

**PAKISTAN  
INCOME ENHANCEMENT FUND**

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## FUND'S INFORMATION

<b>Management Company</b>	Arif Habib 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 Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman(subject to the approval of SECP) Executive Vice Chairman Chief Executive (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director Director (subject to the approval of SECP)
<b>Chief Financial Officer &amp; Company Secretary of the Management Company</b>	Mr. Muhammad Saqib Saleem	
<b>Audit Committee</b>	Mr. Nasim Beg Mr. Haroun Rashid Mr. Samad A. Habib Mr. Ali Munir	
<b>Trustee</b>	Central Depository Company of Pakistan Limited CDC House, 990B, Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
<b>Bankers</b>	MCB Bank Limited Habib Metropolitan Bank Limited Bank Alfalah Limited Bank Al-Habib Limited Faysal Bank Limited Summit Bank Limited Allied Bank Limited	
<b>Auditors</b>	A.F. Ferguson & Co. - Chartered Accountants State Life Building No. 1-C, I.I. Chundrigar Road, Karachi-74000.	
<b>Legal Advisor</b>	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
<b>Registrar</b>	M/s. Gangjees Registrar Services (Pvt.) Limited. Room No. 516, 5th Floor, Clifton Centre, Kehkashan, Clifton, Karachi.	
<b>Rating</b>	AM2 (Positive Outlook) Management Quality Rating assigned by PACRA	

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2011

Dear Investor,

On behalf of the Board of Directors, I am pleased to present Pakistan Income Enhancement Fund's accounts review for the first quarter ended September 30th 2011.

### ECONOMY AND MONEY MARKET OVERVIEW

On the macroeconomic front, inflation has remained lower during the period with CPI inflation averaging 11.5% amid change in CPI methodology as well as high base-effect of last year. Like the major part of last year, external current account has also remained comfortable with a marginal deficit of US\$ 189 million during first two months of FY12. Fiscal side, on the other hand, has remained a cause of concern for the economic managers with FY11 deficit touching a level of 6.6% of the GDP (Rs. 1.2 trillion deficit size in absolute term). The government, however, has been able to keep its borrowing from SBP at lower levels, which coupled with lower inflation and contained current account deficit has compelled the central bank to lower its policy discount rate by 50 bps in Jul'11 monetary policy to bring it down to 13.5%.

In the money market, short term market rates remained on the higher side amid tight liquidity scenario in the system. Due to depletion in net foreign assets (NFA) as well as net retirement in government borrowing from SBP, money supply (M2) has witnessed contraction during the period under review, thereby keeping market liquidity tight almost throughout the period. The SBP has constantly been injecting significant amount of money in the system through OMOs in order to calm down the market.

### FUND PERFORMANCE

During the quarter under review, the fund generated an annualized return of 10.1% as against its benchmark return of 11.1%, an under performance of 1.0%.

The fund has significantly increased its exposure during the period towards GoP Ijarah Sukuk to around 32% on the back of decent yield as well as capital gains potential. The fund has increased its exposure in good quality TFCs especially of banking sector while actively managed its exposure and duration in Treasury bills throughout the period to capitalize on the fluctuating liquidity and interest rates in the market.

### FUTURE OUTLOOK

Given declining trend in CPI inflation coupled with a comfortable external account position, the Central bank has decided to lower its policy DR further by 150 bps to 12.0% for Oct'11 - Nov'11 period to trigger growth stimulus in the economy. We continue to flag foreign inflow as the single most important variable especially in the backdrop of sustained oil prices, downward trend in cotton prices and debt repayments including IMF. In our opinion, the absence of foreign flows and government's greater reliance on domestic sources for fiscal funding could result in rebound of inflation and interest rates going forward.

In a fast changing interest rate environment, the fund would continue to maintain its focus on the credit quality of the portfolio while exploiting attractive opportunities in the market.

