



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 FUND**

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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(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)
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 Allied Bank Limited Standard Chartered Bank (Pakistan) Limited Deutsche Bank AG	
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 QUARTER ENDED SEPTEMBER 30, 2013

Dear Investor,

On behalf of the Board of Directors, I am pleased to present Pakistan Income 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 6.72% as against its benchmark return of 8.16%, an under performance of 1.44%.

The fund has divested its investments towards GoP Ijarah Sukuk during the quarter while exposure towards T-Bills increased to 16.8% while investment in cash and TDRs remained significantly at higher end at 31.5% to better align to the monetary tightening by SBP. The fund marginally reduced exposure towards TFC's to around 35.4%

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2013

The Net Asset of the Fund as at September 30, 2013 stood at Rs. 1,023 million as compared to Rs 1,092 million as at June 30 2013 registering a decrease of 6.3%. The Net Asset Value (NAV) per unit as at September 30, 2013 was Rs. 52.02.

Income Distribution

During the Quarter, the Management Company has announced the following interim distribution:

Date of distribution	Per unit distribution
27-Sep-2013	0.86

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.

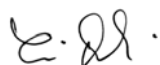
The reserve position is likely to improve towards the later half of the ongoing fiscal year, with the government expecting significant improvement in foreign direct investments and materialization of pledges made by multilateral agencies. In addition to projected CSF inflow of around \$1.2 billion, the 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)			
Assets			
Balances with bank		327,370	504,706
Investments	4	672,715	571,077
Receivable against sale of investments			5,039
Income and profit receivable		9,740	17,057
Advance against subscription of TFC		21,667	
Advances, deposits and other receivables		8,422	8,448
Total assets		1,039,914	1,106,327
Liabilities			
Payable on redemption of units		1,457	47
Payable to Management Company		1,466	1,971
Payable to Central Depository Company of Pakistan Limited - Trustee		141	155
Payable to The Securities and Exchange Commission of Pakistan - Annual fee		198	956
Accrued expenses and other liabilities		13,914	11,301
Total liabilities		17,176	14,430
Net assets		1,022,738	1,091,897
Unit holders' funds		1,022,738	1,091,897
Number of units			
Number of units in issue		19,659,027	20,541,603
Rupees			
Net asset value per unit		52.02	53.16

The annexed notes 1 to 10 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 (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

	Note	September 30	
		2013	2012
----- (Rupees in '000) -----			
Income			
Capital (loss) / gain on sale of investments		(1,451)	16,600
Income from term finance certificates		11,508	15,882
Income from government securities		13,147	20,945
Profit on bank deposits and term deposit receipts		2,166	1,911
		25,370	55,338
Element of (loss) and capital (losses) included in the prices of units issued less those in units redeemed		(471)	(141)
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		2,473	5,702
Total income		27,372	60,899
Expenses			
Remuneration of Management Company		5,332	5,726
Remuneration of Central Depository Company of Pakistan Limited - Trustee		439	494
Annual fee - Securities and Exchange Commission of Pakistan		198	247
Settlement and bank charges		161	271
Auditors' remuneration		126	140
Provision against non-performing exposures		2,341	25,934
Other Expenses		138	193
		8,735	33,005
Net income for the period before taxation		18,636	27,894
Provision for Workers' Welfare Fund	6	(1,438)	-
Taxation		-	-
Net income for the period after taxation		17,199	27,894
Other comprehensive income for the period		-	-
Total comprehensive income for the period		17,199	27,894
Earnings per unit	8		

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Chief Executive Officer

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Director

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

	September 30	
	2013	2012
	----- (Rupees in '000) -----	
Undistributed income brought forward	64,923	51,172
Final distribution at the rate of Rs 1.16 per unit for the year ended 30 June 2013 - Date of distribution: 4 July 2013 (2012: Nil)	(23,828)	-
- Cash distribution	-	-
- Issue of bonus units	(23,828)	-
Element of (loss) / income / and capital (losses) / gains included in the prices of units issued less those in units redeemed- amount representing unrealized appreciation / (diminution)	(1,765)	479
Net income for the period	17,198	27,894
Interim distribution at the rate of Re. 0.86 per unit for the quarter ended 30 September 2013 - Date of Distribution: 27 September 2013 (28 September 2012: Rs. 1.05 per unit)	-	(25,995)
- Cash Distribution	(16,634)	(25,995)
- Issue of bonus units	(16,634)	(25,995)
Undistributed income carried forward	39,894	53,550

The annexed notes 1 to 10 form an integral part of this condensed interim financial information.



