



**Bachat** ka Doosra Naam

**Quarterly Report**  
**September 30, 2013**  
**(Unaudited)**



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

**PAKISTAN  
INCOME ENHANCEMENT FUND**

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## FUND'S INFORMATION

<b>Management Company</b>	<b>MCB-Arif Habib Savings and Investments Limited</b> (Formerly: 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 Officer (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>Audit Committee</b>	Mr. Haroun Rashid Mr. Nasim Beg Mr. Samad A. Habib	Chairman Member Member
<b>Human Resource Committee</b>	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 Limited CDC House, 990B Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
<b>Bankers</b>	Habib Metropolitan Bank Limited MCB Bank Limited Bank Al Falah Limited Faysal Bank Limited Standard Chartered Bank (Pakistan) Limited	
<b>Auditors</b>	KPMG Taseer Hadi & 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>	<b>MCB-Arif Habib Savings and Investments Limited</b> (Formerly: Arif Habib Investments Limited) 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Rating</b>	AM2 - Management Quality Rating assigned by PACRA	

## **REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2013**

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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 quarter ended September 30th 2013.

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

On the macroeconomic front, inflation has remained slightly higher during the period with CPI averaging around 8.06% amid implementation of tax reforms and higher food prices. The current account balance remained in pressure posting a deficit of \$632 million during 2MFY14 as opposed to surplus of \$582 million during the same period last fiscal year. During the last year, saving grace came in the form of proceeds under the account of Coalition support funds in August, 2012 amounting to \$1.18 bn. On the other hand, financial account registered a surplus of \$401 million in 2MFY14 as compared to deficit of \$271 million during the corresponding period last year.

Out of total \$3 billion repayments to IMF due in FY14, the government repaid around \$850 million to IMF in the 1QFY14. This along with delay in Coalition Support Funds and higher oil payments has reduced reserve balance to around \$ 9.9 billion as on 27-Sep-13, from \$11 billion at the start of the FY14. Consequently, the local currency fell by more than 6% against USD during 1QFY14.

During the quarter, the country successfully managed to enter into 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 first tranche of around \$543 million in 1QFY14.

Moreover, Fiscal side has remained a cause of concern for policy makers with FY13 deficit touching a level of around 8% of GDP (Rs 1.83 trillion deficit size in absolute terms) as opposed to the budgeted deficit of around 6.5%.

Keeping in view that inflation is likely to increase going forward and to arrest decline in foreign reserves balance, the government announced 50 bps hike in the discount rate in the last monetary policy, sending a strong signal that the discount rate will be used to keep inflation rate under check. A combination of higher power tariffs, rise in oil prices and rupee depreciation is likely to keep inflationary pressure on the higher side during the year.

In the money market, short term market rates remained on the higher side amid tight liquidity in the system. Despite Rs 94 billion net growth in Net Domestic Assets during the quarter (till 27th Sep), money supply (M2) has contracted due to reduction in Net Foreign Assets by around Rs 150 billion. Hence, M2 has contracted by 0.63% in the 1QFY14 (till 27th Sep) as opposed to expansion of 0.58% during the same period last year. While Borrowing from SBP increased by Rs444 billion as opposed to net decline in borrowing of around Rs 372 billion during the same period last year.

Given an upward trajectory in YoY CPI inflation coupled with monetary tightening scenario, the yield curve has adjusted significantly upwards during the period. Hence 1 year PKRV adjusted upwards by 77 bps to 9.71 %, while longer tenure year 10 year PKRV adjusted upwards by 203 bps to 12.96 % during the quarter under review.

### **FUND PERFORMANCE**

During the quarter under review, the fund generated an annualized return of 6.51% as against its benchmark return of 6.92%. This under-performance of the fund was due to mark-down/ provisioning made on some of its TFCs in the portfolio.

