



Bachat ka Doosra Naam

Half Year Report **December 31, 2013** **(Unaudited)**



Funds Under Management
of
MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Limited)

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.

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings and Investments Limited (Formerly: Arif Habib Investments Limited) 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Board of Directors of the Management Company	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 Executive Vice Chairman Chief Executive Officer Director Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Nasim Beg Mr. Samad A. Habib	Chairman Member Member
Human Resource Committee	Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Yasir Qadri	Chairman Member Member Member Member
Company Secretary & Chief Operating Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer	Mr. Umair Ahmed	
Trustee	Central Depository Company of Pakistan Limited CDC House, 990B Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
Bankers	Habib Metropolitan Bank Limited MCB Bank Limited Bank Al Falah Limited Faysal Bank Limited Standard Chartered Bank (Pakistan) Limited	
Auditors	KPMG Taseer Hadi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Building No. 2 Beaumont Road, Karachi - 75530	
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
Transfer Agent	MCB-Arif Habib Savings and Investments Limited (Formerly: Arif Habib Investments Limited) 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Rating	AM2 - Management Quality Rating assigned by PACRA	

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED DECEMBER 2013

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 31st 2013.

ECONOMY AND MONEY MARKET OVERVIEW

Amid implementation of fiscal reforms and volatile food prices, inflation remained volatile with CPI averaging around 8.9% during the 1HFY13. The current account balance remained in pressure posting a deficit of \$1.58 billion during 1HY14 as opposed to deficit of \$0.083 billion reported in corresponding period last year. Last year's saving grace came in the form of proceeds under Coalition Support Funds (CSF) where the country received USD 1.806bn in 1HFY14.

During the period under review, the country successfully managed to enter into a three-year \$6.6 billion loan program with IMF. Out of total financing of around \$2.2 billion scheduled for FY14 under IMF Extended Fund Facility (EFF), the country received two tranches of around \$540 million each in 1HFY14. While out of total \$3 billion repayments to IMF due in FY14, the government repaid around \$1.89 billion to IMF in the 1HFY14.

In the face of inflows from IMF under EFF program and the multilateral agencies, loan repayments and trade deficit have reduced reserve balance to around \$ 8.3 billion as on 10-Jan-13, from \$11 billion at the start of the FY14. The country also received \$322 million under umbrella of CSF during 1HFY14.

Consequently, the local currency remained under pressure and volatile with the currency touching a record low Rs108.6 against dollar in the interbank market during 2QFY14. However, later SBP intervened in the market and as a result local currency recovered by closing at around Rs105.45 as on 31-Dec-13.

Keeping in view higher inflationary and vulnerable foreign reserves position, the government had twice announced 50 bps hike in the discount rate in the monetary policy held in September and November, bringing the discount rate to 10% from 9% at the start of the fiscal year. A combination of higher power tariffs and gas prices will likely keep inflationary pressure on the higher side during the year.

The money market started on a liquid note, with short term rates remaining on the lower side during the first three months of FY14, mainly due to lower participation rate in T-bill auctions. However, later market started experiencing liquidity crunch, causing market to witness significant number of ceilings in the month of December.

Given an upward trajectory in YOY CPI inflation coupled with SBP tightening stance, the yield curve has adjusted significantly upwards during the period. 1 year PKRV adjusted upwards by 128 bps to 10.22%.

M2 has expanded by 5.47% during the 1HFY14 (till 27th December) as opposed to expansion of 7.01% during the same period last year. While borrowing from SBP increased by Rs 590.9 billion as opposed to net retirement of around Rs 134.4 billion during the same period last year.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 6.7% as against its benchmark return of 7.6%. Despite keeping funds in well accumulated securities the fund unperformed its benchmark due to hefty provisions been made in this quarter against workers welfare fund liability.

The fund remained significantly invested in PIBs, T-Bills and TFCs almost throughout the period with a focus on keeping its portfolio duration at a not so higher level, in order to safeguard its investors from inclining interest rate scenario. At period-end, the fund was 15.6% invested in Treasury Bills, 27.1% in TFCs and 31.5% in PIBs.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED DECEMBER 2013

The Net Asset of the Fund as at December 31, 2013 stood at Rs.881 million as compared to Rs.1,319 million as at June 30, 2013 registering a decrease of 33.21%.

The Net Asset Value (NAV) per unit as at December 31, 2013 was Rs.50.82 as compared to opening NAV of Rs.51.86 per unit as at June 30, 2013 registering a decrease of Rs.1.04 per unit.