Chief Executive Officer

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



Director

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

	September 30	
	2013	2012
	----- (Rupees in '000) -----	
Net assets at the beginning of the period	1,091,897	1,300,756
Issue of 895,383 units (2012: 497,076 units)	47,051	26,102
Issue of Final bonus units (2013: 458,236 @ 1.16 Per Unit)	23,828	-
Issue of 319,890 interim bonus units @ 0.86 Per Unit for the quarter ended 30 September 2013 (2012: 499,519 @ 1.05 Per Unit)	16,634	25,995
Redemption of 2,556,085 units (2012: 765,509 units)	(133,879)	(40,175)
	(46,366)	11,922
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed:		
- amount representing accrued (income) / loss and realised capital (gains) / losses transferred to the Income Statement	471	141
- amount representing unrealised capital (gains) / losses transferred to the Distribution Statement	1,765	(479)
	2,236	(338)
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	(1,765)	479
Final distribution: (2013: Rs. 1.16 per unit - Date of distribution: 4 July 2013)		
- Cash Distribution	-	-
- Issue of bonus units	(23,828)	-
Interim distribution at the rate of Re. 0.86 per unit for the quarter ended 30 September 2013 - Date of distribution: 27 September 2013 (30 September 2012: Rs. 1.05 per unit)		
- Cash Distribution	-	-
- Bonus units	(16,634)	(25,995)
	(40,463)	(25,995)
Net income for the period (excluding unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss' and capital gain / (loss) on sale of investments)	16,177	5,592
Capital gain / (loss) on sale of investments	(1,451)	16,600
Unrealised appreciation in value of investments classified as 'at fair value through profit or loss'	2,473	5,702
Net income for the period (including unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss' and capital gain / (loss) on sale of investments)	17,199	27,894
Net assets as at the end of the period	1,022,738	1,314,718

The annexed notes 1 to 10 form an integral part of this condensed interim financial information.



Chief Executive Officer

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



Director

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

	September 30	
	2013	2012
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before taxation	17,199	27,894
Adjustments		
Net unrealised diminution in the fair value of investments classified 'as financial assets at fair value through profit or loss'	(2,473)	(5,702)
Element of income / (losses) and capital gains / (losses) included in prices of units issued less those in units redeemed	471	141
Provision against debt securities	2,341	25,934
Net cash flows from operations before working capital changes	17,538	48,267
Working capital changes		
(Increase) / decrease in assets		
Investments - net	(123,173)	(630,605)
Receivable against sale of units	5,039	1,945
Other receivables	7,343	(6,950)
	(110,791)	(635,610)
Increase/(decrease) in liabilities		
Payable to the Management Company	(505)	49
Payable to the Trustee	(14)	-
Payable to Securities and Exchange Commission of Pakistan	(758)	(946)
Payable against redemption of units	1,410	-
Payable against sale of Investments	-	493,839
Accrued expenses and other liabilities	2,612	578
	2,745	493,520
Net cash used in generated from operating activities	(90,508)	(93,823)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net payments from sale and redemption of units	(86,828)	(14,073)
Cash distributions during the period	-	-
Net cash from generated financing activities	(86,828)	(14,073)
Net (decrease) in cash and cash equivalents during the period	(177,336)	(107,896)
Cash and cash equivalents at the beginning of the period	504,706	208,167
Cash and cash equivalents at end of the period	327,370	100,271

The annexed notes 1 to 10 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 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 Fund ("the Fund") was established under a Trust Deed executed between MCB-Arif Habib Savings and Investments Limited (formerly: Arif Habib Investments Limited) - Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 23 October 2001 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 28 February 2002 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by 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 Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.