### 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

**Dated:** 26 October, 2011  
Karachi.

## CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2011

		(Unaudited) September 30 2011	(Audited) June 30 2011
	Note	------(Rupees in '000)-----	
<b>Assets</b>			
Bank balances		15,999	32,062
Receivable against sale of units		547	14,292
Receivable against sale of investments		-	678
Investments - 'at fair value through profit or loss'	4	1,479,519	1,556,161
Balance receivable under Margin Trading System		-	7,707
Income and profit receivable		41,524	20,322
Deposits, prepayments and other receivables		698	796
Preliminary expenses and floatation costs		382	432
<b>Total assets</b>		<b>1,538,669</b>	<b>1,632,450</b>
<b>Liabilities</b>			
Payable to the Management Company		2,713	2,683
Payable to Trustee		180	183
Payable to Securities & Exchange Commission of Pakistan - Annual Fee		292	1,402
Payable on redemption of units		3,550	2,297
Payable against purchase of investments		73,342	-
Accrued expenses and other liabilities		2,100	1,473
<b>Total liabilities</b>		<b>82,177</b>	<b>8,038</b>
<b>Net assets</b>		<b>1,456,492</b>	<b>1,624,412</b>
<b>Unit holders' funds</b>		<b>1,456,492</b>	<b>1,624,412</b>
------(Number of units)-----			
<b>Number of units in issue</b>		<b>28,011,599</b>	<b>31,124,731</b>
------(Rupees)-----			
<b>Net asset value per unit</b>		<b>52.00</b>	<b>52.19</b>

The annexed notes form an integral part of these condensed interim financial statements.

For Arif Habib Investments Limited  
(Management Company)

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

\_\_\_\_\_  
Director

## CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011

		September 30 2011	September 30 2010
		------(Rupees in '000)-----	
<b>Income</b>			
Income from term finance certificates and sukuk bonds		19,208	28,244
Income from government securities		17,798	42,723
Income from margin trading system		37	
Income from Ijara Sukuk		13,960	-
Income from Commercial Paper		585	
Income from placements, certificates of investment and term deposit receipts		-	1,162
Profit on bank deposits		1,778	1,097
Capital gain / (loss) on sale of investments - net		2,432	(1,132)
Unrealised (diminution)/ in the value of investments - net	4.1	(1,856)	(16,028)
<b>Total income</b>		<u>53,942</u>	<u>56,066</u>
Provision against non-performing exposure		(6,602)	2,278
<b>Total income</b>		<u>47,340</u>	<u>58,344</u>
<b>Expenses</b>			
Remuneration of the Management Company		6,773	8,386
Remuneration of Trustee		551	811
Annual fee - Securities and Exchange Commission of Pakistan		292	424
Securities transaction costs		127	149
Settlement and bank charges		264	175
Fees and subscription		46	45
Legal and professional charges		18	18
Auditors' remuneration		95	92
Printing and related costs		31	31
Amortisation of preliminary expenses and floatation costs		50	50
<b>Total expenses</b>		<u>8,247</u>	<u>10,181</u>
<b>Net income from operating activities</b>		<u>39,093</u>	<u>48,163</u>
Element of (loss)/income and capital (loss)/gains included in prices of units issued less those in units redeemed - net		(181)	(1,815)
<b>Net income for the period before taxation</b>		<u>38,912</u>	<u>46,348</u>
<b>Taxation</b>	8	-	-
<b>Net income for the period after taxation</b>		<u>38,912</u>	<u>46,348</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income for the period		-	-
<b>Total comprehensive income for the period</b>		<u>38,912</u>	<u>46,348</u>
<b>Earnings / (loss) per unit</b>	9		

The annexed notes form an integral part of these condensed interim financial statements.