During the period under review, the fund almost maintained its exposure in TFCs at 20.8%, reduced its exposure in T-Bills from 44.8% to 20.4% and increased its exposure in PIBs from 7.8% to 24.7% to take advantage of the monetary tightening by the SBP

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2013

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The Net Asset of the Fund as at September 30, 2013 stood at Rs. 1,162 million as compared to Rs 1,319 million as at June 30, 2013 registering a decrease of 11.90%.

The Net Asset Value (NAV) per unit as at September 30, 2013 was Rs. 50.92 as compared to opening Ex-NAV of Rs.51 per unit as at June 30, 2013 registering a decrease of Rs. 0.08 per unit.

### Income Distribution

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

Date of distribution	Per unit distribution Rs.
July 25, 2013	0.2900
August 25, 2013	0.3000
September 25, 2013	0.3200

### FUTURE OUTLOOK

We will continue to closely monitor foreign inflows in the presence of higher oil prices and debt repayment to international donors. We believe that the sustainability of external account, in the presence of higher inflationary pressures, would be a key factor shaping up interest rate direction. The foreign reserve balance will continue to remain in the limelight, with the country scheduled to repay more than \$2.3 billion to IMF during the next three quarters. As a result, the local currency is likely to remain under pressure.

The reserve position is likely to improve towards the later half of the ongoing fiscal year, with the government expecting significant improvement in foreign direct investments and materialization of pledges made by multilateral agencies. In addition to projected CSF inflow of around \$1.2 billion, the country is eyeing inflow of \$2.7 billion during the next three quarters under the umbrella of program financing.

While the economic environment is challenging, corporate earnings are by and large expected to continue to improve. Earnings growth is expected to continue in E&P, Textile, Power and cement sector. The rupee depreciation bodes well for textile, E&P and power sector, while higher allocation in PSDP will increase demand for cement.

### 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

Karachi: October 23, 2013

# **FINANCIAL STATEMENTS**

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES  
AS AT SEPTEMBER 30, 2013**

	Note	Unaudited September 30, 2013	Audited June 30, 2013
Rupees in '000			
<b>ASSETS</b>			
Balances with banks		355,536	287,079
Investments	4	800,212	1,031,865
Income and profit receivable		10,078	13,214
Deposits, prepayments and other receivable		1,787	1,818
Advance against subscription of TFC		11,667	
Preliminary expenses and floatation costs		-	31
<b>Total assets</b>		<b>1,179,280</b>	<b>1,334,007</b>
<b>LIABILITIES</b>			
Payable against redemption of units		565	565
Payable to Management Company		1,738	4,069
Payable to Central Depository Company of Pakistan Limited - Trustee		155	149
Payable to Securities and Exchange Commission of Pakistan		241	609
Accrued expenses and other liabilities		15,069	9,934
<b>Total liabilities</b>		<b>17,768</b>	<b>15,326</b>
<b>NET ASSETS</b>		<b>1,161,512</b>	<b>1,318,681</b>
<b>Unit holders' fund</b>		<b>1,161,512</b>	<b>1,318,681</b>
<b>Number of units</b>			
<b>NUMBER OF UNITS IN ISSUE</b>		<b>22,809,766</b>	<b>25,426,838</b>
<b>Rupees</b>			
<b>NET ASSET VALUE PER UNIT</b>		<b>50.92</b>	<b>51.86</b>

