

**PAKISTAN
INCOME FUND**

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FUND'S INFORMATION

Management Company	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 (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)
Chief Financial Officer & Company Secretary of the Management Company	Mr. Muhammad Saqib Saleem	
Audit Committee	Mr. Nasim Beg Mr. Haroun Rashid Mr. Samad A. Habib Mr. Ali Munir	
Trustee	Central Depository Company of Pakistan Limited CDC House, 990B, Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited Bank Alfalah Limited Bank Al-Habib Limited Faysal Bank Limited NIB Bank Limited Allied Bank Limited Summit Bank Limited Askari Bank Limited Habib Bank Limited Meezan Bank Limited Standard Chartered Bank (Pakistan) Limited	
Auditors	KPMG Taseer Hadi & Co. Chartered Accountant 1st Floor, Sheikh Sultan Trust Building No.2 Beaumont Road, Civil Lines, Karachi-75530	
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
Registrar	Gangjees Registrar Services (Pvt.) Limited. Room No. 516, 5th Floor, Clifton Centre, Kehkashan, Clifton, Karachi.	
Rating	AM2 (Positive Outlook) Management Quality Rating assigned by PACRA	

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

Dear Investor,

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

ECONOMY AND MONEY MARKET OVERVIEW

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

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

FUND PERFORMANCE

During the quarter under review, the fund generated an annualized return of 8.6% as against its benchmark return of 10.2%, an under performance of 1.6%.

The fund has increased its exposure towards GoP Ijarah Sukuk to around 29% on the back of decent yield as well as capital gains potential. The fund has marginally increased its exposure in good quality TFCs especially of banking sector while actively managed its exposure and duration in Treasury bills throughout the period to capitalize on the fluctuating liquidity and interest rates in the market.

FUTURE OUTLOOK

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

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

ACKNOWLEDGMENT

The Board is thankful to the Fund's valued investors, the Securities and Exchange Commission of Pakistan and the Trustees of the Fund for their continued cooperation and support. The Directors also appreciate the efforts put in by the management team.

On behalf of Directors,

Yasir Qadri
Chief Executive Officer

Dated: 26 October, 2011
Karachi.

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

Note	Unaudited September 30 2011	Audited June 30 2011
	(Rupees in '000)	
4	<div>123,556</div> <div>3,818</div> <div>1,665,359</div> <div>42,126</div> <div>6,911</div> <div>1,841,770</div>	<div>32,102</div> <div>5,772</div> <div>1,716,445</div> <div>24,335</div> <div>42,145</div> <div>1,820,799</div>
5	<div>2,200</div> <div>189</div> <div>331</div> <div>1,517</div> <div>924</div> <div>125,994</div> <div>131,155</div>	<div>2,338</div> <div>196</div> <div>1,483</div> <div>-</div> <div>1,389</div> <div>1,813</div> <div>7,219</div>
	<div>1,710,615</div> <div>1,710,615</div>	<div>1,813,580</div> <div>1,813,580</div>
	<div>1,710,615</div>	<div>1,813,580</div>
	Number of units	
	<div>32,712,505</div> <div>32,712,505</div>	<div>34,090,038</div> <div>34,090,038</div>
	Rupees	
	<div>52.29</div>	<div>53.20</div>

The annexed notes 1 to 9 form an integral part of these condensed financial statements.

For Arif Habib Investments Limited
(Management Company)