**For Arif Habib Investments Limited  
(Management Company)**

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

\_\_\_\_\_  
Director

## CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011

	September 30 2011 ------(Rupees in '000)-----	September 30 2010 ------(Rupees in '000)-----
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income for the period	38,912	46,348
<b>Adjustments:</b>		
Unrealised diminution/(appreciation) in the value of investments 'at fair value through profit or loss'	1,856	16,028
Amortisation of preliminary expenses and floatation costs	50	50
Net element of loss/(income) and capital loss/(gains) included in prices of units issued less those in units redeemed	181	1,815
Provision against non-performing exposure	6,602	(2,278)
	<u>47,601</u>	<u>61,964</u>
<b>Decrease / (increase) in assets</b>		
Receivable against sale of units	13,745	26,757
Receivable against sale of investments	678	
Investments - 'at fair value through profit or loss'	68,184	146,232
Balance receivable under Margin Trading System	7,707	-
Loans and receivable	-	(4,653)
Income & profit receivable	(21,202)	2,700
Deposits, prepayments and receivable	98	354
	<u>69,210</u>	<u>171,391</u>
<b>(Decrease) / increase in liabilities</b>		
Payable to the Management Company	30	(361)
Payable to Central Depository Company of Pakistan Limited - Trustee	(3)	1
Payable to Securities and Exchange Commission of Pakistan - Annual Fee	(1,110)	(741)
Payable against purchase of Investments	73,342	-
Payable on redemption of units	1,253	19,862
Accrued expenses and other liabilities	627	455
	<u>74,139</u>	<u>19,216</u>
<b>Net cash from operating activities</b>	<u>190,950</u>	<u>252,571</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net (payments) / receipts made against issuance / redemption of units	(202,446)	(175,193)
Cash dividend paid	(4,567)	(7,208)
<b>Net cash (used in) / from financing activities</b>	<u>(207,013)</u>	<u>(182,401)</u>
Net increase / (decrease) in cash and cash equivalents during the period	(16,063)	70,171
Cash and cash equivalents at the beginning of the period	32,062	107,319
Cash and cash equivalents at the end of the period	<u>15,999</u>	<u>177,490</u>

The annexed notes form an integral part of these condensed interim financial statements.

For Arif Habib Investments Limited  
(Management Company)

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

\_\_\_\_\_  
Director

## CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011

September 30                      September 30  
2011                                      2010  
------(Rupees in '000)-----

Undistributed income brought forward	68,060	59,869
Final distribution:		
- Issue of 176,049 bonus units for the period ended 30 June 2011 @ Rs 0.3309 per unit (date of distribution: 04 July 2011) (2010: @ Rs 0.51 per unit) (date of distribution: 05 July 2010)	(9,130)	(20,072)
- Cash distribution for the period ended 30 June 2011	(1,169)	(1,998)
	(10,299)	(22,070)
Undistributed income brought forward less final distribution for the period ended 30 <sup>th</sup> June 2011	57,761	37,799
Net income for the period	38,912	46,348
Element of (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed - amount that forms part of the unit holder's fund	(6,372)	-
Interim distribution:		
- Issue of 589,049 bonus units and 1,033,563 bonus units for the period ended 30 <sup>th</sup> September 2011 and period ended 30 <sup>th</sup> September 2010 respectively	(30,594)	(52,384)
- Cash distribution for the period ended 30 <sup>th</sup> September 2011 and period ended 30 <sup>th</sup> September 2010 respectively	(3,398)	(5,210)
Net income for the period less distribution	(1,452)	(11,246)
Undistributed income carried forward	56,309	26,553

The annexed notes form an integral part of these condensed interim financial statements.

