



Bachat ka Doosra Naam

Quarterly Report
September 30, 2012
(Unaudited)



Funds Under Management
of
Arif Habib Investments Limited (A subsidiary of MCB Bank Limited)

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 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 Mr. Ali Munir	Chairman Member 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 & CFO of the Management Company	Mr. Muhammad Saqib Saleem	
Trustee	Central Depository Company of Pakistan Limited CDC House, 990B, Block 'B', S.M.C.H.S, Main Shahrach-e-Faisal, Karachi-74400	
Bankers	Bank AL Habib Limited Habib Metropolitan Bank Limited Bank Alfalah Limited Faysal Bank Limited NIB 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 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	Arif Habib Investments Limited 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.	
Rating	AM2 - Management Quality Rating assigned by PACRA	

REPORT TO THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2012

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 2012.

ECONOMY AND MONEY MARKET OVERVIEW

On the macroeconomic front, CPI inflation continued to maintain its downward trajectory amid lower food inflation and gas prices with 1Q FY13 CPI inflation averaging at 9.2%. Although current account balance remained comfortable during 2MFY13 with a sizeable surplus of US\$ 919 million courtesy release of coalition support fund proceeds by the US, weaker financial and capital account coupled with sizeable repayments (including IMF) continued to put pressure on the FX reserves, which eventually came down to below US\$ 14.5 billion. On the fiscal front, the government has continued to rely on domestic sources of funding with YTD GoP borrowing from banking system has risen to PKR 173 billion by Sep'28 2012. Taking comfort from benign CPI inflation and release of CSF payments by the US as well as the need to stimulate real economic engine & private investments in the country, the State Bank of Pakistan lowered its policy discount rate by 150 bps to 10.5% in its Aug'12 monetary policy statement.

In the money market, short term market rates remained largely on the higher side amid tight liquidity scenario in the system with few exceptions where the market witnessed floors also. The SBP has continued to inject significant amount of liquidity in the system through OMOs during the quarter. Given a downward trajectory in YoY CPI inflation coupled with SBP monetary easing stance, the yield curve has adjusted significantly downwards during the period. 1 year PKRV adjusted downwards by 198 bps to 10.0%, while longer tenure 10 year PKRV adjusted downwards by 182 bps to 11.5% during the quarter under review.

FUND PERFORMANCE

During the quarter under review, the fund generated an annualized return of 8.6% as against its benchmark return of 13.8%, an under performance of 5.2%. Despite generating strong capital gains through PIB exposure ahead of monetary easing, the fund underperformed the benchmark due to mark-down/ provisioning made on some of its TFCs in the portfolio.

The fund has increased its exposure towards GoP Ijarah Sukuk to around 17% on the back of decent yield as well as capital gains potential. The fund has reduced its exposure in TFCs to around 22% as it diverted a sizeable portion of the fund towards PIBs and longer tenure T-Bills to take advantage of the monetary easing by the SBP. At quarter-end, the fund had around 54% exposure in T-Bills/ PIBs.

The Net Asset of the Fund as at September 30, 2012 stood at Rs. 1314.718 million as compared to Rs 1300.757 million as at June 30 2012 registering an increase of 13.961%.

The Net Asset Value (NAV) per unit as at September 30, 2012 was Rs. 52.12 as compared to opening NAV of Rs. 52.04 per unit as at June 30, 2012 registering an increase 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
September 28, 2012	Rs.1.05

FUTURE OUTLOOK

Taking comfort from lower CPI inflation trajectory, the Central bank has decided to lower its policy discount rate further by 50 bps to 10.0% in its Oct'12 monetary policy statement. Going forward, we believe that the sustainability of external account, in addition of lower inflation, would be a key factor in shaping up interest rate direction. The Government bond market, however, is likely to remain active going forward as single digit range of YoY CPI Inflation for at least next few months would keep market players' expectations of downward yield curve adjustment intact.