Chief Executive

Director

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

	Note	2011 (Rupees in '000)	2010 (Rupees in '000)
INCOME			
Capital (loss)/gain on sale of investments-net	5	(121)	(704)
Income from Term Finance Certificates and Sukuk Bonds		15,785	29,381
Income from Government Securities		37,067	37,454
Income from Certificates of Investment, Term Deposit Receipts and Placements		-	468
Income from reverse repurchase transactions		-	-
Profit on bank accounts		1,081	719
Unrealised (diminution) / appreciation in the value of investments at fair value through profit or loss - net	5.1	1,423	(1,224)
		<u>55,235</u>	<u>66,094</u>
Reversal of Provision against non performing exposure		(8,074)	2,471
Total Income		<u>47,161</u>	<u>68,565</u>
EXPENSES			
Remuneration to Management Company		7,686	7,935
Remuneration to Trustee		589	781
Annual fee - Securities and Exchange Commission of Pakistan		331	397
Securities transaction cost		99	10
Settlement and bank charges		77	93
Fees and Subscription		65	64
Legal and Professional Charges		25	2
Auditors' Remuneration		116	147
Printing and related cost		41	46
Total Expenses		<u>9,029</u>	<u>9,475</u>
Net income from operating activities		<u>38,132</u>	<u>59,090</u>
Element of income and capital gains included in prices of units issued less those in units redeemed		(542)	1,469
Net income for the period before taxation		<u>37,590</u>	<u>60,559</u>
Taxation	7	-	-
Net income for the period after taxation		<u>37,590</u>	<u>60,559</u>
Other comprehensive income for the period		-	-
		<u>37,590</u>	<u>60,559</u>
Earnings per unit	8		

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For Arif Habib Investments Limited
(Management Company)

Chief Executive

Director

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

	2011	2010
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period	37,590	60,559
Adjustments		
Unrealised diminution/(appreciation) on investments at fair value through profit or loss - net	(1,423)	1,224
Reversal of Provision against non performing exposure	8,074	(2,471)
Net element of income and capital (gains) / losses included in prices of units issued less those in units redeemed	542	(1,469)
	<u>44,783</u>	<u>57,843</u>
(Increase) / decrease in assets		
Advances, deposits, prepayments and other receivables	35,234	1,838
Investments	44,435	73,976
Loans and receivables	-	(100,000)
Dividend and profit receivable	(17,791)	8,788
	<u>61,878</u>	<u>(15,398)</u>
Increase / (decrease) in liabilities		
Accrued expenses and other liabilities	124,181	64
Payable to the Management Company	(138)	(53)
Payable to Central Depository Company of Pakistan Limited - Trustee	(7)	(2)
Payable to Securities and Exchange Commission of Pakistan	(1,152)	(1,344)
	<u>122,884</u>	<u>(1,335)</u>
Dividend Paid	(3,504)	(3,642)
Net cash inflow from operating activities	<u>226,041</u>	<u>37,468</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Net (payment) from sale and repurchase of units	(134,587)	(28,996)
Net increase / (decrease) in cash and cash equivalents during the period	<u>91,454</u>	<u>8,472</u>
Cash and cash equivalents at the beginning of the period	<u>32,102</u>	<u>16,396</u>
Cash and cash equivalents at the end of the period	<u><u>123,556</u></u>	<u><u>24,868</u></u>

The annexed notes 1 to 9 form an integral part of these condensed financial statements.

For Arif Habib Investments Limited
(Management Company)

Chief Executive

Director

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

	2011 (Rupees in '000)	2010
Undistributed income brought forward	109,185	89,581
Final distribution for the year ended 30 th June 2011: Rs 1.24 per unit (Date of distribution: 4 th July 2011) (2010: Rs 1.10 per unit: 4 th July 2011)		
- Cash Distribution	(3,504)	(3,642)
- Bonus units	(38,762)	(40,631)
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount representing unrealised income	(3,618)	-
Interim distribution for the quarter ended 29 th September 2011: Rs .80 per unit, date: 29 Sep 2011 (Sep 2010: Rs 1.15 per unit)(Date of distribution: 30 th September 2010)		
- Cash Distribution	(1,517)	(3,251)
- Bonus units	(24,283)	(43,323)
Net income for the period	37,590	60,559
Undistributed income carried forward	<u>75,091</u>	<u>59,293</u>

The annexed notes 1 to 9 form an integral part of these condensed financial statements.