**For Arif Habib Investments Limited  
(Management Company)**

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

\_\_\_\_\_  
Director



# CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011

	September 30 2011	September 30 2010
	------(Rupees in '000)-----	
Net assets at the beginning of the period	1,624,412	2,223,592
Issue of 3,008,985 units and 9,094,024 units for the period ended 30 <sup>th</sup> September 2011 and period ended 30 <sup>th</sup> September 2010 respectively	<b>156,750</b>	463,617
Redemption of 6,887,214 units and 12,542,460 units for the period ended 30 <sup>th</sup> September 2011 and period ended 30 <sup>th</sup> September 2010 respectively	<b>(359,196)</b> <b>(202,446)</b>	<b>(638,810)</b> <b>(175,193)</b>
Final distribution:		
- Issue of 176,049 bonus units for the period ended 30 <sup>th</sup> June 2011 @ Rs 0.3309 per unit (date of distribution: 04 July 2011)	<b>(9,130)</b>	(20,072)
- Cash distribution for the period ended 30 June 2011	<b>(1,169)</b> <b>(10,299)</b>	<b>(1,998)</b> <b>(22,070)</b>
Capital gain / (loss) on sale of investments - 'at fair value through profit or loss'	<b>2,432</b>	(1,132)
Net Unrealised (diminution)/appreciation in the value of investments	<b>(1,856)</b>	(16,028)
- 'at fair value through profit or loss'	<b>38,336</b>	63,508
Other net income for the period	<b>38,912</b>	46,348
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		
- amount representing (income) / loss and capital (gains) / losses - transferred to income statement	<b>181</b>	1,815
- amount representing (loss) / income that form part of unit holders' fund - transferred to distribution statement	<b>6,372</b> <b>6,553</b>	<b>1,815</b>
Element of income and capital gains included in prices of units issued less those in units redeemed - amount representing unrealised income	<b>(6,372)</b>	-
Interim distribution:		
- Issue of 589,049 bonus units and 1,033,563 bonus units for the period ended 30 <sup>th</sup> September 2011 and period ended 30 <sup>th</sup> September 2010 respectively	<b>(30,594)</b>	(52,384)
- Cash distribution for the period ended 30 <sup>th</sup> September 2011 and period ended 30 <sup>th</sup> September 2010 respectively	<b>(3,398)</b> <b>(33,992)</b>	<b>(5,210)</b> <b>(57,594)</b>
Issue of 176,049 bonus units for the period ended 30 <sup>th</sup> June 2011 @ Rs 0.3309 per unit (date of distribution: 04 <sup>th</sup> July 2011)	<b>9,130</b>	20,072
Issue of 589,049 bonus units and 1,033,563 bonus units for the period ended 30 <sup>th</sup> September 2011 and period ended 30 <sup>th</sup> September 2010 respectively	<b>30,594</b>	52,384
<b>Net assets at the end of the period</b>	<b>1,456,492</b>	<b>2,089,355</b>

The annexed notes form an integral part of these condensed interim financial statements.

**For Arif Habib Investments Limited  
(Management Company)**

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

\_\_\_\_\_  
Director

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011

### 1. LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Income Enhancement Fund (the Fund) was established through a Trust Deed under the Trust Act 1882, executed between Arif Habib Investments Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the 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. During the current year, the registered office of the management company has been shifted to 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.

Based on shareholders' resolutions of MCB-AMC and AHI the two companies have merged as of 27th June 2011 through operation of an order from the SECP issued under Section 282L of the Companies Ordinance 1984 (Order through letter no. SCD/NBFC-II/MCBAMCL & AHIL/271/2011 dated June 10, 2011). AHI being a listed company is the surviving entity and in compliance of SBP's approval, it is a subsidiary of MCB Bank. However subsequent to the completion of the merger, the SECP issued an order postponing the effective date of the merger to 30th July 2011 (through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AHI/348/2011 dated June 27, 2011). Since the merger had already taken place and the subsequent order of the SECP could not be complied with, the Company has sought a ruling by the honourable SHC. The honourable SHC has held the SECP's subsequent order in abeyance and instructed SECP to treat the companies as merged pending a final ruling. Irrespective of the final ruling, the Fund's assets and NAV remain unaffected.

The Fund is an open-ended mutual fund listed on the Islamabad Stock Exchange of Pakistan. 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 Pakistan Credit Rating Agency Limited (PACRA) has assigned asset manager rating of 'AM2' (Positive Outlook) to the Management Company and 'AA-' to the Fund.

The policy of the Fund is to invest in the investment grade term finance certificates and sukuk bonds, certificate of investments, term deposit receipts, spread transactions and with SECP approval structured deposits, notes, interest rate / cross currency swap and arbitrage products, options, derivatives, index linked structures etc. both within and outside Pakistan, international mutual funds, credit linked notes, and any other investment permissible under NBFC Regulations.

### 2. BASIS OF PRESENTATION

These un-audited condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, The requirements of the Trust Deed, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the NBFC Regulations or the directives issued by the SECP prevail. These financial statements are presented in condensed form in accordance with International Accounting Standard, 34 "Interim Financial Reporting". These do not include all the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Fund as at and for the year ended 30 June 2011.

The directors of the asset management company declare that these financial statements give a true and fair view of the Fund

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the Fund for the year ended 30th June 2011.

