<b>(8,727)</b>	(8,100)	<b>(10,611)</b>	(5,483)
<b><i>Distributions to the unit holders of the Fund</i></b>				
<b><i>Final distribution:</i></b>				
Final distribution for the year ended 30 June 2013 at the rate of Re. 0.86 per unit - Date of distribution: 5 July 2013				
- Issue of 428,766 bonus units	-	(21,867)	-	-
<b><i>Interim distributions:</i></b>				
- Issue of Nil (2013: 776,191 bonus units) and Nil (2013: 342,548 bonus units) for the six months and quarter ended respectively	-	(39,445)	-	(17,404)
	-	(61,312)	-	(17,404)
Undistributed income carried forward	<b>110,718</b>	14,099	<b>110,718</b>	14,099

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

  
**Chief Executive Officer**

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

  
**Director**

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2014**

	<b>Six months period ended</b>		<b>Quarter ended</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>----- (Rupees in '000) -----</b>			
Net assets at the beginning of the period	<b>1,677,166</b>	1,318,681	<b>1,815,466</b>	1,161,512
Issue of 15,890,279 units (2013: 3,912,081 units) and 6,752,344 units (2013: 650,133 units) for the six months and quarter ended respectively	<b>836,145</b>	199,678	<b>363,689</b>	33,143
Issue of Nil (2013: 428,766 units) bonus units for the year ended 30 June 2014	-	21,867	-	-
Issue of Nil bonus units (2013: 776,192 bonus units) and Nil bonus units (2013: 342,548 bonus units) for the six months and quarter ended respectively	-	39,445	-	17,404
Redemption of 23,767,136 units (2013: 13,217,100 units) and 16,366,678 units (2013: 6,475,671 units) for the six months and quarter ended respectively	<b>(1,250,241)</b>	(674,468)	<b>(869,526)</b>	(330,267)
	<b>(414,096)</b>	(413,478)	<b>(505,837)</b>	(279,720)
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed:				
- amount representing loss / (income) and capital losses / (gains) - transferred to the Income Statement	<b>11,527</b>	374	<b>14,509</b>	86
- amount representing unrealised capital (gains) / losses - transferred to the Distribution Statement	<b>8,727</b>	8,100	<b>10,611</b>	5,483
	<b>20,254</b>	8,474	<b>25,120</b>	5,569
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - transferred to Distribution Statement	<b>(8,727)</b>	(8,100)	<b>(10,611)</b>	(5,483)
Net unrealised appreciation on re-measurement of investment classified as " available for sale"	<b>13,638</b>	-	<b>12,310</b>	-
Net income / (loss) for the period (excluding net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss' and capital gains / (loss) on sale of investments)	<b>55,007</b>	40,460	<b>14,897</b>	15,851
Capital gain / (loss) on sale of investments - net	<b>3,794</b>	(1,845)	<b>4,856</b>	(64)
Net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss'	<b>26,836</b>	(2,327)	<b>17,671</b>	292
	<b>85,637</b>	36,288	<b>37,424</b>	16,079
<b>Distributions to the unit holders of the Fund</b>				
<i>Final distribution:</i>				
Final distribution for the year ended 30 June 2013 at the rate of Re. 0.86 per unit - Date of distribution: 5 July 2013				
- Issue of 428,766 bonus units	-	(21,867)	-	-
<i>Interim distributions:</i>				
- Issue of Nil bonus units (2013: 776,191 bonus units) and Nil bonus units (2013: 342,548 bonus units) for the six months and quarter ended respectively	-	(39,445)	-	(17,404)
	-	(61,312)	-	(17,404)
Net assets as at the end of the period	<b>1,373,872</b>	880,553	<b>1,373,872</b>	880,553
Net assets value per unit as at beginning of the period	<b>51.05</b>	51.86	<b>50.92</b>	50.92
Net assets value per unit as at end of the period	<b>55.00</b>	50.82	<b>55.00</b>	50.82