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

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

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

  
\_\_\_\_\_  
Director

**PAKISTAN INCOME ENHANCEMENT FUND**



**CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

	Note	September 30	
		2013	2012
(Rupees in '000)			
<b>INCOME</b>			
Capital gain on sale of investments - net		(1,781)	17,962
Income from term finance and sukuk certificates		8,353	13,450
Income from government securities		22,838	12,264
Profit on bank deposits		1,785	2,007
		<b>31,195</b>	<b>45,683</b>
Net unrealised appreciation on re-measurement of investments classified as financial assets at 'fair value through profit or loss'		<b>1,100</b>	8,570
<b>Total Income</b>		<b>32,295</b>	<b>54,253</b>
<b>EXPENSES</b>			
Remuneration of Management Company		6,498	4,001
Remuneration of Central Depository Company of Pakistan Limited -Trustee		488	391
Annual fee - Securities and Exchange Commission of Pakistan		241	173
Settlement, bank and other charges		152	282
Amortisation of preliminary expenses and floatation costs		32	50
Auditors' remuneration		113	126
Provision against non-performing exposures		800	41,363
Other Expenses		138	119
<b>Total Expenses</b>		<b>8,462</b>	<b>46,505</b>
<b>Net Income from operating activities</b>		<b>23,833</b>	<b>7,748</b>
Element of (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed		(288)	73
<b>Net Income for the period before taxation</b>		<b>23,545</b>	<b>7,821</b>
Taxation		-	-
<b>Provision for Workers' Welfare Fund</b>	5	(3,336)	-
<b>Net income for the period after taxation</b>		<b>20,209</b>	<b>7,821</b>
Other comprehensive income for the period		-	-
<b>Total comprehensive income for the period</b>		<b>20,209</b>	<b>7,821</b>
<b>Earnings per unit</b>	7		

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

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(Management Company)

  
\_\_\_\_\_  
Director

**PAKISTAN INCOME ENHANCEMENT FUND**

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

	Note	September 30	
		2013	2012
----- Rupees in '000 -----			
Undistributed income brought forward		47,223	34,904
<b>Final Distribution:</b>			
(2013: 'Re 0.86 per unit)			
- Bonus units		(21,867)	-
- Cash distribution		-	-
		25,356	34,904
Net element of income losses included in the prices of units issued less those in units redeemed		(2,617)	(6,100)
Net income for the period		23,545	7,821
<b>Interim Distribution for the quarter ended September 30, 2013</b>			
Issue of 433,644 bonus units (2012: 230,193 units)			
- Issue of bonus units	8	(22,041)	(11,890)
- Cash Distribution	8	-	(204)
Undistributed income carried forward		24,243	24,531

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

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(Management Company)

  
\_\_\_\_\_  
Director

**PAKISTAN INCOME ENHANCEMENT FUND**


**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

	Note	September 30	
		2013	2012
		----- Rupees in '000 -----	
Net assets at beginning of the period		1,318,681	991,307
Issue of 3,261,948 units (2012: 589,457 units)		166,535	30,502
Redemption of 6,741,430 units (2012: 4,153,014 units)		(344,201)	(215,086)
		(177,666)	(184,584)
Final Distribution			
(2013: 428,766 bonus units)			
Bonus units		(21,867)	-
Cash Distribution		-	-
		(199,532)	(184,584)
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed transferred to income statement - net		(2,617)	(6,100)
- Amount representing (losses)/ gain transferred to income statement		288	(73)
- Amount representing loss and capital losses that form part of unitholders' fund transferred to distribution statement		2,617	6,100
Capital gain / (loss) on sale of investments - net		(1,781)	17,962
Unrealised (diminution) / appreciation in value of investments at market value through profit or loss - net		(1,100)	(8,570)
Other net income for the period		23,089	(1,571)
		20,209	7,821
<b>Interim Distribution for the quarter ended September 30, 2013</b>			
Issue of 433,644 bonus units (2012: 230,193 bonus units)			
- Bonus Distribution	8	(22,041)	(11,890)
- Cash Distribution	8	-	(204)
Final Distribution			
(2013: 428,766 bonus units)			
Bonus units		21,867	-
Issue of 433,644 bonus units (2012: 230,193 bonus units)		22,041	11,890
- Bonus Distribution		21,867	(204)
Net assets as at the end of the period		1,161,512	814,267