### 4. INVESTMENTS - 'AT FAIR VALUE THROUGH PROFIT OR LOSS'

	Note	Unaudited 30 September 2011	Audited 30 June 2011
(Rupees in '000)			
Term Finance Certificates and Sukuk Bonds	4.2	532,296	474,537
Government Securities	4.3	454,610	1,062,209
GOP Ijara Sukuk	4.4	492,613	19,415
		<u>1,479,519</u>	<u>1,556,161</u>

#### 4.1 Net unrealised appreciation / (diminution) in value of investments at fair value through profit or loss - net

Fair value of investments	1,479,519	1,556,161
Less: Cost of investments	(1,481,069)	(1,555,855)
	(1,550)	306
Less: Unrealised appreciation in value of investments at fair value through profit or loss at the beginning of the period / year	(306)	(15,696)
Less: Realised on disposal during the period / year	(306)	3,036
	(1,856)	(12,660)
	(1,856)	(12,354)

#### 4.2 Term Finance Certificates and Sukuk Bonds

Name of the investee company	As at 1 July 2011	Purchases during the period	Sales during the period	Matured during the period	As at 30 September 2011	Cost as at 30 September 2011	Market Value as at 30 September 2011	Appreciation / (diminution) in the value of investments	Market value as a percentage of net assets	Outstanding principal value as a percentage of issued debt capital
(Rupees in '000)										
Certificates of Rs 5,000 each unless stated otherwise										
<b>Term Finance Certificates</b>										
<b>Listed</b>										
Askari Bank Limited - I	425	-	-	-	425	2,093	2,129	36	0.00	0.14
Askari Bank Limited - II	6,000	-	-	-	6,000	29,223	30,136	913	0.02	2.00
Bank Alfalah Limited - IV	11,000	-	-	-	11,000	54,974	55,737	763	0.04	1.10
Bank AL Habib Limited - II	5,000	-	-	-	5,000	24,674	25,508	834	0.02	1.67
Bank AL Habib Limited - IV	5,000	10,000	-	-	15,000	77,000	76,865	(135)	0.03	5.00
PACE Pakistan Limited	15,000	-	-	-	15,000	63,261	49,414	(13,847)	0.01	0.47
PakArab Fertilizers Company Limited	4,703	-	-	-	4,703	16,749	17,354	605	0.02	1.25
United Bank Limited - IV	5,000	-	-	-	5,000	24,091	24,857	766	0.00	-
Escorts Investment Bank Limited (15-3-07)	6,000	-	-	-	6,000	7,914	6,745	(1,169)	0.01	0.67
Askari Bank Limited - III	4,000	-	-	-	4,000	19,978	20,674	696	0.21	-
						319,957	309,419	(10,538)	-	-
<b>Unlisted</b>										
Engro Fertilizer Limited - Perpetual-I	27,200	-	4,100	-	23,100	98,257	108,570	10,313	0.07	3.30
KASB Securities Limited	8,000	-	-	-	8,000	22,637	26,592	3,955	0.02	0.71
JS Company Limited	3,250	-	-	-	3,250	14,439	16,228	1,789	0.01	0.01
Bank Alfalah Limited	-	6,000	-	-	6,000	30,027	30,676	649	0.13	0.12
						165,360	182,066	16,706	-	-
<b>Sukuk Bonds</b>										
<b>Unlisted</b>										
Eden Housing Limited	10,415	-	-	-	10,415	33,393	24,417	(8,976)	0.02	7.13
Pak Elektron Limited	8,000	-	-	-	8,000	15,247	16,394	1,147	0.01	3.33
						48,640	40,811	(7,829)		
						533,957	532,296	(1,661)		