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 : October 25, 2012

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2012

	Note	(Unaudited) September 30, 2012	June 30, 2012
		(Rupees in '000)	
Assets			
Balances with bank		100,271	208,167
Investments	4	1,678,364	1,067,991
Receivable against sale of units		0	1,945
Dividend and profit receivable		19,398	19,956
Advances, deposits and other receivables		15,482	7,974
Total assets		1,813,515	1,306,033
Liabilities			
Payable to Arif Habib Investments Limited - Management Company		1,917	1,868
Payable to Central Depository Company of Pakistan Limited - Trustee		161	160
Payable to The Securities and Exchange Commission of Pakistan - Annual fee		247	1,193
Payable against purchase of investments		493,839	
Accrued expenses and other liabilities		2,633	2,056
Total liabilities		498,797	5,277
Contingency	6.		
Net assets		1,314,718	1,300,756
Unit holders' funds (as per statement attached)		1,314,718	1,300,756
		Number of units	
Number of units in issue		25,224,841	24,993,755
		Rupees	
Net asset value per unit		52.12	52.04

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



Director


CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2012

	September 30	
	2012	2011
	----- (Rupees in '000) -----	
Income		
Capital gain/(loss) on sale of investments	16,600	(121)
Profit on bank deposits and term deposit receipts	1,911	1,081
Income from term finance certificates	15,882	15,785
Income from government securities	20,945	37,067
	55,338	53,812
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed	(141)	(542)
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5,702	1,423
Total income	60,899	54,693
Expenses		
Remuneration of Arif Habib Investments Limited - Management Company	4,936	6,626
Sindh sales tax on management fee	790	1,060
Remuneration of the Trustee	494	589
Annual fee - Securities and Exchange Commission of Pakistan	247	331
Securities transaction cost	150	99
Settlement and bank charges	121	77
Auditors' remuneration	140	116
Provision / (reversal) against debt securities	25,934	8,074
Other expenses	193	131
	33,005	17,103
Net income for the period before taxation	27,894	37,590
Taxation	-	-
Net income for the period after taxation	27,894	37,590
Other comprehensive income for the period	-	-
Total comprehensive income for the period	27,894	37,590
Earnings per unit		
The annexed notes 1 to 11 form an integral part of this condensed interim financial information.		


 Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)


 Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012

	September 30	
	2012	2011
	----- (Rupees in '000) -----	
Undistributed income brought forward	51,172	109,185
Final distribution at the rate of Rs 1.24 per unit for the year ended 30 June 2011 - Date of distribution: 4 July 2011 (2010: Rs 1.10 per unit)		
- Cash distribution	-	(3,504)
- Issue of bonus units	-	(38,762)
	-	(42,266)
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed- amount representing unrealized appreciation / (diminution)	479	(3,618)
Net income for the period	27,894	37,590
Interim distribution at the rate of Re. 1.05 per unit for the quarter ended 30 September 2012 - Date of Distribution: 28 September 2012 (30 September 2011: Rs. 1.15 per unit)		
- Cash Distribution	-	(1,517)
- Issue of bonus units	(25,995)	(24,283)
	(25,995)	(25,800)
Undistributed income carried forward -realized and unrealized	53,550	75,091

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.


 Chief Executive Officer

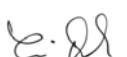
For Arif Habib Investments Limited
 (Management Company)


 Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**


	September 30	
	2012	2011
	----- (Rupees in '000) -----	
Net assets at the beginning of the period	1,300,756	1,813,580
Issue of 497,076 units (2011: 2,406,354 units)	26,102	11,357
Issue of Final bonus units (2011: 745,993 @ 1.24 Per Unit)		38,762
Issue of 499,519 interim bonus units @ 1.05 Per Unit for the quarter ended 30 September 2012 (2011: 465,114 @ 0.80 Per Unit)	25,995	24,283
Redemption of 765,509 units (2011: 3,008,215 units)	(40,175)	(147,433)
	11,922	(73,031)
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	141	542
- amount representing unrealised capital (gains) / losses transferred to the Distribution Statement	(479)	3,618
	(338)	4,160
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	479	(3,618)
Final distribution: (2011: Rs. 1.24 per unit - Date of distribution: 4 July 2011)		
- Cash Distribution	-	(3,504)
- Issue of bonus units	-	(38,762)
Interim distribution at the rate of Re. 1.05 per unit for the quarter ended 30 September 2012 - Date of distribution: 28 September 2012 (30 September 2011: Rs. 0.80 per unit)		
- Cash Distribution	-	(1,517)
- Bonus units	(25,995)	(24,283)
	(25,995)	(68,066)
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)	5,592	36,288
Capital gain / (loss) on sale of investments	16,600	(121)
Unrealised appreciation in value of investments classified as 'at fair value through profit or loss'	5,702	1,423
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)	27,894	37,590
Net assets as at the end of the period	1,314,718	1,710,615

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.