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

Chief Executive

Director

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

	2011 (Rupees in '000)	2010
Net assets at the beginning of the period	1,813,580	2,101,695
Issue of units 2,406,354 (2010: 2,406,354 units)	11,357	124,564
Redemption of 3,008,215 units (2010: 3,008,215 units)	(147,433)	(155,282)
	(136,076)	(30,718)
Issue of 745,993 Final bonus units for the year ended 30 th June 2011 @ Rs 1.24 Per Unit. (2010: 794,817 bonus units @ Rs 1.10 Per Unit.)	38,762	40,631
Issue of 465,114 interim bonus units @ Rs .80 Per Unit for the quarter ended 29 th September 2011 (2010: 842,537 @ Rs 1.15 Per Unit).	24,283	43,323
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		
- amount representing (income) / loss and capital (gains) / losses - transferred to income statement	542	(1,469)
- amount representing (income) / loss that forms part of unit holders' fund - transferred to distribution statement	3,618	-
	4,160	(1,469)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised income	(3,618)	-
Final distribution @ Rs 1.24 per unit for the year ended 30 th June 2011 announced on 4 th July 2011 (2010: @ Rs 1.10 per unit announced on 5 th July 2010)		
Cash Distribution	(3,504)	(3,642)
Issue of bonus units	(38,762)	(40,631)
Net income for the period	37,590	60,559
Interim distribution @ Rs .80 per unit announced on 29 th September 2011 (2010: Rs 1.15 per unit)		
Cash Distribution	(1,517)	(3,251)
Issue of bonus units	(24,283)	(43,323)
	(30,476)	(30,288)
Net assets at the end of the period	1,710,615	2,123,174

The annexed notes 1 to 9 form an integral part of these condensed financial statements.

For Arif Habib Investments Limited
(Management Company)

Chief Executive

Director

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

1 LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Income Fund (PIF) was established under a Trust Deed executed between Arif Habib Investments Limited (Formerly: Arif Habib Investment Management Limited), as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 23rd October 2001 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 28th 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).

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

The 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 SECP. The registered office of the Management Company has been shifted to Arif Habib Centre, 23 M.T. Khan Road, Karachi, Pakistan.

PIF 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 policy of the Fund is to invest in a mix of Continuous Funding System (CFS) transactions, investment-grade debt securities, government securities, money market instruments and short-term reverse repurchase transactions.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned management quality rating of 'AM2' (positive outlook) to the Management Company and AA-(f) as stability rating to the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

4 INVESTMENTS

Investments at fair value through profit or loss

	Note	Unaudited 30 th September 2011	Audited 30 th June 2011
Term Finance Certificates	4.2	585,627	513,184
Government Securities	4.3	1,079,732	1,203,261
		<u>1,665,359</u>	<u>1,716,445</u>

(Rupees in '000)

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

Market value of investments	1,665,359	1,716,445
Less: Cost of investments	(1,695,311)	(1,739,736)
	(29,952)	(23,291)
Less: Net unrealised diminution/(appreciation) in fair value of investments at fair value through profit or loss at the beginning of the period / year	23,291	27,569
Provision against non performing exposure	8,074	1,934
Reversal of Provision against non performing exposure	-	-
Less: Realised on disposal during the period / year	10	(9,013)
	31,375	20,490
	1,423	(2,801)