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

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

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


  
\_\_\_\_\_  
Director

**PAKISTAN INCOME ENHANCEMENT FUND**

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

	September 30	
	2013	2012
	----- (Rupees) '000' -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation	20,209	7,821
<b>Adjustments for non-cash charges and other items:</b>		
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	288	(73)
Amortization of preliminary expenses	31	50
Net unrealised appreciation / (diminution) on re - measurement of investments classified as 'financial assets at fair value through profit or loss'	(1,100)	(8,570)
Provision for non-performing assets	800	41,363
	<u>20,228</u>	<u>40,591</u>
<b>(Increase)/ decrease in assets</b>		
Investments - net	220,286	(242,118)
Receivable against sale of units		205,000
Receivable against sale of investments		2,096
Income receivable	3,136	3,719
Prepayments	31	83
	<u>223,453</u>	<u>(31,220)</u>
<b>(Decrease) / increase in liabilities</b>		
Payable to the Management Company	(2,331)	(184)
Payable to the Trustee	6	(22)
Annual fee payable to the Securities and Exchange Commission of Pakistan	(368)	(820)
Payable against purchase of investments		197,535
Payable against redemption of units	-	(3,100)
Accrued expenses and other liabilities	5,135	100
	<u>2,442</u>	<u>193,509</u>
<b>Net cash generated from / (used in) from operating activities</b>	<u>246,123</u>	<u>202,880</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts against issue of units	166,535	30,502
Payment against redemption of units	(344,201)	(215,086)
	<u>(177,666)</u>	<u>(184,584)</u>
Dividend paid		(204)
<b>Net cash (used in) / generated from financing activities</b>	<u>(177,666)</u>	<u>(184,788)</u>
<b>Net increase in cash and cash equivalents during the period</b>	<u>68,457</u>	<u>18,092</u>
Cash and cash equivalents at beginning of the period	287,079	113,366
<b>Cash and cash equivalents at end of the period</b>	<u>355,536</u>	<u>131,458</u>

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

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

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

  
\_\_\_\_\_  
Director

**PAKISTAN INCOME ENHANCEMENT FUND**

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2013

### 1. LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Income Enhancement Fund (the Fund) was established through a Trust Deed executed between MCB-Arif Habib Savings and Investments Limited (formerly: Arif Habib Investments Limited), as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on July 14, 2008 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on June 26, 2008 in accordance with 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.

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' (positive outlook) 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

This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 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 NBC Rules), 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). In case where requirements differ, the provisions of or 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) and directives issued by the Securities and Exchange Commission of Pakistan (SECP) have been followed.

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.

The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information are unaudited. The Directors of the asset management company declare that this condensed interim financial information give a true and fair view of the Fund.

#### 2.2 Basis of measurement

This condensed interim financial information have been prepared on the basis of historical cost convention except that investments have been included at fair value.

#### 2.3 Functional and presentation currency

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual published financial statements of the Fund for the year ended June 30, 2013.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

4 INVESTMENTS	Note	(Un-audited) September 30, 2013	(Audited) June 30, 2013
----- Rupees in '000 -----			
<b>At fair value through profit or loss</b>			
- Government securities	4.1	555,847	762,340
- Term Finance and sukuk certificates	4.2		
- Listed Debt securities	4.3	135,114	153,711
- Un-listed Debt securities	4.4	109,250	115,814
		800,212	1,031,865

**4.1 Government Securities**

Issue date	Tenor	..... Face value .....				Balance as at September 30, 2013			Market value as a percentage of net assets	Market value as a percentage of total investments
		Balance as at July 1, 2013	Purchases during the period	Sales / Matured during the period	Balance as at September 30, 2013	Cost	Market value	Appreciation / (Diminution)		
----- Rupees in '000 -----										
<b>Market Treasury Bills</b>										
Treasury bills - 3 months	3 Months	6,000	29,400	-	35,400	35,265	35,257	(7)	3.04	4.41
Treasury bills - 12 months	12 Months	659,000	-	439,000	220,000	216,914	216,723	(191)	18.66	27.08
						252,179	251,980	(199)	21.69	31.49
<b>Pakistan Investment Bonds</b>										
Pakistan Investment Bonds	3 Years	104,400	195,600	-	300,000	305,664	303,867	(1,797)	26.16	37.97
						305,664	303,867	(1,797)	26.16	37.97
<b>Government Ijara Sukuk</b>										
Government Ijara Sukuk - 12	3 Years	40,000	-	40,000	-	-	-	-	-	-
<b>Total as at September 30, 2013</b>						522,579	555,847	(1,996)		
<b>Total as at June 30, 2013</b>						760,592	762,340	1,748		