Income Distribution

During the period The Management Company has announced the following interim distribution

Date of distribution	Rs. Per unit distribution
25 July 2013	0.2900
23 August 2013	0.3000
25 September 2013	0.3200
25 October 2013	0.3200
25 November 2013	0.3300
24 December 2013	0.3000

FUTURE OUTLOOK

Foreign reserves are expected to remain under pressure as Pakistan is scheduled to pay more than \$2.1 billion to external official creditors during the next two quarters. However, the government expects reserve position to improve towards the end of the ongoing fiscal year on the back of significant improvement in foreign direct investments and pledges made by multilateral agencies.

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.

For and on behalf of the board



Yasir Qadri

Chief Executive Officer

Karachi: February 06, 2014

TRUSTEE REPORT TO THE UNIT HOLDERS



CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office

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

PAKISTAN INCOME ENHANCEMENT FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of Pakistan Income Enhancement Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited (formerly Arif Habib 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, 2013 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.


Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited
Karachi: February 13, 2014



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
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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 2013 and the related condensed interim income statement, 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.

Emphasis of matter

We draw attention to note 9 to the condensed interim financial information relating to Workers' Welfare Fund (WWF) which refers to the pending outcome of the litigation regarding contribution to WWF in Honourable Sind High Court. In view of the matter more fully discussed in the above note provision against WWF amounting to Rs. 0.763 million in aggregate is not being maintained by the Fund. Our conclusion is not qualified in respect of this matter.

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.

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



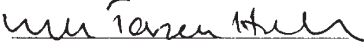
KPMG Taseer Hadi & Co.

Other matters

The figures for the quarter ended 31 December 2013 and 31 December 2012 in the condensed interim financial information have not been reviewed by us and we do not express a conclusion on them.

Date: 06 February 2014

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED)
AS AT 31 DECEMBER 2013**

	(Unaudited)	(Audited)
Note	31 December 2013	30 June 2013
	(Rupees in '000)	
Assets		
Balances with bank	168,411	287,079
Investments	6 696,905	1,031,865
Advance against subscription of Term Finance Certificates	7 14,583	-
Income and profit receivable	18,829	13,214
Deposits, prepayments and other receivables	1,732	1,818
Preliminary expenses and floatation costs	-	31
Total assets	900,460	1,334,007
Liabilities		
Payable against redemption of units	565	565
Payable to Management Company	1,758	3,900
Payable to Central Depository Company of Pakistan Limited - Trustee	130	149
Payable to Securities and Exchange Commission of Pakistan - Annual fee	426	609
Accrued expenses and other liabilities	8 17,028	10,103
Total liabilities	19,907	15,326
Contingency	9	
Net assets	880,553	1,318,681
Unit holders' fund	880,553	1,318,681
	(Number of units)	
Number of units in issue	17,326,777	25,426,838
	(Rupees)	
Net assets value per unit	50.82	51.86

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



Chief Executive Officer

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



Director

**CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2013**

	Note		Six months period ended		Quarter ended	
			31 December		31 December	
	2013	2012	2013	2012	2013	2012
	----- (Rupees in '000) -----					
Income						
Capital (loss) / gain on sale of investments - net	(1,845)	28,370	(64)	10,408		
Income from term finance and sukuk certificates	15,646	24,253	7,293	10,803		
Income from government securities	38,193	20,182	15,355	7,918		
Income from term deposit receipts and commercial papers	-	506	-	-		
Profit on bank deposits	2,947	2,457	1,162	956		
Net unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss'	(2,327)	3,216	292	(5,354)		
Reversal / (provision) of principal against non-performing exposures	2,929	(54,582)	-	(13,219)		
Total income	55,543	24,402	24,038	11,512		
Expenses						
Remuneration of Management Company	8,522	5,889	3,693	2,440		
Sales tax and Federal Excise Duty on remuneration of Management Company	2,944	942	1,275	390		
Remuneration of Central Depository Company of Pakistan Limited - Trustee	901	668	413	277		
Annual fee - Securities and Exchange Commission of Pakistan	426	294	185	121		
Provision for Workers' Welfare Fund	5,287	-	1,951	-		
Securities transaction cost	67	257	7	135		
Settlement and bank charges	170	225	78	65		
Fees and subscriptions	112	98	56	54		
Legal and professional charges	20	35	10	17		
Auditors' remuneration	257	243	144	117		
Amortization of preliminary expenses and floatation costs	31	101	-	51		
Printing and related costs	144	106	61	49		
Total expenses	18,881	8,858	7,873	3,716		
	36,662	15,544	16,165	7,796		
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed	(374)	2,410	(86)	2,337		
Net income for the period before taxation	36,288	17,954	16,079	10,133		
Taxation	-	-	-	-		
Net income for the period after taxation	36,288	17,954	16,079	10,133		
Earnings per unit						