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

  
**Chief Executive Officer**

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

  
**Director**

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2014**

	Six months period ended		Quarter ended	
	31 December		31 December	
	2014	2013	2014	2013
	----- (Rupees in '000) -----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income for the period before taxation	<b>85,637</b>	36,288	<b>37,424</b>	16,079
<i>Adjustments for non cash and other items:</i>				
Net unrealised diminution / (appreciation) in value of investments classified as 'at fair value through profit or loss'	<b>(26,836)</b>	2,327	<b>(17,671)</b>	(292)
Net element of loss / (income) and capital losses / (gains) prices of units issued less those in units redeemed	<b>11,527</b>	374	<b>14,509</b>	86
Amortization of preliminary expenses and floatation costs	-	31	-	-
Provision for Workers' Welfare Fund		5,287	-	1,951
Provision / (reversal) of principal against non-performing exposures	<b>3,893</b>	(2,929)	-	-
	<b>74,221</b>	41,378	<b>34,262</b>	17,824
<b>Decrease / (increase) in assets</b>				
Investments	<b>226,054</b>	335,562	<b>468,180</b>	103,599
Advance against subscription of Term Finance Certificates	<b>18,083</b>	(14,583)	-	(2,916)
Income and profit receivable	<b>11,260</b>	(5,615)	<b>(16,184)</b>	(8,751)
Deposits, prepayments and other receivables	<b>89</b>	86	<b>57</b>	55
	<b>255,486</b>	315,450	<b>452,053</b>	91,987
<b>(Decrease) / increase in liabilities</b>				
Payable to Management Company	<b>1,404</b>	(2,142)	<b>1,952</b>	(149)
Payable to Central Depository Company of Pakistan Limited - Trustee	<b>(16)</b>	(19)	<b>(222)</b>	(25)
Payable to Securities and Exchange Commission of Pakistan - annual fee	<b>(290)</b>	(183)	<b>259</b>	185
Accrued expenses and other liabilities	<b>3,786</b>	1,638	<b>624</b>	177
	<b>4,884</b>	(706)	<b>2,613</b>	188
<b>Net cash generated from operating activities</b>	<b>334,591</b>	356,122	<b>488,928</b>	109,999
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Receipts from issuance of units	<b>836,145</b>	199,678	<b>363,690</b>	33,143
Payments on redemption of units	<b>(1,250,241)</b>	(674,468)	<b>(869,526)</b>	(330,267)
<b>Net cash used in financing activities</b>	<b>(414,096)</b>	(474,790)	<b>(505,836)</b>	(297,124)
Net (decrease) in cash and cash equivalents during the period	<b>(79,505)</b>	(118,668)	<b>(16,908)</b>	(187,125)
Cash and cash equivalents at beginning of the period	<b>315,888</b>	287,079	<b>253,291</b>	355,536
<b>Cash and cash equivalents at end of the period</b>	<b>236,383</b>	168,411	<b>236,383</b>	168,411

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

  
Chief Executive Officer

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

  
Director



## **NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2014**

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

Pakistan Income Enhancement Fund (the Fund) was established through a Trust Deed executed between Arif Habib Investments Limited (AHIL), as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 14 July 2008 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 26 June 2008 in accordance with Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.

Pursuant to the merger of MCB-Asset Management Company and Arif Habib Investments Limited, the name of the Management Company (Arif Habib Investments Limited being the surviving entity) has been changed from Arif Habib Investments Limited to MCB-Arif Habib Savings and Investments Limited.

The Fund is an open-ended mutual fund listed on the Islamabad Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them 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 Fund has been categorised as "Aggressive Fixed Income" scheme by the Board of Directors of the Asset Management Company in pursuant to Circular 7 of 2009 dated 6 March 2009 issued by the SECP.

Pakistan Credit Rating Agency (PACRA) has assigned asset manager rating of 'AM2' to the Management Company and A+(f) - as stability rating to the Fund.

The objective of the Fund is to deliver returns from aggressive investment strategy in the debt and fixed income markets.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as a trustee of the Fund.