**4.2 Debt Securities**

Name of the investee company	Issue date	Balance as at July 1, 2013	Purchases during the year	Sales / matured during the year	As at September 30, 2013	Balance as at September 30, 2013			--- Market Value ---	
						Carrying Value	Market value	Appreciation / (diminution)	As a percentage of net assets	As a percentage total investment
----- Number of certificates -----										
----- (Rupees in '000) -----										
Certificates having a face value of Rs. 5,000 each unless stated otherwise										
<b>Listed</b>										
Bank AL-Habib Limited	7-Feb-07	4,950	100	-	5,050	25,468	25,426	(42)	2.19	3.18
PACE Pakistan Limited (Note 4.2.1)	15-Feb-08	15,000	-	-	15,000	54,522	57,070	2,549	4.91	7.13
Askari Bank Limited	18-Nov-09	6,000	-	-	6,000	30,237	30,301	64	2.61	3.79
Escorts Investment Bank Limited	15-Mar-07	6,000	-	-	6,000	1,792	2,193	401	0.19	0.27
Askari Bank Limited	23-Dec-11	45	-	-	45	47,926	46,614	(1,312)	4.01	5.83
Bank Alfalah Limited	20-Feb-13	5,981	-	-	5,981	30,368	30,580	213	2.63	3.82
						190,312	192,184	1,872		
<b>Un-listed</b>										
Engro Fertilizer Limited	18-Mar-08	12,900	-	-	12,900	60,469	61,761	1,292	5.32	7.72
Bank Alfalah Limited (Floating)	2-Dec-09	9,000	-	-	9,000	47,236	47,489	253	4.09	5.93
JS Company Limited	4-Jul-07	3,250	-	3,250	-	-	-	-	-	-
						107,705	109,250	1,545		
<b>Sukuk Bonds - Unlisted</b>										
Eden Housing Limited (Note 4.2.2)	31-Mar-08	10,415	-	-	10,415	13,028	14,003	975	1.21	1.75
Pak Elektron Limited (Note 4.2.3)	28-Sep-07	8,000	-	-	8,000	16,113	16,319	206	1.40	2.04
						29,141	30,322	1,181		
<b>Total as at September 30, 2013</b>						327,158	331,757	4,599		
<b>Total as at June 30, 2013</b>						246,645	241,288	(5,357)		

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

- 4.2.1** Owing to continuous default on repayment of coupon by the issuer, the Fund had classified the said investment as non-performing debt securities. During the period, the Fund has recognised further provision amounting to Rs. 2.548 million against outstanding principal. The Fund has suspended further accrual of markup there against.
- 4.2.2** Owing to continuous default on repayment of coupon by the issuer, the Fund had classified the said investment as non-performing debt securities. During the period, the Fund has recognised further provision amounting to Rs. 0.975 million against outstanding principal. The Fund has recognised reversal amounting to Rs. 2.929 million on receipt basis. Owever, the Fund has suspended accrual of markup thereagainst.
- 4.2.3** Owing to continuous default on repayment of coupon by the issuer, the Fund had classified the said investment as non-performing debt securities. During the year, the Fund has recognised further provision amounting to Rs. 0.206 million against outstanding principal. The Fund has suspended further accrual of markup there against.