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



Chief Executive Officer

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



Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2013**

	Six months period ended 31 December		Quarter ended 31 December	
	2013	2012	2013	2012
	----- (Rupees in '000) -----			
Undistributed income brought forward	47,223	34,904	20,907	24,531
Net income for the period	36,288	17,954	16,079	10,133
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	(8,100)	(13,116)	(5,483)	(7,016)
Distributions to the unit holders of the Fund				
<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>				
- Cash distribution	-	(242)	-	(38)
- Issue of 776,191 bonus units (2012: 456,098 bonus units) and 342,548 bonus units (2012: 225,905 bonus units) for the six months and quarter ended respectively	(39,445)	(23,410)	(17,404)	(11,520)
	(61,312)	(23,652)	(17,404)	(11,558)
Undistributed income carried forward	14,099	16,090	14,099	16,090

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



Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib 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 2013**

	Six months period ended 31 December		Quarter ended 31 December	
	2013	2012	2013	2012
	----- (Rupees in '000) -----			
Net assets at the beginning of the period	1,318,681	991,307	1,161,512	814,267
Issue of 3,912,081 units (2012: 1,995,444 units) and 650,133 units (2012: 1,405,987 units) for the six months and quarter ended respectively	199,678	102,208	33,143	71,706
Issue of 428,766 bonus units for the year ended 30 June 2013	21,867	-	-	-
Issue of 776,192 bonus units (2012: 456,098 bonus units) and 342,548 bonus units (2012: 225,905 bonus units) for the six months and quarter ended respectively	39,445	23,410	17,404	11,520
Redemption of 13,217,100 units (2012: 9,619,149 units) and 6,475,671 units (2012: 13,772,162 units) for the six months and quarter ended respectively	(674,468)	(494,705)	(330,267)	(279,619)
	(413,478)	(369,087)	(279,720)	(196,393)
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	374	(2,410)	86	(2,337)
- amount representing unrealised capital (gains) / losses - transferred to the Distribution Statement	8,100	13,116	5,483	7,016
	8,474	10,706	5,569	4,679
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - transferred to Distribution Statement	(8,100)	(13,116)	(5,483)	(7,016)
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)	40,460	(13,632)	15,851	5,079
Capital (loss) / gain on sale of investments - net	(1,845)	28,370	(64)	10,408
Net unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss'	(2,327)	3,216	292	(5,354)
	36,288	17,954	16,079	10,133
Distributions to the unit holders of the Fund				
<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>				
- Cash distribution	-	(242)	-	(38)
- Issue of 776,191 bonus units (2012: 456,098 bonus units) and 342,548 bonus units (2012: 225,905 bonus units) for the six months and quarter ended respectively	(39,445)	(23,410)	(17,404)	(11,520)
	(61,312)	(23,652)	(17,404)	(11,558)
Net assets as at the end of the period	880,553	614,112	880,553	614,112
Net assets value per unit as at beginning of the period	51.86	51.83	50.92	51.56
Net assets value per unit as at end of the period	50.82	51.36	50.82	51.36

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



Chief Executive Officer

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



Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2013**

	Six months period ended		Quarter ended	
	31 December 2013	2012	31 December 2013	2012
----- (Rupees in '000) -----				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period before taxation	36,288	17,954	16,079	10,133
<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'	2,327	(3,216)	(292)	5,354
Net element of loss / (income) and capital losses / (gains) prices of units issued less those in units redeemed	374	(2,410)	86	(2,337)
Amortization of preliminary expenses and floatation costs	31	101	-	51
Provision for Workers' Welfare Fund	5,287	-	1,951	-
(Reversal) / provision of principal against non-performing exposures	(2,929)	54,582	-	13,219
	41,378	67,011	17,824	26,420
Decrease / (increase) in assets				
Investments	335,562	336,010	103,599	373,128
Advance against subscription of Term Finance Certificates	(14,583)	-	(2,916)	-
Income and profit receivable	(5,615)	8,812	(8,751)	5,093
Deposits, prepayments and other receivables	86	82	55	(1)
	315,450	344,904	91,987	378,220
(Decrease) / increase in liabilities				
Payable against purchase of investments	-	-	-	(197,535)
Payable to Management Company	(2,142)	(569)	(149)	(385)
Payable to Central Depository Company of Pakistan Limited - Trustee	(19)	(52)	(25)	(30)
Payable to Securities and Exchange Commission of Pakistan - Annual fee	(183)	(699)	185	121
Accrued expenses and other liabilities	1,638	28	177	(72)
	(706)	(1,292)	188	(197,901)
Net cash generated from operating activities	356,122	410,623	109,999	206,739
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	-	(242)	-	(38)
Receipts from issuance of units	199,678	104,304	33,143	71,706
Payments on redemption of units	(674,468)	(497,805)	(330,267)	(279,619)
Net cash used in financing activities	(474,790)	(393,743)	(297,124)	(207,951)
Net (decrease) / increase in cash and cash equivalents during the period	(118,668)	16,880	(187,125)	(1,212)
Cash and cash equivalents at beginning of the period	287,079	113,366	355,536	131,458
Cash and cash equivalents at end of the period	168,411	130,246	168,411	130,246