The Fund is an open-ended mutual fund and is listed on the Karachi 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. The Fund has been categorised as "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.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned management quality rating of "AM2' to the Management Company and 'A+(f)' as stability rating to the Fund.

This Fund is income scheme and the policy of the Fund is to deliver returns primarily from debt and fixed income investments without taking excessive risk.

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.

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

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, ESTIMATES AND JUDGEMENTS

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 period ended 30 June 2013.

4 INVESTMENTS		(Unaudited)	(Audited)
		30 September	30 June
		2013	2013
		(Rupees in '000)	
<i>At fair value through profit or loss - held for trading</i>			
Term finance and sukuk certificates			
- Listed debt securities	4.2	220,792	279,243
- Un-listed debt securities	4.3	125,696	137,836
Government securities	4.5	326,227	153,998
		<u>672,715</u>	<u>571,077</u>

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

4.1 *Term finance and sukuk certificates*

Name of the investee company	Issue date	Profit/ mark-up percentage	As at 1 July 2013	Purchases during the period	Sales/ matured during the period	As at 30 September 2013	Cost as at 30 September 2013	Market value as at 30 September 2013	Appreciation/ (diminution) as at 30 September 2013	Market value	
										as a percentage of net assets	as a percentage of total investments
(Rupees in '000)											
-----Number of certificates-----											
Listed debt securities											
Askari Bank Limited - III	18 November 2009	12.09%	11,000	-	-	11,000	55,434	55,551	117	5.43	8.26
Askari Bank Limited IV *	23 December 2011	11.19%	52	-	10	42	44,731	43,507	(1,224)	4.25	6.47
Bank Al-Falah Limited	20 February 2013	10.36%	20,131	-	6,750	13,381	67,940	68,416	476	6.69	10.17
Bank AL Habib Limited	7 February 2007	11.04%	5,520	-	-	5,520	27,836	27,792	(43)	2.72	4.13
Escorts Investment Bank Limited	15 March 2007	8.00%	3,016	-	-	3,016	901	1,102	202	0.11	0.16
Pace Pakistan Limited (refer note 4.1.1)	15 February 2008		10,000	-	-	10,000	36,347	38,046	1,699	3.72	5.66
Telecard Limited (refer note 4.1.2)	27 May 2005		19,975	-	-	19,975	28,588	29,231	642	2.86	4.35
Trust Investment Bank Limited - III (refer note 4.1.3)	4 July 2008		10,000	-	10,000	-	-	-	-	-	-
United Bank Limited - III	8-Sep-06	10.72%	14,612	-	-	14,612	24,548	24,424	(124)	2.39	3.63
							286,325	288,069	1,744		
* Face value of term finance certificate is Rs. 1,000,000 each											
Un-listed debt securities											
Bank AL Habib Limited	30 June 2011	15.00%	1,000	-	-	1,000	5,638	5,458	4,458	0.53	0.81
Bank Alfalah Limited (floating)	2 December 2009	12.08%	4,500	-	-	4,500	23,618	23,744	19,244	2.32	3.53
Engro Corporation Limited	18 March 2008	11.14%	23,100	-	3,000	20,100	94,219	96,232	76,132	9.41	14.31
							123,474	125,435	99,835		
Un-listed sukuk certificates											
Maple Leaf Cement Factory Limited I (refer note 4.1.4)	3 December 2007		500	-	-	500	1,311	1,335	835	0.13	0.20
							1,311	1,335	835		
							411,111	414,840	102,415		
							496,309	500,257	3,948		
Total as at June 30, 2013											

4.1.1 Owing to continuous default on repayment of coupon by the issuer, the Fund had classified the said investment as non-performing debt security. During the period, the Fund has recognised further provision amounting to Rs. 1.698 million against outstanding principal. The Fund has suspended further accrual of markup there against.