<b>4.3 Listed debt securities - term finance certificates</b>	<b>September</b>	<b>June</b>		
	<b>2013</b>	<b>2013</b>		
	<b>(Rupees in '000)</b>			
	<b>192,184</b>	<b>208,233</b>		
Less: Provison of Pace Pakistan Limited				
On 1 July	4.2.1 <table border="1"><tr><td><b>54,522</b></td><td align="right">11,236</td></tr></table>	<b>54,522</b>	11,236	11,236
<b>54,522</b>	11,236			
Charged during the year	4.2.1 <table border="1"><tr><td><b>2,548</b></td><td align="right">43,286</td></tr></table>	<b>2,548</b>	43,286	43,286
<b>2,548</b>	43,286			
	<b>57,070</b>	<b>54,522</b>		
	<b>135,114</b>	<b>153,711</b>		

<b>4.4 Un-Listed debt securities - term finance certificates</b>				
Less: Provison as on 1 July				
Eden Housing Limited		139,572		
Pak Elektron Limited		143,002		
		<table border="1"><tr><td><b>15,958</b></td><td align="right"><b>12,982</b></td></tr></table>	<b>15,958</b>	<b>12,982</b>
<b>15,958</b>	<b>12,982</b>			
		<table border="1"><tr><td><b>16,112</b></td><td align="right"><b>3,903</b></td></tr></table>	<b>16,112</b>	<b>3,903</b>
<b>16,112</b>	<b>3,903</b>			
		<b>32,070</b>		
Less: Provison charged during the year				
Eden Housing Limited	4.2.1	<table border="1"><tr><td><b>975</b></td><td align="right"><b>2,976</b></td></tr></table>	<b>975</b>	<b>2,976</b>
<b>975</b>	<b>2,976</b>			
Pak Elektron Limited	4.2.3	<table border="1"><tr><td><b>206</b></td><td align="right"><b>12,209</b></td></tr></table>	<b>206</b>	<b>12,209</b>
<b>206</b>	<b>12,209</b>			
		<b>1,181</b>		
		<b>15,185</b>		
Add: Reversal of provision during the year				
Eden Housing Limited		<b>2,929</b>		
		<b>4,882</b>		
		<b>109,250</b>		
		<b>115,814</b>		

<b>4.5 Movement in provision against debt securities</b>	<b>September 2013</b>					
	<b>Listed</b>	<b>Un-listed</b>	<b>Total</b>			
	<b>securities</b>	<b>debt</b>				
		<b>securities</b>				
	----- (Rupees in '000) -----					
Opening balance	<b>54,522</b>	<b>32,070</b>	<b>86,592</b>			
Add : Charge for the year	<table border="1"><tr><td><b>2,548</b></td></tr></table>	<b>2,548</b>	<table border="1"><tr><td><b>1,181</b></td></tr></table>	<b>1,181</b>	<table border="1"><tr><td><b>3,729</b></td></tr></table>	<b>3,729</b>
<b>2,548</b>						
<b>1,181</b>						
<b>3,729</b>						
Less: Reversal of provision	<table border="1"><tr><td><b>-</b></td></tr></table>	<b>-</b>	<table border="1"><tr><td><b>2,929</b></td></tr></table>	<b>2,929</b>	<table border="1"><tr><td><b>2,929</b></td></tr></table>	<b>2,929</b>
<b>-</b>						
<b>2,929</b>						
<b>2,929</b>						
Charge for the year - net	<b>2,548</b>	<b>(1,748)</b>	<b>800</b>			
Closing balance	<table border="1"><tr><td><b>57,070</b></td></tr></table>	<b>57,070</b>	<table border="1"><tr><td><b>30,322</b></td></tr></table>	<b>30,322</b>	<table border="1"><tr><td><b>87,392</b></td></tr></table>	<b>87,392</b>
<b>57,070</b>						
<b>30,322</b>						
<b>87,392</b>						

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

**5 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 30 June 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.

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. 14.185 million, the Management Company as a matter of abundant precaution has charged provision for WWF amounting Rs. 11.831 million (3.336 million charged during the period) in these condensed interim financial statements. The unrecognized liability amounted to Rs. 2.354 million. (NAV per unit Re. 0.103)