4.2 Term finance certificates

Name of the investee company	Issue date	Number of certificates			Balance as at 30 September 2011		Market value as a percentage of net assets	Market value as a percentage of total investments	Face value percentage in relation to the size of the issue		
		As at 1 July 2011	Purchases during the year	Sales / Mature during the year	As at 30 September 2011	Cost				Market value (diminution)	
----- (Rupees in '000) -----											
Askari Bank Limited	4 February 2005	14,000	-	-	14,000	69,094	70,126	1,032	4.10%	4.21%	4.67
Askari Bank Limited	18 November 2009	6,000	-	-	6,000	30,086	31,011	925	1.81%	1.86%	1.00
Bank AL Habib Limited	7 February 2007	5,520	-	-	5,520	27,550	28,160	610	1.65%	1.63%	1.84
Bank Alfalah Limited floating	2 December 2009	7,000	-	-	7,000	34,979	35,469	490	2.07%	2.13%	0.70
Engro Corporation Limited	18 March 2008	29,400	-	4,100	25,300	121,869	118,910	(2,959)	6.95%	7.14%	3.16
Escorts Investment Bank Limited	15 March 2007	3,016	-	-	3,016	4,574	3,390	(1,184)	0.20%	0.20%	3.02
KASB Securities Limited	27 June 2007	8,500	-	-	8,500	24,524	28,254	3,730	1.65%	1.70%	8.50
Maple Leaf Cement Factory Limited	3 December 2007	2,000	-	-	2,000	6,990	6,111	(879)	0.36%	0.37%	0.13
Maple Leaf Cement Factory Limited	30 September 2010	75	-	-	75	375	263	(112)	0.02%	0.02%	0.00
Pace Pakistan Limited	15 February 2008	10,000	-	-	10,000	42,590	32,943	(9,647)	1.98%	1.98%	3.33
Telecard Limited (refer note 5.1.2)	27 May 2005	19,975	-	-	19,975	36,705	28,629	(8,076)	1.67%	1.72%	4.16
Trust Investment Bank Limited	4 July 2008	10,000	-	-	10,000	24,990	23,588	(1,402)	1.38%	1.42%	8.33
United Bank Limited	8 September 2006	15,612	-	-	15,612	78,178	77,908	(270)	4.55%	4.68%	3.90
Worldcall Telecom Limited	28 November 2006	7,000	-	-	7,000	5,887	5,803	(84)	0.34%	0.35%	10.00
Bank Alfalah Limited fixed	2 December 2009	-	6,000	-	6,000	30,027	30,676	649	1.84%	1.79%	8.57
Bank Al-Habib Ltd	30 June 2011	-	15,000	-	15,000	77,000	76,865	(135)	4.49%	4.62%	21.43
						615,418	598,106	(17,312)			
							(12,479)	(12,479)			
						615,418	585,627	(29,791)			
Provision against non-performing exposure											

Provision against non-performing exposure

4.1.1 The above include term finance certificates with fair value aggregating to Rs.0.146 million (2010: Rs. 0.329 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of circular No.11 dated 23 October 2007, issued by the SECP.

4.1.2 Owing to financial difficulties, Telecard Limited has defaulted in the payment of coupon of principal due on May 27, 2011 while paid accumulated mark-up there on. In accordance with the requirements of Circular 1 of 2009, issued by the SECP, no further mark-up is being accrued from the date the coupon was due. Further, provision amounting to Rs 12,492 million has been made in accordance with the provisioning policy approved by the Board of Directors of the Management Company.

4.1.3 Owing to financial difficulties, Pace Pakistan Limited has defaulted in the payment of coupon due on August 15, 2011. In accordance with the requirements of Circular 1 of 2009, issued by the SECP, no further mark-up is being accrued from the date the coupon was due.

4.1.4 Owing to financial difficulties, Maple Leaf Cement Factory Limited has defaulted in the payment of coupon due on September 03, 2011. In accordance with the requirements of Circular 1 of 2009, issued by the SECP, no further mark-up is being accrued from the date the coupon was due.

4.3 Government securities

Particulars	Face value			As at 30 September 2011	Balance as at 30 September 30, 2011			Market value	
	As at 1 July 2011	Purchases during the year	Sales / matured during the year		Cost	Market value	Appreciation / (diminution)	as a percentage of net assets	as a percentage of total investments
----- (Rupees in '000) -----									
Treasury Bills									
Treasury Bills - 03 months	547,000		547,000	-	-	-	-	-	-
Treasury Bills - 06 months	481,000	480,000	610,000	351,000	347,216	347,053	(163)	20.29%	20.84%
Treasury Bills - 12 months	170,000	110,000	70,000	210,000	191,837	191,839	2	11.21%	11.52%
					539,053	538,892	(161)		
	Number of certificates			As at 30 September 2011	Balance as at 30 September 30, 2011			Market value	
	As at 1 July 2011	Purchases during the year	Sales / Mature during the year		Cost	Market value	Appreciation/ (diminution)	as a percentage of net assets	as a percentage of total investments
'----- (Number of certificates) ----- (Rupees in '000)									
Government of Pakistan - IJARA									
15 Nov 2010	10,000	-	-	10,000	50,078	50,078	-	2.93%	3.01%
16/May/11	-	10,000	-	10,000	50,425	50,425	-	2.95%	3.03%
15/Nov/10	-	40,000	-	40,000	201,700	201,700	-	11.79%	12.11%
16/May/11	-	22,200	-	22,200	112,387	112,387	-	6.57%	6.75%
15/Nov/11	-	20,000	-	20,000	101,000	101,000	-	5.90%	6.06%
15/Nov/11	-	5,000	-	5,000	25,250	25,250	-	1.48%	1.52%
30 September 2011					540,840	540,840	-	-	-
Total - September 30, 2011					1,079,893	1,079,732	(161)		
June 30, 2011									