4.1.2 Owing to continuous default on repayment of coupon by the issuer, the Fund had classified the said investment as non-performing debt securities. During the period the Fund has recognised further provision amounting to Rs. 0.642 million against outstanding principal. The Fund has suspended further accrual of markup there against.

4.1.3 The term finance certificate of Trust Investment Bank Limited has been classified as non-performing debt security on default of coupon payment due on 4 July 2012. In accordance with provisioning circular issued by the SECP and provisioning policy of the Fund duly approved by the Board of Directors of the Management Company, the Fund has recognised provision amounting to Rs. 17.166 million against principal. The TFC has matured on July 04, 2013.

4.1.4 Maple Leaf is regular on payment terms as per supplemental trust deed. However the debt security is classified as non-performing as per circular No. 1 of 2009 read with circular No. 33 and 35 of 2012 issued by SECP.

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

		September 2013	June 2013	
		(Rupees in '000)		
4.2 Listed debt securities - term finance certificates				
Listed debt securities		288,069	361,346	
Less: Provision as on July 1				
Pace Pakistan Limited		36,348	7,490	
Telecard Limited		28,589	24,068	
Trust Investment Bank Limited - III		-	-	
		64,937	31,558	
Less: Provision charged during the year				
Pace Pakistan Limited	4.1.1	1,698	28,858	
Telecard Limited	4.1.2	642	4,521	
Trust Investment Bank Limited - III	4.1.3	-	17,166	
		2,341	50,545	
		220,792	279,243	
4.3 Un-Listed debt securities - term finance certificates and sukuk certificates		126,771	138,911	
Less: Provision of Maple Leaf Cement Factory Limited				
On 1 July		1,075	1,791	
Charged during the year	4.1.4	-	2,884	
Reversal during the year		-	(3,600)	
		1,075	1,075	
		125,696	137,836	
4.4 Movement in provision against debt securities		September 2013		
		Listed debt securities	Un-listed debt securities	Total
		----- (Rupees in '000) -----		
Opening balance		64,937	1,075	66,012
Add : Charge for the year		2,341	-	2,341
Less: Reversal of provision		-	-	-
Charge for the year - net		2,341	-	2,341
Closing balance		67,278	1,075	68,353

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

4.5 Government securities

Issue date	Tenor	As at 1 July 2013	Purchases during the period	Sales during the period	As at 30 September 2013	Cost as at 30 September 2013	Market value as at 30 September 2013	Appreciation/ (diminution) as at 30 September 2012	Market value	
									as a percentage of net assets	as a percentage of total investments
Pakistan Investment Bond										
<i>30 September 2013</i>										
18 August 2011	3 years	-	25,000	10,000	15,000	153,151	151,934	(1,218)	14.86	22.59
19 July 2012	3 years	25,000	-	25,000	-	-	-	-	-	-
30 August 2008	5 years	23,000	-	23,000	-	-	-	-	-	-
						<u>153,151</u>	<u>151,934</u>	<u>(1,218)</u>		
Total Investment in Pakistan Investment Bond										
<i>Government of Pakistan Ijara Sukkak</i>										
18 September 2012	3 years	105,000	-	105,000	-	-	-	-	-	-
						<u>-</u>	<u>-</u>	<u>-</u>		
<i>Treasury Bills</i>										
3 months		-	575,000	575,000	-	-	-	-	-	-
6 months		-	165,000	165,000	-	-	-	-	-	-
1 year		-	1,103,000	928,000	175,000	174,333	174,294	(39)	17.04	25.91
						<u>174,333</u>	<u>174,294</u>	<u>(39)</u>		
Total Investment in Treasury Bills										
						<u>327,484</u>	<u>326,227</u>	<u>(1,257)</u>		
Total as at September 30, 2013										
						<u>153,578</u>	<u>153,998</u>	<u>420</u>		
Total as at June 30, 2013										

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

5. DETAILS OF NON-COMPLIANT INVESTMENT WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated 6 March 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. Board has approved the category of the fund as "Income Scheme".