## 4.3 Government securities

Issue date	Tenure	As at 01 July 2011	Purchases during the period	Sales / Matured during the period	----- (Face value in denomination of Rs. 1,000) -----		----- (Rupees in '000) -----		Appreciation / (diminution) in the value of investments	Market value as a percentage of net assets %	Market value as a percentage of total investment %
					As at 30 September 2011	Cost as at 30 September 2011	Market Value as at 30 September 2011				
Treasury Bills											
21 <sup>th</sup> April 2011	6 months	150,000	-	150,000	-	9,934	9,931	-	-	-	-
21 <sup>th</sup> April 2011	6 months	10,000	-	10,000	-	-	-	-	-	-	-
21 <sup>th</sup> April 2011	1 months	20,000	-	20,000	-	-	-	(3)	0.68	0.67	-
21 <sup>th</sup> April 2011	12 months	-	70,000	70,000	70,000	65,276	65,314	38	-	-	-
5 <sup>th</sup> May 2011	6 months	95,000	-	95,000	25,000	24,715	24,702	(13)	4.48	4.41	-
5 <sup>th</sup> May 2011	3 months	100,000	-	100,000	-	-	-	-	1.70	1.67	-
5 <sup>th</sup> May 2011	3 months	25,000	-	25,000	-	-	-	-	-	-	-
5 <sup>th</sup> May 2011	3 months	40,000	-	40,000	-	-	-	-	-	-	-
5 <sup>th</sup> May 2011	6 months	-	25,000	25,000	25,000	24,712	24,702	(10)	1.70	1.67	-
19 <sup>th</sup> May 2011	3 months	100,000	-	100,000	-	-	-	-	-	-	-
19 <sup>th</sup> May 2011	6 months	42,500	-	42,500	42,500	41,805	41,784	(21)	2.87	2.82	-
19 <sup>th</sup> May 2011	3 months	25,000	-	25,000	-	-	-	-	-	-	-
2 <sup>nd</sup> June 2011	6 months	135,000	-	135,000	-	-	-	-	-	-	-
9 <sup>th</sup> June 2011	1 months	30,000	-	30,000	-	-	-	-	-	-	-
16 <sup>th</sup> June 2011	6 months	100,000	-	100,000	-	-	-	-	-	-	-
16 <sup>th</sup> June 2011	3 months	135,000	-	135,000	-	-	-	-	-	-	-
16 <sup>th</sup> June 2011	6 months	35,000	-	35,000	-	-	-	-	-	-	-
28 <sup>th</sup> July 2011	12 months	-	165,000	113,000	52,000	49,854	49,913	59	3.43	3.37	-
28 <sup>th</sup> July 2011	3 months	-	100,000	100,000	100,000	99,338	99,308	(30)	6.82	6.71	-
28 <sup>th</sup> July 2011	3 months	-	10,000	10,000	10,000	9,932	9,931	(1)	0.68	0.67	-
25 <sup>th</sup> August 2011	12 months	-	100,000	100,000	100,000	89,575	89,575	-	-	-	-
25 <sup>th</sup> August 2011	12 months	-	44,000	44,000	44,000	39,435	39,450	15	2.71	2.67	-
						454,576	454,610	34	-	-	-
						454,576	454,610	34			

## 4.4 Ijara Sukuk - Unquoted

	As at 01 July 2011	Purchases during the period	Sales / Matures during the period	As at 30 September 2011	Cost as at 30 September 2011	Market Value as at 30 September 2011	Appreciation / (diminution) in the value of investments	Market value as a percentage of net assets	Market value as a percentage of total investment
	----- (Face value in denomination of Rs. 1,000) -----				----- (Rupees in '000) -----				
GOP Ijara Sukuk (16.11.2010)	50,000	255,000	-	305,000	307,246	307,323	77	21.10	20.77
GOP Ijara Sukuk (16.05.2011)		183,200		183,200	185,290	185,290	-	12.72	-
					492,536	492,613	77		
Grand Total					1,481,069	1,479,519	(1,550)		

**5 INTERIM DISTRIBUTION**

The Fund has made following distributions during the period.

Dates	Rate	Bonus *		Cash	Total
		Units	Amount	Distribution	
				------(Rupees in '000)-----	
26 <sup>th</sup> July 2011	Re 0.40 per unit	208,325	10,812	1,413	12,225
26 <sup>th</sup> August 2011	Re 0.48 per unit	238,365	12,383	1,237	13,620
26 <sup>th</sup> September 2011	Re 0.29 per unit	142,358	7,400	747	8,147
		<b>589,048</b>	<b>30,595</b>	<b>3,397</b>	<b>33,992</b>

\* Bonus units have been distributed to unit holders under plan A

\*\* Cash dividend have been distributed to unit holder under plan B

**6 RENUMERATION OF MANAGEMENT COMPANY**

During the period, through Sindh sales tax on services Act 2011, General Sales Tax on Fund management services has been imposed @ 16%, effective from July 01, 2011. Management fee charged during the period includes General sales tax

**7 CONTRIBUTION TO WORKER 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 adjudication.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on December 14, 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 Court.