Chief Executive Officer

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



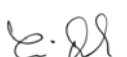
Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2012


	September 30 2012	31 March 2011
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before taxation	27,894	37,590
Adjustments		
Net unrealised diminution in the fair value of investments classified 'as financial assets at fair value through profit or loss'	(5,702)	(1,423)
Element of (income) and capital (gains) included in prices of units issued less those in units redeemed	141	542
Provision against debt securities	25,934	8,074
Net cash flows from operations before working capital changes	48,267	44,783
Working capital changes		
(Increase) / decrease in assets		
Investments - net	(630,605)	44,435
Receivable against sale of units	1,945	-
Other receivables	(6,950)	17,443
	(635,610)	61,878
Increase/(decrease) in liabilities		
Payable to the Management Company	49	(138)
Payable to the Trustee	-	(7)
Payable to Securities and Exchange Commission of Pakistan	(946)	(1152)
Payable against sale of investments	493,839	-
Accrued expenses and other liabilities	578	124,181
	493,520	122,884
Net cash outflow generated from operating activities	(93,823)	229,545
CASH FLOWS FROM FINANCING ACTIVITIES		
Net payments from sale and redemption of units	(14,073)	(134,587)
Cash distributions during the period	-	(3,504)
Net cash from generated financing activities	(14,073)	(138,091)
Net (decrease) / increase in cash and cash equivalents during the period	(107,896)	91,454
Cash and cash equivalents at the beginning of the period	208,167	32,102
Cash and cash equivalents as at	100,271	123,556

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



Director

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

1 LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Income Fund ("the Fund") was established under a Trust Deed executed between 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). In conformity with Circular 7 of 2009 dated March 6, 2009 issued by the SECP, certain amendments have been made in the Trust Deed of the Fund duly approved by the SECP, whereby the Fund has been assigned "Income" category.

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.

Based on shareholders' resolutions of MCB-Asset Management Company and Arif Habib Investments Limited the two companies have merged as of 27 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 10 June 2011). Arif Habib Investments Limited being a listed company is the surviving entity and in compliance of the State Bank of Pakistan's approval it is a subsidiary of MCB Bank Limited. However, subsequent to the completion of the merger the SECP issued an order postponing the effective date of the merger to 30 July 2011 (through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AHI/348/2011 dated 27 June 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. The Honourable Sindh High Court has held the SECP's subsequent order in abeyance and instructed the SECP to treat the companies as merged pending a final ruling. No hearing since then has taken place. Irrespective of the final ruling, the Fund's assets and NAV remain unaffected.

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. This Fund is income scheme and the policy of the Fund is to invest in a mix of 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.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as trustee of the Fund.

2. BASIS OF PREPARATION

Statement of compliance

This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. This condensed interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with the financial statements for the period ended 30 June 2012. This condensed interim financial information comprises of the condensed interim statement of assets and liabilities as at 30 September 2012 and the related condensed interim income statement, condensed interim cash flow statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' funds and notes thereto for the quarter ended 30 September 2012. At 30 September 2012, the Fund has no item to be reported in other comprehensive income hence the reported net income for the period equals the total comprehensive income for the current period.

This condensed interim financial information is unaudited and is presented in Pak Rupees, which is the Fund's functional and presentation currency and has been rounded off to the nearest thousand rupees.

The directors of the Management Company declare that these condensed interim financial information give a true and fair view of the Fund.

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 2012.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

4 INVESTMENTS

At fair value through profit or loss - held for trading

Term finance and sukuk certificates
Government securities

	(Unaudited) 30 September 2012	(Audited) 30 June 2012
	(Rupees in '000)	
4.1	405,558	492,304
4.2	1,272,806	575,687
	<u>1,678,364</u>	<u>1,067,991</u>