In accordance with clause (v) of the investment criteria laid down for 'Income Scheme' in circular no. 7 of 2009, the Fund is required not to invest in any security having rating not lower than the investment grade (credit rating of BBB and above). However, as at 30 September 2013, the Fund is non-compliant with the above mentioned requirement in respect of the following investments:

Name of non-compliant investment	Name of Company	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
		----- (Rupees in '000)		-----	%	%
Investment in debt securities	Maple Leaf Cement Factory Limited	1,335	1,075	260	0.03	0.04
Investment in debt securities	Escorts Investment Bank Limited	1,102	-	1,102	0.11	0.16
Investment in debt securities	Pace Pakistan Limited	36,347	36,347	-	-	-
Investment in debt securities	Telecard Limited	29,231	29,231	-	-	-

5.1 At the time of purchase, the said securities were in compliance of the circular (i.e. investment grade) and were subsequently downgraded to non investment grade by MUFAP.

6. 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 judgement. In view of the afore mentioned developments and uncertainties created by the recent decision of SHC, out of total unrecognized provision of Rs. 20.555 million, the

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
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Management Company as a matter of abundant precaution has charged provision for WWF amounting Rs. 11.304 million (1.438 million charged during the period) in these condensed interim financial statements. As at September 30, 2013, the unrecognized liability amounted to Rs.9.251 million. (NAV per unit Re. 0.471)

7. TAXATION

The Fund's income is exempt from Income Tax as per clause 99 of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the fund is required to distribute 90% of the net accounting income other than unrealized capital gains to the unit holders. The management intends to distribute at least 90% of the income earned by the Fund by the year end to the unit holders. Accordingly, no provision for taxation has been made in this condensed interim financial information.

8 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.

9. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons / related parties 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 and other associated undertaking.

The transactions with related parties / connected persons are in the normal course of business and at contracted rates.

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

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

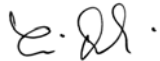
	September 30	
	2013	2012
	----- (Rupees in '000) -----	
Management Company		
Remuneration for the period	<u>5,332</u>	<u>5,726</u>
Front end Load	<u>7</u>	<u>66</u>
MCB Bank Limited		
Bank Charges	<u>1</u>	<u>6</u>
Profit on bank deposits	<u>135</u>	<u>830</u>
Summit Bank Limited		
Profit on bank deposits	<u>-</u>	<u>17</u>
Other Related Parties		
Directors and executives of the Management Company		
Issue of 195 units (2012: Nil units)	<u>10</u>	<u>-</u>
Issue of 1,025 bonus units (2012: 673 bonus units)	<u>53</u>	<u>35</u>
Redemption of 3,318 units (2012: Nil units)	<u>173</u>	<u>-</u>

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

	September 30	
	2013	2012
	----- (Rupees in '000) -----	
Central Depository Company of Pakistan Limited - Trustee		
Remuneration for the period	439	494
CDS charges	2	2
American Life Insurance Co. Pak Ltd. ACF		
Issue of Nil units (2012: 188,732 units)	-	10,048
Issue of Nil bonus units (2012: 58,360 bonus units)	-	3,037
Redemption of Nil units (2012: Nil units)	-	-
	(Unaudited)	(Audited)
	30 September	30 June
	2013	2013
	(Rupees in '000)	
9.2 Amounts outstanding as at period / year end		
Management Company		
Management Company	1,416	1,898
Front-end load payable	50	73
MCB Bank Limited		
Bank balance	21,868	5,072
Profit receivable on bank accounts	121	47
Summit Bank Limited		
Bank balance	8	8
Profit receivable on bank accounts	-	-
Directors and executives of the Management Company		
Units held 25,363 (30 June 2013: 27,461)	1,319	1,460
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	141	155
Security deposit	200	200

10. DATE OF AUTHORISATION FOR ISSUE

These condensed 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**

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(formerly: Arif Habib Investments Limited)

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