**6 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.

**7 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.

**8 INTERIM DISTRIBUTIONS**

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

Date	Rate Per Unit	Bonus *	
		Units	Amount ---Rupees in '000---
July 25, 2013	Re. 0.2900	144,449	7,352
August 25, 2013	Re. 0.3000	144,857	7,354
September 25, 2013	Re. 0.3200	144,337	7,334
		<b>433,644</b>	<b>22,041</b>

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

As per clause 12 of Trust Deed and clause 6 of Part VI of 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 authorization to the Chief Executive Officer to approve and declare interim dividends out of profit earned by the Fund upto the 25th of each month. SECP vide letter no. NBFC - II.DD / AHIL / Misc-734 / 2009 has approved the above arrangement.

**9 TRANSACTIONS WITH CONNECTED PERSONS**

Connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, the Trustee, directors and key management personnel and other associated undertakings.

Performance fee payable to the Management Company is determined in accordance with the provisions of the Non Banking Finance Companies and Notified Entities Regulation, 2008 and constitutive documents of the Fund.

Other transactions with connected persons are in the normal course of business and are carried out on agreed terms.

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



**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

9.1	Transactions during the period	September 30	
		2013	2012
		----- Rupees in '000 -----	
	<b>Management Company</b>		
	Performance fee for the period	6,498	3,449
	Front-end Load for the period	1,811	75
	<b>Summit Bank Limited</b>		
	Profit on bank deposits	-	12
	<b>MCB Bank Limited</b>		
	Profit on bank deposits	1,141	640
	Bank Charges	6	-
	<b>Central Depository Company of Pakistan Limited - Trustee</b>		
	Remuneration for the period	488	391
	CDS charges	3	3
	<b>Directors and executives of the management company</b>		
	Issue of Nil units (2012: Nil units)	-	-
	Redemption of 2,845 units (2012: 36,698 units)	145	1,893
	Issue of 1,151 bonus units (2012: 406 units)	59	21
	<b>Adamjee Life Assurance Company Limited-NUIL Fund</b>		
	Issue of 5,033 bonus units (2012: Nil units)	256	-
	<b>Mr. Najeeb Butt (10% or more holding)</b>		
	Issue of Nil bonus units (2012: 26,079 units)	-	1,347
	<b>Arif Habib Limited - Brokerage house</b>		
	Brokerage*	1	-
		Unaudited	Audited
		September 30,	June 30,
		2013	2013
		----- Rupees in '000 -----	
9.2	<b>Balances outstanding as at period end</b>		
	<b>Management Company</b>		
	Management fee payable	1,301	1,797
	Front end load payable	437	2,272
	<b>Summit Bank Limited</b>		
	Bank balance at the end of the period / year	71	71
	Profit receivable	-	-
	<b>MCB Bank Limited</b>		
	Bank balance at the end of the period / year	5,643	44,800
	Profit receivable	251	134
	<b>Central Depository Company of Pakistan Limited - Trustee</b>		
	Remuneration payable	155	141
	Security deposit	200	200
	<b>Key management personnel</b>		
	Units held 32,164 units (2012: 33,858 units)	1,638	1,756
	<b>Adamjee Life Assurance Company Limited-NUIL Fund</b>		
	Units held 148,098 units (2012: 143,065 units)	7,541	7,419
	<b>Arif Habib Limited - Brokerage house</b>		
	Brokerage payable*	1	-

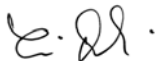
**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

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

**10 DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements were authorised for issue on **October 23, 2013** by the Board of Directors of the Management Company.



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**

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

8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.  
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Bachat Center: 0800-622-24 (0800-MCB-AH), Fax: (+92-21)32276898, 32276908  
URL: [www.mcbah.com](http://www.mcbah.com), Email: [info@mcbah.com](mailto:info@mcbah.com)