4.1 Term finance and sukuk certificates

Name of the investee company	Issue date	As at 1 July 2012	Purchases during the period	Sales / matured during the period	As at 30 September 2012	Cost as at 30 September 2012	Market value as at 30 September 2012	Appreciation/ (diminution) as at 30 September 2012	Market value as a percentage of net assets of total investments	Face value percentage in relation to the size of the issue
30 September 2012										
Askari Bank Limited	4 February 2005	8,000	-	-	8,000	39,872	39,828	(45)	3.03	2.37
Askari Bank Limited	18 November 2009	6,000	-	-	6,000	31,693	31,693	-	2.41	1.89
Askari Commercial Bank Limited	23 December 2011	52	-	-	52	53,652	55,228	1,575	4.20	3.29
Bank AL Habib Limited	7 February 2007	5,520	-	-	5,520	28,464	27,873	(591)	2.12	1.66
Bank AL Habib Limited	30 June 2011	11,500	-	3,100	8,400	44,686	46,257	1,571	3.52	2.76
Bank Alfalah Limited (Floating)	2 December 2009	5,000	500	1,000	4,500	23,704	23,757	53	1.81	1.42
Bank Alfalah Limited (Fixed)	2 December 2009	3,265	-	3,265	-	-	-	-	-	-
Engro Corporation Limited	18 March 2008	24,300	-	-	24,300	115,547	109,350	(6,197)	8.32	6.52
Escorts Investment Bank Limited	27 June 2007	3,016	-	-	3,016	2,000	2,208	208	0.17	0.13
Maple Leaf Cement Factory Limited (refer note 5.1.3)	3 December 2007	2,000	-	-	2,000	5,857	5,954	97	0.45	0.35
Maple Leaf Cement Factory Limited	30 September 2010	-	-	-	-	-	-	-	-	-
Pace Pakistan Limited (refer note 5.1.2)	15 February 2008	10,000	-	-	10,000	27,938	29,637	1,699	2.25	1.77
Telecard Limited (refer note 5.1.1)	27 May 2005	19,975	-	-	19,975	27,457	27,467	10	2.09	1.64
Trust Investment Bank Limited	4 July 2008	10,000	-	-	10,000	11,361	9,351	(2,010)	0.71	0.56
United Bank Limited	8 September 2006	15,612	-	-	15,612	51,489	50,880	(610)	3.87	3.03
					117,375	463,720	459,482	(4,238)		
							(53,924)			
						463,720	405,558	(4,238)		
Provision against non-performing exposure										

4.1.1 During the year, Telecard Limited has restructured its Term Finance Certificate issue dated 27 May 2005 via trust deed executed between Telecard Limited and Faysal Bank Limited (trustee) dated 30 December 2011. According to the restructured terms the six monthly interest payments and redemption will commence from 27 May 2012. In accordance with the requirements of Circular 1 of 2009, issued by the SECP, a restructured TFC would be performing when it pays two consecutive instalments, till then no further mark-up is being accrued on such investment from the date the coupon was due. Telecard has defaulted in the payment of coupon due on 27 August 2012. Further, provision amounting to Rs. 3.455 million has been, made in accordance with the provisioning policy approved by the Board of Directors of the Management Company.

4.1.2 Pace Pakistan Limited has defaulted in the payment of coupon due on 15 August 2011, 15 February 2012 and 15 August 2012. In accordance with the requirements of Circular 1 of 2009, issued by the SECP, no further mark-up is being accrued on such investment from the date the coupon was due. Further, provision amounting to Rs. 14.978 million has been made in accordance with the provisioning policy approved by the Board of Directors of the Management Company.

4.1.3 Maple Leaf Cement Factory Limited has defaulted in the payment of coupon due on 3 September 2011, 3 December 2011, 3 March 2012 and 3 June 2012 and entered into a second payment agreement for payment of these instalments. In accordance with the requirements of Circular 1 of 2009, issued by the SECP, no further mark-up is being accrued on such investment from the date it restructured last year. Further, provision amounting to Rs. 2.592 million has been made in accordance with the provisioning policy approved by the Board of Directors of the Management Company.

4.1.4 The above include Term Finance Certificates with fair value aggregating to Rs. 1.140 million (2011: Rs. 0.146 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 October 23, 2007, issued by SECP.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

4.2 Government securities

Issue date	Tenor	As at 1 July 2012	Purchases during the period	Sales during the period	As at 30 September 2012	Cost as at 30 September 2012	Market value as at 30 September 2012	Appreciation / (diminution) as at 30	Market value		
									as a percentage of net assets	as a percentage of total investments	
-----Face value-----						----- (Rupees in '000) -----					
<i>Pakistan Investment Bond</i>											
<i>30 September 2012</i>											
22 July 2010	3 years	-	133,900	133,900	-	-	-	-	-	-	
18 August 2011	3 years	-	100,000	50,000	50,000	50,293	50,836	543	3.87	3.03	
19 July 2012	3 years	-	275,000	100,000	175,000	170,904	178,185	7,281	13.55	10.62	
30 August 2008	5 years	15,000	23,000	15,000	23,000	22,916	23,291	375	1.77	1.39	
18 August 2011	5 years	-	200,000	200,000	-	-	-	-	-	-	
19 July 2012	5 years	-	75,000	75,000	-	-	-	-	-	-	
19 July 2012	10 years	-	75,000	75,000	-	-	-	-	-	-	
Total Investment in Pakistan Investment Bond						244,113	252,313	8,199			
<i>Government of Pakistan Ijara Sukuk - refer note 5.2.1</i>											
15 Nov 2010	3 years	200,000	100,000	200,000	100,000	100,100	101,000	900	7.68	6.02	
28/Jun/2012	3 years	-	400,000	400,000	-	-	-	-	-	-	
18/Sep/2012	3 years	-	200,000	-	200,000	200,000	200,840	840	15.28	11.97	
						300,100	301,840	1,740			
<i>Treasury Bills</i>											
3 months		365,000	2,262,100	2,402,100	225,000	224,814	224,807	(7)	17.10	13.39	
6 months		-	250,000	250,000	-	-	-	-	-	-	
1 year		-	3,100,000	2,600,000	500,000	493,839	493,846	8	37.56	29.42	
Total Investment in Treasury Bills						718,652	718,653	1			
Total Investment in Government Securities						1,262,866	1,272,806	9,940			