Subsequent to 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. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company believes that the Pakistan Income Enhancement Fund is not liable to contribute to WWF and hence no provision has been recognised by the Management Company. The aggregate unrecognised amount of WWF as at September 30, 2011 amounted to Rs 11.016 million (including Rs 0.782 million for the quarter ended September 30, 2011).

**8 TAXATION**

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded a tax liability in respect of income relating to the current period as the management company intends to distribute more than 90 percent of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders.

**9 EARNINGS / (LOSS) PER UNIT**

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

**10 TRANSACTIONS WITH CONNECTED PERSONS**

Connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, MCB Bank Limited being the holding company of the Management Company, the Trustee, directors and key management personnel, other associated undertaking and investors holding 10% or more of units of the Fund.

The transactions with 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 fee payable to the Trustee are determined in accordance with the provisions of the NBFC Rules 2003, the NBFC Regulations 2008 and Trust Deed respectively

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

#### 10.1 Transactions during the period with connected persons / related parties

	(Unaudited)	
	September 30 2011	September 30 2010
	(Rupees in '000)	
<b>Management Company</b>		
Remuneration for the period	6,773	8,386
Front-end load for the period	643	1,249
<b>Summit Bank Limited (formerly: Arif Habib Bank Limited)</b>		
Mark-up for the period	90	224
Units issued Nil units (2010: 29,023 units)	-	1,474
Units redeemed Nil units (2010: 1,042,976.22 units)	-	1,043
Cash dividend	-	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration for the period	551	811
CDS charges	10	2
<b>Arif Habib Investment Management Limited - Employee Stock</b>		
<b>-Beneficial Ownership Trust</b>		
Bonus units issued Nil units (2010: 318.88 units)	-	16
Units redeemed Nil units (2010: Nil units)	-	-
<b>Arif Habib Investment Management Limited - Employee Provident Fund</b>		
Bonus units issued Nil units (2010: 764.35)	-	39
Units redeemed Nil units	-	-
<b>Directors and executives of the Management Company:</b>		
Units issued 139,366 units (2010: 142,848 units)	7,263	7,272
Units redeemed 179,267 units (2010: 151,409 units)	9,343	7,726
Bonus units distributed 17,902 units (2010: 6,128 units)	929	311
<b>Habib Metropolitan Bank Limited</b>		
Mark up for the Period	696	669
Units issued nil units (2010: nil units)	-	-
Units redeemed 957,304 units (2010: nil units)	50,000	-
Cash dividend	4,126	7,208

10.2	Amounts outstanding as at the period end with connected persons / related parties:	Unaudited	Audited
		September 30 2011	June 30 2011
		(Rupees in '000)	
	<b>Arif Habib Investments Limited</b>		
	Remuneration payable	2,110	2,004
	Payable in respect of preliminary expenses & floatation costs	600	600
	Front-end load payable	3	79
	<b>Summit Bank Limited (formerly: Arif Habib Bank Limited)</b>		
	Balance as at period end	1,689	5,300
	Accrued mark-up as at the period end	59	30
	Units held Nil units ( 30 June 2011: nil units)	-	-
	<b>Arif Habib Investment Management Limited - Employee Stock -Beneficial Ownership Trust</b>		
	Balance as at period end	-	446
	<b>Arif Habib Investment Management Limited - Employee Provident Fund</b>		
	Balance as at period end	-	1,068
	<b>Central Depository Company of Pakistan Limited - Trustee</b>		
	Security deposit	325	325
	Remuneration payable	180	183
	<b>Directors and executives of the Management Company</b>		
	Units held 628,070 units (30 June 2011: 636,396 units)	32,660	33,213
	<b>Habib Metropolitan Bank Limited (more than 10% holding)</b>		
	Balance as at period end	5,165	7,840
	Accrued mark-up as at the period end	152	209
	Units held 2,283,002 units ( 30 June 2011: 3,240,306 units)	118,716	169,112

**11 DATE OF AUTHORISATION**

These condensed interim financial statements were authorised for issue on 26 October 2011 by the Board of Directors of the Management Company.

**12 GENERAL**

Figures have been rounded off to the nearest thousand rupees.

For Arif Habib Investments Limited  
(Management Company)

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

\_\_\_\_\_  
Director