### **2. BASIS OF PREPARATION**

#### **2.1 Statement of compliance**

- 2.1.1** This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). In case where requirements differ, the provisions of / or directives issued under the Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations have been followed.

## **NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2014**

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- 2.1.2** This condensed interim financial information does not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the financial statements for the year ended 30 June 2014.
- 2.1.3** This condensed interim financial information is unaudited. However, a limited scope review has been performed by the external auditors of the Fund. The Board of Directors of the Management Company declare that this condensed interim financial information gives a true and fair view of the state of affairs of the Fund.
- 2.1.4** The comparatives in the condensed interim statement of assets and liabilities presented in this condensed interim financial information as at 31 December 2014 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2014, where as the comparative in condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, and condensed interim cash flow statement are extracted from unaudited condensed interim financial information for the period ended 31 December 2013.

### **2.1.5 Functional and presentation currency**

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

## **3. SIGNIFICANT ACCOUNTING POLICIES**

- 3.1** The accounting policies and methods of computation adopted for the preparation of this condensed interim financial information are same as those applied in the preparation of the financial statements of the Fund for the year ended 30 June 2014.
- 3.2** Amendments to certain existing standards and interpretations on approved accounting standards which were effective during the period were not relevant to the Fund's operations and did not have any impact on the accounting policies of the Fund.

## **4. ESTIMATES AND JUDGMENTS**

- 4.1** The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.
- 4.2** In preparing this condensed interim financial information, significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 30 June 2014.

## **5. FINANCIAL RISK MANAGEMENT**

The Fund's risk management objectives and policies are consistent with those objectives and policies which were disclosed in the financial statements of the Fund as at and for the year ended 30 June 2014.



# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2014

6.2.1

Name of the investee company

Name of the investee company	Profit / mark-up percentage	As at 1 July 2014	Purchases during the period	Sales / matured during the period	As at 31 December 2014	Carrying cost during the period	Market value / Carrying value	Appreciation/ (diminution)	value as a percentage of net assets	value as a percentage of total investments	percentage in relation to the size of the issue
Certificates have a face value of Rs. 5,000 each unless stated otherwise.											
<b>Listed debt securities</b>											
Bank AL Habib Limited I	12.12%	5,050	-	-	5,050	12,632	12,601	(31)	0.92	1.13	1.68
PACE Pakistan Limited (Note 6.2.1.1)	-	15,000	-	-	15,000	57,071	-	-	-	-	3.49
Askari Bank Limited *	11.67%	45	-	-	45	47,258	47,184	(74)	3.43	4.23	1.00
Escorts Investment Bank Limited	8.00%	6,000	-	6,000	-	-	-	-	-	-	0.60
Askari Bank Limited	12.38%	6,000	-	-	6,000	29,156	28,909	(247)	2.10	2.59	4.50
Bank Alfalah Limited	10.17%	5,981	-	-	5,981	30,283	29,675	(608)	2.16	2.66	0.60
<b>Total as at 31 December 2014</b>						<b>176,400</b>	<b>118,369</b>	<b>(960)</b>			
						188,774	133,098	(1,154)			
Total as at 30 June 2014											

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

6.2.1.1 Owing to continuous default on repayment of coupon by the issuer, the Fund had classified the said investment as non-performing debt securities. The Fund has recognised full provision against outstanding principal in accordance with provisioning circular issued by the Securities and Exchange Commission of Pakistan (SECP) and provision policy of the Fund duly approved by the Board of Directors of the Management Company. The Fund has suspended further accrual of markup there against.