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 2012, 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	5,954	4,009	1,945	0.15	0.12
Investment in debt securities	Escorts Investment Bank Limited	2,208	-	2,208	0.17	0.13
Investment in debt securities	Pace Pakistan Limited	29,637	22,448	7,189	0.55	0.43
Investment in debt securities	Telecard Limited	27,467	27,467	-	-	-
Investment in debt securities	Maple Leaf Cement Factory Limited-Sukuk II	260	260	-	-	-

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

- 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. CONTINGENCY

Contribution to 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, challenging the applicability of WWF to the CISs, which is pending adjudication.

Subsequently, 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.

During the year ended 30 June 2012, 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.

In view of the afore mentioned developments and based on legal counsel, the Management Company firmly believes that there is no compelling reason to make provision on account of WWF contribution in the financial statements. Further, the Management Company also expects that the constitutional petition pending in the Honourable High Court of Sindh on the subject as referred above will be decided in favour of the Mutual Funds.

The aggregate unrecognised amount of WWF as at September 30, 2012 amounted to Rs.18.866 million. If the same were made the NAV of the fund would have been lower by Rs. 0.75 per unit.

7. SERVICE TAX CHARGES

During the current period the Sindh Government has levied General Sales Tax (GST) at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Service Tax 2011 effective from 1 July 2011.

8. 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.

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.

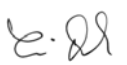
**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

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

	September 30	
	2012	2011
	----- (Rupees in '000) -----	
Arif Habib Investment Management Limited - Management Company		
Remuneration for the period	4,936	6,626
Sales tax payable on management fee	790	1,060
 MCB Bank Limited		
Bank Charges	6	-
Profit on bank deposits	830	-
 Summit Bank Limited		
Profit on bank deposits	17	612
 Other Related Parties		
Directors and executives of the Management Company		
Issue of Nil units (2011: 922,734 units)	-	47,937
Issue of 673 bonus units (2011: 37,902 bonus units)	35	1,951
Redemption of Nil units (2011: 950,525 units)	-	49,515
 Central Depository Company of Pakistan Limited - Trustee		
Remuneration for the period	494	2,158
CDS charges	2	4
CDS induction charges	-	51
 American Life Insurance Company Pakistan Limited.		
Issue of 188,732 units (2011: 922,734 units)	10,048	47,937
Issue of 58,360 bonus units (2011: 37,902 bonus units)	3,037	1,951
Redemption of Nil units (2011: 950,525 units)	-	49,515

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

9.2 Amounts outstanding as at period / year end	(Unaudited) 30 September 2012 (Rupees in '000)	(Audited) 30 June 2012
Management Company		
Payable to Arif Habib Investments Limited - Management Company	1,917	1,868
MCB Bank Limited		
Bank balance	11,291	3,178
Profit receivable on bank accounts	681	172
Summit Bank Limited (formerly Arif Habib Bank Limited)		
Bank balance	1,668	454
Profit receivable on bank accounts	5	2
Directors and executives of the Management Company		
Units held 34,049 (30 June 2012: 33,376)	1,775	1,778
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	161	160
Security deposit	200	200
American Life Insurance Company Pakistan Limited.		
Units held 2,956,764 (30 June 2012: 2,709,671)	154,106	141,020
9.3 The brokerage 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 financial statements were authorised for issue on October 25, 2012 by the Board of Directors of the Management Company.		
11 GENERAL		
11.1 Figures have been rounded off to the nearest thousand rupees.		
11.2 Corresponding figures have been rearranged and reclassified wherever necessary, for the purpose of comparison.		



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

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