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



Chief Executive Officer

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



Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2013

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.

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 2013.

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 2013 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2013, 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 2012.

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2013

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 2013. At present the Fund has no item to be reported in other comprehensive income; hence net income for the period equals to total comprehensive income for the period.
- 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 judgements, 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 2013.

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 2013.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2013**

6.4 Movement in provision against debt securities

	31 December 2013		
	Listed debt securities	Unlisted debt securities	Total
	----- (Rupees in '000) -----		
Opening balance	54,522	27,188	81,710
Add : Charge for the year	-	-	-
Less: Reversal of provision	-	2,929	2,929
Charge for the year - net	-	(2,929)	(2,929)
Closing balance	54,522	24,259	78,781

7. ADVANCE AGAINST SUBSCRIPTION OF TERM FINANCE CERTIFICATES

This represents advance provided against issue of privately placed issue of term finance certificates of Pakistan Mobile Communications Limited in terms of investment agreement dated 17 September 2013 entered with Pakistan Mobile Communications Limited (PMCL). The advance is unsecured and carries mark up at the rate of 6 months KIBOR + 2.00% per annum (30 June 2013: Nil). The Fund has committed to subscribe 7,000 TFCs having face value of Rs. 5,000 each with total amount of Rs. 35 million.

8. ACCRUED EXPENSES AND OTHER LIABILITIES

	(Unaudited)		(Audited)
	31 December 2013		30 June 2013
	(Rupees in '000)		
Federal exercise duty payable	8.1	1,751	169
Provision for Workers' Welfare Fund	9	13,783	8,495
Auditors' remuneration		227	325
Zakat payable		680	680
Legal and professional charges		164	144
Brokerage payable		2	15
Capital gain tax payable		2	9
Others		419	266
		<u>17,028</u>	<u>10,103</u>

8.1 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% of the services rendered by assets management companies. In this regard, a Constitutional Petition has been filed by certain 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 eighteenth amendment. The SHC in its short order dated 4 September 2013 directed the 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. 1.751 million as at 31 December 2013. In case, the suit is decided against the fund the same would be paid to management company, who will be responsible for submitting the same to authorities. Had the said provision of FED and related taxes were not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 0.10 per unit as at 31 December 2013.

9. CONTINGENCY

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 /

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2013

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 afore mentioned 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. 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, out of total provision of Rs. 14.546 million, the Management Company as a matter of abundant precaution has charged provision for WWF amounting Rs. 13.783 million in these condensed interim financial information. The unrecognized liability as at 31 December 2013 amounted to Rs. 0.763 million (NAV per unit Re. 0.044).

10. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. 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 unrealised capital gains / loss to the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the management company intends to distribute at least 90 percent of the Fund's accounting income for the year ending 30 June 2014 as reduced by capital gains (whether realised or unrealised) to its unit holders.

11. 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.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2013**

12. INTERIM DISTRIBUTIONS

The Fund makes distribution on a monthly basis and has made following distributions during the period.

Date	Rate per unit	Bonus *		Cash Distribution** (Rupees in '000)	Total
		Units	Amount		
25 July 2013	Re. 0.2900	144,449	7,352	-	7,352
23 August 2013	Re. 0.3000	144,857	7,354	-	7,354
25 September 2013	Re. 0.3200	144,337	7,335	-	7,335
25 October 2013	Re. 0.3200	120,186	6,110	-	6,110
25 November 2013	Re. 0.3300	119,972	6,097	-	6,097
24 December 2013	Re. 0.3000	102,391	5,197	-	5,197
		776,192	39,445	-	39,445

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

** Cash dividends have been distributed to unit holders under plan B

As per clause 12 of Trust Deed and clause 6 of Part VI of the Offering Document, the Management Company on behalf of the Fund on monthly basis (except June) distributes bonus / dividend. The Board of Directors on 22nd September 2008 have passed a resolution providing standing authorisation to the Chief Executive Officer to approve and declare interim dividends out of profit earned by the Fund up to the 25th of each month. SECP vide letter no. NBFC - II.DD / AHIL / Misc-734 / 2009 has approved by this arrangement.