6.3 Unlisted debt securities - term finance certificates and sukuk bonds

Unlisted debt securities

Less: Provision as on 1 July  
Eden Housing Limited  
Pak Elektron Limited

Less: Provision charged during the period

Eden Housing Limited  
Pak Elektron Limited

Add: Reversal of provision during the period Eden Housing Limited

(Unaudited) 31 December 2014	(Audited) 30 June 2014	(Rupees in '000)
132,837	130,464	6.3.1
4,729	11,076	
16,112	16,112	
20,841	27,188	
1,138	-	
206	-	
1,344	-	
-	(6,347)	
110,652	109,623	

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2014**

6.3.1

Name of the investee company	mark-up percentage	2014	during the period	matured during the period	31 December 2014	Carrying value	value / (diminution)	percentage of net assets	percentage of total investments	in relation to the size of the issue
Certificate have a face value of Rs. 5,000 each unless stated otherwise										
<b>Unlisted debt securities</b>										
Engro Fertilizer Limited	11.95%	12,900	-	-	12,900	63,298	64,178	880	5.75	1.60
Bank Alfalah Limited (Floating)	12.42%	9,000	-	-	9,000	46,316	46,474	158	4.16	0.90
						109,614	110,652	1,037		
<b>Sukuk Bonds - Unlisted</b>										
Eden Housing Limited - Sukuk (Note 6.3.1.1)	-	10,415	-	10,415	-	5,866	-	-	-	1.40
Pak Elektron Limited - Sukuk (Note 6.3.1.2)	-	8,000	-	8,000	-	16,319	-	-	-	0.71
						22,185	-	-		
<b>Total as at 31 December 2014</b>						<b>131,799</b>	<b>110,652</b>	<b>1,037</b>		
Total as at 30 June 2014						128,529	109,623	1,935		

**6.3.1.1** Owing to continuous default on repayment of coupon by the issuer, the Fund had classified the said investment as non-performing debt securities. The Fund had recognised full provision against such exposure in accordance with provisioning circular issued by the Securities and Exchange Commission of Pakistan (SECP) and provision policy of the Fund duly approved by the Board of Directors of the Management Company along with suspension of further accrual of markup there against.

**6.3.1.2** Owing to continuous default on repayment of coupon by the issuer, the Fund had classified the said investment as non-performing debt securities. The Fund had recognised full provision against outstanding principal in accordance with provisioning circular issued by the Securities and Exchange Commission of Pakistan (SECP) and provision policy of the Fund duly approved by the Board of Directors of the Management Company. The Fund has suspended further accrual of markup there against.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2014**

**6.4 Movement in provision against debt securities**

	31 December 2014		
	Listed debt securities	Unlisted debt securities	Total
	(Rupees in '000)		
Opening balance	54,522	20,841	75,363
Add : Charge for the year	2,549	1,344	3,893
Less: Reversal of provision	-	-	-
Charge for the year - net	2,549	1,344	3,893
Closing balance	57,071	22,185	79,256

**6.5 Details of investments non-compliant with the Offering Document of the Fund as approved by the Securities and Exchange Commission of Pakistan**

In accordance with section 3.2.1 of the Offering Document of the Fund, the Fund is required to invest, in case of listed debt securities, in instruments having minimum rating of BBB and, in case of unlisted debt securities, having minimum issuer rating of BBB. However, as at 31 December 2014, the Fund is non-compliant with the above-mentioned requirements in respect of the following investments:

Nature of non-compliant investment	Name of company	Instrument / issuer rating	Value of investment before provision (Rupees in '000)	Provision held (Rupees in '000)	Value of investment after provision (Rupees in '000)	Percentage of net assets %	Percentage of gross assets %
Listed term finance certificates	PACE Pakistan Limited	Non-performing	57,071	57,071	-	-	-
Unlisted sukuk bonds	Eden Housing Limited	Non-performing	5,866	5,866	-	-	-
Unlisted sukuk bonds	Pak Elektron Limited	Non-performing	16,319	16,319	-	-	-