5 COMPLIANCE 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 March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. MCB Asset Management Company Limited (Management Company) classified MCB Dynamic Cash Fund (the Fund) as 'Income Scheme' in accordance with the said circular. As at March 31, 2011, the Fund is compliant with all the requirements of the said circular except for clause 9 (v) which requires that the rating of any security in the portfolio shall not be lower than investment grade:

Category of non-compliant investment	Type of Investment / Name of Company	Outstanding face value	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
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Investment in Debt securities (9.2)

a) Maple Leaf Cement Factory Limited Sukuk	9,985	6,111	-	6,111	0.36%	0.33%
b) Maple Leaf Cement Factory Limited Sukuk II	375	263	-	263	0.02%	0.01%
c) Pace Pakistan Limited - TFC	49,930	32,943	-	32,943	1.93%	1.79%
d) Telecard Limited - TFC	36,705	28,629	12,479	16,150	0.94%	0.88%
e) Escort Investment Bank Limited - TFC	4,574	3,390	-	3,390	0.20%	0.18%

At the time of purchase, the TFCs and Sukuks were in compliance with the aforementioned circular. However, they subsequently defaulted or were downgraded to non investment grade.

6 REMUNERATION OF MANAGEMENT COMPANY

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

7 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 adjudication.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on December 14, 2010 the Ministry filed its response against the Constitutional petition requesting the court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

Subsequent to 30 June 2011, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company believes that the Fund is not liable to contribute to WWF and hence no provision has been recognised by the Management Company. The aggregate unrecognised amount of WWF as at September 30, 2011 amounted to Rs 16.352 million (including Rs 0.752 million for the quarter ended September 30, 2011).

8 TAXATION

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

9 EARNINGS / (LOSS) PER UNIT

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

10 TRANSACTIONS WITH CONNECTED PERSONS

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

The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

Remuneration payable to the Management Company and the fee payable to the Trustee are determined in accordance with the provisions of the NBFC Rules 2003, the NBFC Regulations 2008 and Trust Deed respectively.

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

10.1 Details of the transaction with connected persons are as follows:

	September 30 2011	September 30 2010
	(Rupees in '000)	
Management Company		
Remuneration	7,686	7,935
Sales load	305	305
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	589	781
Summit Bank Limited		
Profit on Bank Deposit	139	269
Directors and Officers of the Management Company		
Investment in the Fund 77,505 units (2010: 280,387 units)	4,123	14,559
Redemption from the Fund 113,115 units (2010: 256,372 units)	6,018	13,284
Bonus 21,589 units (2010: 17,761 units)	1,149	911

10.2 Amount outstanding at the period / year end

	Unaudited September 30 2010	Audited June 30 2010
Management Company		
Payable to Management Company	<u>2,200</u>	<u>2,338</u>
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	<u>189</u>	<u>196</u>
Security Deposit	<u>200</u>	<u>200</u>
Summit Bank Limited (Formerly : Arif Habib Bank Limited)		
Bank Balance	<u>2,173</u>	<u>3,594</u>
Profit receivable on bank accounts	<u>139</u>	<u>97</u>
MCB Bank Limited		
Bank Balance	<u>2,624</u>	<u>974</u>
<i>Amounts due on account of Conversion /</i>		
<i>Transfer of units</i>		
Receivable from Pakistan Cash Management Fund	<u>-</u>	<u>10,000</u>
Payable to Pakistan Stock Market Fund	<u>46</u>	<u>233</u>
Payable to AH Dow Jones Safe Pakistan Titans 15 Index Fund	<u>200</u>	<u></u>
Directors and Officers of the Management Company		
Unit held 552,924 units (2011: 430,039 units)	<u>29,415</u>	<u>20,275</u>

11 DATE OF AUTHORISATION

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

12 GENERAL

Figures have been rounded off to the nearest thousand Rupees unless specified other wise

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

Chief Executive

Director