13. 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.

13.1 Details of the transactions with connected persons are as follows:

	Six months ended 31 December		Quarter ended 31 December	
	2013	2012	2013	2012
	----- (Rupees in '000) -----			
Management Company				
Remuneration (including indirect taxes)	11,466	6,831	4,968	2,830
Central Depository Company of Pakistan Limited - Trustee				
Remuneration	901	668	413	277
CDS charges	6	6	3	3

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
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	Six months ended		Quarter ended	
	31 December	31 December	2013	2012
	2013	2012	2013	2012
	----- (Rupees in '000) -----			
MCB Bank Limited				
Bank charges	11	5	5	5
Profit on bank deposits	<u>1,750</u>	<u>803</u>	<u>492</u>	<u>163</u>
Summit Bank Limited				
Profit on bank deposits	-	27	-	15
Arif Habib Limited - Brokerage House				
Brokerage expense	<u>3</u>	<u>-</u>	<u>2</u>	<u>-</u>
<i>Other Related Parties:</i>				
Directors and Executives of the Management Company				
Issue of 12,502 units (2012: NIL units) and 12,501 units (2012: NIL units) for the six months and quarter ended respectively	<u>636</u>	<u>-</u>	<u>636</u>	<u>-</u>
Issue of 1,151 bonus units (2012: 432 bonus units) and bonus Nil units (2012: 26 units) for the six months and quarter ended respectively	<u>59</u>	<u>22</u>	<u>-</u>	<u>1</u>
Redemption of 47,511 units (2012: 37,365 units) and 44,666 units (2012: 667 units) for the six months and quarter ended respectively	<u>2,427</u>	<u>1,927</u>	<u>2,282</u>	<u>34</u>
Adamjee Life Assurance Company Limited - Nuil Fund				
Issue of NIL units (2012: 136,879 units) and NIL units (2012: 136,879 units) for the six months and quarter ended respectively	<u>-</u>	<u>7,000</u>	<u>-</u>	<u>7,000</u>
Issue of 5,048 bonus units (2012: 993 bonus units) and bonus 15 units (2012: 993 units) for the six months and quarter ended respectively	<u>257</u>	<u>51</u>	<u>1</u>	<u>51</u>
Redemption of 147,261 units (2012: nil units) and 147,261 units (2012: nil units) for the six months and quarter ended respectively	<u>7,500</u>	<u>-</u>	<u>7,500</u>	<u>-</u>
Mr. Najeeb Butt (10% or more holding)				
Issue of 112,936 bonus units (2012: 62,754 bonus units) and bonus 112,936 units (2012: 37,106 bonus units) for the six months and quarter ended respectively	<u>5,745</u>	<u>3,217</u>	<u>5,745</u>	<u>1,870</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
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13.2 Amounts outstanding as at period / year end	(Unaudited) 31 December 2013	(Audited) 30 June 2013
	(Rupees in '000)	
Management Company		
Management fee payable	<u>1,150</u>	<u>1,403</u>
Sindh sales tax payable on management fee	<u>184</u>	<u>225</u>
Front-end load payable	<u>424</u>	<u>2,272</u>
Central Depository Company of Pakistan Limited - Trustee		
Security deposit	<u>200</u>	<u>200</u>
Remuneration payable	<u>130</u>	<u>149</u>
MCB Bank Limited		
Balance with bank	<u>3,433</u>	<u>44,800</u>
Accrued profit on bank deposit	<u>72</u>	<u>134</u>
Summit Bank Limited		
Balance with bank	<u>71</u>	<u>71</u>
Directors and executives of the Management Company		
Units held Nil units (2012: 33,858 units)	<u>-</u>	<u>1,756</u>
Adamjee Life Assurance Company Limited		
Units held 853 (30 June 2013: 143,065)	<u>43</u>	<u>7,419</u>
Mr. Najeeb Butt (10% or more holding)		
Units held 2,179,310 (30 June 2013: 2,066,374)	<u>110,753</u>	<u>107,129</u>

14. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified for the purposes of comparison and better presentation as follows:

Reclassification from component	Reclassification to component	Rupees in '000
Payable to Management Company	Accrued expenses and other liabilities (Federal exercise duty payable)	<u>169</u>

15. 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 06 February, 2014.



 Chief Executive Officer

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



 Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

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