**6.6 Pakistan Investments Bonds - 'Available for Sale'**

Issue date	Profit Rate (%)	Tenor	Face value			Balance as at 31 December 2014		Market value as a percentage of net assets	Market value as a percentage of total investments		
			As at 1 July 2014	Purchases during the period	Sales / matured during the period	As at 31 December 2014	Carrying value			Market value  (diminution)	
			(Rupees in '000)								
18 July 2013	11.25%	3 years	421,500	-	200,000	221,500	218,068	227,132	9,063	16.53	20.34
19 July 2012	12.00%	10 years	25,000	-	-	25,000	24,151	26,962	2,811	1.96	2.41
17 July 2014	12.00%	10 years	-	37,500	-	37,500	38,329	40,549	2,220	2.95	3.63
Total as at 31 December 2014							280,548	294,643	14,095		
Total as at 30 June 2014							439,217	439,674	457		

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2014**

7. ACCRUED EXPENSES AND OTHER LIABILITIES		(Unaudited) 31 December 2014	(Audited) 30 June 2014
			(Rupees in '000)
Federal exercise duty payable	7.1	5,511	3,387
Provision for Workers' Welfare Fund	8	17,575	15,827
Auditors' remuneration		249	364
Zakat payable		680	680
Brokerage payable		30	97
Capital gain tax payable		138	3
Others		76	115
		<u>24,259</u>	<u>20,473</u>

- 7.1 The Finance Act, 2013 introduced an amendment to Federal Excise Act, 2005 where by Federal Excise Duty (FED) has been imposed at the rate of 16% on the services rendered by assets management companies. In this regard, a Constitutional Petition has been filed by certain Collective Investment Schemes (CISs) through their trustees in the Honourable Sindh High Court (SHC), challenging the levy of Federal Excise Duty on Asset Management Company services after the passage of eighteenth amendment. The SHC in its short order dated 4 September 2013 directed the Federal Board of Revenue (FBR) not to take any coercive action against the petitioners pursuant to impugned notices till next date of hearing. In view of uncertainty regarding the applicability of FED on asset management services, the management, as a matter of abundant caution, has decided to retain and continue with the provision of FED and related taxes in this condensed interim financial information aggregating to Rs. 5.5 million as at 31 December 2014. In case, the suit is decided against the Fund it would be paid to management company, who will be responsible for submitting the same to taxation authorities. Had the said provision of FED and related taxes not been recorded in the books of account of the Fund, the Net Assets Value (NAV) of the Fund would have been higher by Re. 0.22 per unit as at 31 December 2014.

**8. PROVISION FOR WORKERS' WELFARE FUND**

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year have been brought within the scope of the WWF Ordinance. Thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending for adjudication.

Subsequent to the year ended on 15 July 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) on 8 July 2010 which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on 14 December 2010 the Ministry filed its response against the Constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the Court.

Subsequent to the year ended 30 June 2011, the Honourable Lahore High Court (LHC) in a constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. In March 2013 a larger bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity.



## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2014

However, as per advice of legal counsel the stay granted to CIS remains intact and the constitution petitions filed by the CIS to challenge the WWF contribution have not been affected by the SHC judgment. In view of the afore mentioned developments and uncertainties created by the recent decision of SHC, the Management Company, as a matter of abundant precautions, has charged provision for WWF amounting to Rs. 17.575 million.

### 9. 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 Regulation, 2008, the fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders. 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 has distributed the income earned by the Fund during the year to the unit holders in the manner as explained above accordingly no provision for taxation has been made in these financial statements.

### 10. EARNINGS PER UNIT

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

### 11. INTERIM DISTRIBUTIONS

The fund has made an amendment in its trust deed regarding distribution from the fund to unitholders. As per amendment the fund now can make distribution annually rather monthly as required under old trust deed.

### 12. TRANSACTIONS WITH CONNECTED PERSONS

Related parties / connected persons of the Fund include the Management Company, its related entities, Central Depository Company of Pakistan Limited (being the Trustee of the Fund), other Funds managed by the Management Company and Directors, Key Management Personnel and Officers of the Management Company, and Unit Holders having more than 10% holding in the Fund.

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

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

#### 12.1 Details of the transactions with connected persons are as follows:

	Six months ended 31 December		Quarter ended 31 December	
	2014	2013	2014	2013
	----- (Rupees in '000) -----			
<b>Management Company</b>				
Remuneration (including indirect taxes)	<u>15,400</u>	<u>11,466</u>	<u>6,917</u>	<u>4,968</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>				
Remuneration	<u>1,083</u>	<u>901</u>	<u>508</u>	<u>413</u>
CDS charges	<u>-</u>	<u>6</u>	<u>-</u>	<u>3</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2014**

	Six months ended 31 December		Quarter ended 31 December	
	2014	2013	2014	2013
	----- (Rupees in '000) -----			
<b>MCB Bank Limited</b>				
Bank charges	22	11		5
Profit on bank deposits	1,194	1,750	601	492
<b>Arif Habib Limited - Brokerage House</b>				
Brokerage expense	-	3	-	2
<b>Next Capital Limited - Brokerage House</b>				
Brokerage expense	8	-	8	-
<i>Other Related Parties:</i>				
<b>Directors and Executives of the Management Company</b>				
Issue of 51,296 units (2013: 12,502 units) and 27,484 units (2013: 12,501 units) for the six months and quarter ended respectively	2,727	636	1,497	636
Issue of NIL bonus units (2013: 1,151 bonus units) and bonus Nil units (2013: Nil units) for the six months and quarter ended respectively	-	59	-	-
Redemption of 51,964 units (2013: 47,511 units) and 26,441 units (2013: 44,666 units) for the six months and quarter ended respectively	2,748	2,427	1,422	2,282
<b>Adamjee Life Assurance Company Limited - Nuil Fund</b>				
Issue of NIL units (2013: NIL units) and NIL units (2013: NIL units) for the six months and quarter ended respectively	-	-	-	-
Issue of NIL bonus units (2013: 5,048 bonus units) and bonus Nil units (2013: 15 units) for the six months and quarter ended respectively	-	257	-	1
Redemption of Nil units (2013: 147,261 units) and Nil units (2013: 147,261 units) for the six months and quarter ended respectively	-	7,500	-	7,500
<b>Adamjee Insurance Company Limited</b>				
Issue of 6,773,104 units (2013: NIL units) and NIL units (2013: NIL units) for the six months and quarter ended respectively	350,000	-	-	-
Redemption of 11,457,261 units (2013: Nil units) and 7,556,344 units (2013: Nil units) for the six months and quarter ended respectively	600,000	-	400,000	-

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2014**

	Six months ended 31 December		Quarter ended 31 December	
	2014	2013	2014	2013
	----- (Rupees in '000) -----			
<b>Mr. Najeel Butt (10% or more holding) *</b>				
Issue of Nil bonus units (2013: 112,936 bonus units) and Nil bonus units (2013: 112,936 bonus units) for the six months and quarter ended respectively	-	5,745	-	5,745

**12.2 Amounts outstanding as at period / year end**

	(Unaudited) 31 December 2014 (Rupees in '000)	(Audited) 30 June 2014
<b>Management Company</b>		
Management fee payable	1,659	1,975
Sindh sales tax payable on management fee	249	316
Front-end load payable	2,599	812
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Security deposit	200	200
Remuneration payable	166	182
<b>MCB Bank Limited</b>		
Balance with bank	48,363	13,172
Accrued profit on bank deposit	230	591
<b>Directors and executives of the Management Company</b>		
Units held 31,043 units (2014: 31,712 units)	1,707	1,619
<b>Adamjee Insurance Company Limited</b>		
Units held 5,287,342 (2014: 9,971,496 units )	290,804	509,004
<b>Adamjee Life Assurance Company Limited - Nuil Fund</b>		
Units held 893 (2014: 893 units)	46	46
<b>Attock Cement Pakistan Limited</b>		
Units held Nil (2014: 4,279,146 units)	-	218,433

\* Due to redemption of units, the investment of the party is reduced to below 10%.

**13. DATE OF AUTHORISATION**

This condensed interim financial information has been authorised for issue in the meeting of the Board of Directors of the Management Company held on 02 February, 2015.

  
Chief Executive Officer

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

  
Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

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