



**Bachat** ka Doosra Naam

# Quarterly Report

March 31, 2013  
(Unaudited)



Funds Under Management  
of  
Arif Habib Investments Limited

**PAKISTAN  
INCOME ENHANCEMENT FUND**

## CONTENTS

---

Fund's Information	62
Report of the Directors of the Management Company	63
Condensed Interim Statement of Assets and Liabilities	65
Condensed Interim Income Statement (Un-audited)	66
Condensed Interim Distribution Statement (Un-audited)	67
Condensed Interim Statement of Movement in Unit Holders' Funds (Un-audited)	68
Condensed Interim Cash Flow Statement (Un-audited)	69
Notes to and forming part of the Condensed Interim Financial Informations (Un-audited)	70

## FUND'S INFORMATION

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

# REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013

---

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **Pakistan Income Enhancement Fund's** accounts review for the nine months ended March 31st 2013.

## **ECONOMY AND MONEY MARKET OVERVIEW**

On the macroeconomic front, Mar'13 YoY CPI inflation of 6.57% was lowest since Aug'07, with 9M FY13 average CPI at 7.98%. CPI inflation may dip further in April and remain in the lower range for the next few months. However, with the base effect neutralizing CPI would start rising again expectedly towards the later part of the year. On the other hand, external current account had witnessed significant pressures during the past few months and changed its course during Feb'13 by posting a CA Deficit of US\$ 596 million - taking the 8M FY13 CAB to a deficit of US\$ 700 million. FX reserves continued to remain under pressure amid weaker financial account flows and heavy debt repayments including that of IMF during Mar'13- touching US\$ 12.37 billion mark, as of Mar' 22 2013. On the fiscal front, the government's reliance on domestic sources for fiscal funding has continued with YTD borrowing from banking system stood at an alarming level of PKR 937 billion by Mar'22 2013. With stressing its concerns on the external and fiscal accounts, the State Bank of Pakistan took comfort from declining inflationary trend and lowered its policy discount rate cumulatively by 250 bps to 9.5% during the period under review.

The short term money market rates remained in the higher range during most part of the period owing to relatively tight liquidity position in the system with few exceptions where the market witnessed floors also. SBP continued to inject sizeable amount through Open Market Operations to provide needed liquidity in the market. 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 246 bps to 9.51%, while longer tenure 10 year PKRV adjusted downwards by 139 bps to 11.89% during the period under review.

## **FUND PERFORMANCE**

During the quarter under review, the fund generated an annualized return of 6.2% as against its benchmark return of 12.4%. Despite generating strong capital gains through PIB exposure ahead of monetary easing, the fund underperformed its benchmark due to mark-down/ provisioning made on some of its TFCs in the portfolio.

In order to capitalize on the declining interest rate scenario that lasted up to the end of HY13, fund increased its portfolio duration by increasing allocation in PIBs and longer tenure T-Bills. After realizing the capital gains, the fund gradually started to switch its exposure from PIBs to short-end papers. At period-end, the fund was 16.7% invested in PIBs as compared to 5.6% at the beginning of the period, 5.1% invested in GoP Ijarah Sukuk as compared to 3.6% at the beginning and 31.6% invested in TFCs vis-à-vis beginning allocation of 43.9%.

The Net Asset of the Fund as at March 31, 2013 stood at Rs.741.75 million as compared to Rs 991.31 million as at June 30, 2012 registering a decrease of 25.17%.

The Net Asset Value (NAV) per unit as at March 31, 2013 was Rs. 51.38 as compared to opening NAV of Rs.51.83 per unit as at June 30, 2012 registering a decrease of Rs. 0.45 per unit.

# REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013

---

## Income Distribution

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

Date of distribution	Per unit distribution
	Rs.
July 25, 2012	0.3000
August 25, 2012	0.2640
September 25, 2012	0.1314
October 25, 2012	0.1314
November 25, 2012	0.4500
December 25, 2012	0.3700
January 25, 2013	0.5100
February 25, 2013	0.3000
March 25, 2013	0.3400

## FUTURE OUTLOOK

Going forward despite continued lower range of CPI inflation, further rate cut seems a distant possibility given deteriorating fiscal and external accounts, significant IMF repayments ahead and alarming monetary growth - while the potential return to the IMF may result in a cycle of monetary tightening by end of 2Q CY13. Government bond market, which remained active for last few months on the back of soft inflation numbers and expected monetary easing, has started to become relatively less active, especially on the longer end, with the anticipation of no rate cut and possible rate hikes in the next 2-4 months. In this backdrop, the activities are expected to be concentrated at short-end Treasury Bills 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**

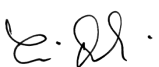
Chief Executive Officer

Dated: April 24, 2013

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES  
AS AT MARCH 31, 2013**

	(Unaudited)	(Audited)
Note	31 March 2013	30 June 2012
	(Rupees in '000)	
<b>Assets</b>		
Balances with bank	20,667	113,366
Receivable against sale of units	-	2,096
Investments	6. 714,225	862,538
Dividend and profit receivable	7,863	18,260
Deposits and prepayments	1,841	1,810
Preliminary and floatation cost	81	231
<b>Total assets</b>	<b>744,676</b>	<b>998,301</b>
<b>Liabilities</b>		
Payable to Arif Habib Investments Limited - Management Company	1,142	1,484
Payable to Central Depository Company of Pakistan Limited - Trustee	111	141
Accrued expenses and other liabilities	1,241	1,276
Payable to Securities and Exchange Commission of Pakistan - Annual fee	437	993
Payable against redemption of units	-	3,100
<b>Total liabilities</b>	<b>2,931</b>	<b>6,994</b>
<b>Contingency</b>	7.	
<b>Net assets</b>	<b>741,745</b>	<b>991,307</b>
<b>Unit holders' funds</b>	<b>741,745</b>	<b>991,307</b>
	(Number of units)	
<b>Number of units in issue</b>	<b>14,437,556</b>	<b>19,125,741</b>
	(Rupees)	
<b>Net asset value per unit</b>	<b>51.38</b>	<b>51.83</b>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

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

For Arif Habib Investment Limited  
(Management Company)

  
\_\_\_\_\_  
Director

# CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013

	Note	Nine months ended 31 March		Quarter ended 31 March	
		2013	2012	2013	2012
		----- (Rupees in '000) -----			
<b>Income</b>					
Capital gain/(loss) on sale of investments - net		26,407	5,406	(1,963)	2,249
Income from term finance and sukuk certificates		31,814	50,393	7,561	14,996
Income from government securities		31,514	71,705	11,332	18,895
Income from term deposit receipts and commercial papers		505	1,258	-	943
Income from margin trading system		-	35	-	-
Profit on bank deposits		4,500	5,775	2,042	1,436
Net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss'		6,055	(11,981)	2,839	(8,262)
Reversal of provision against non-performing investment		7,811	-	2,929	-
<b>Total income</b>		<b>108,607</b>	<b>122,591</b>	<b>24,741</b>	<b>30,257</b>
<b>Expenses</b>					
Remuneration of Arif Habib Investments Limited - Management Company		8,734	15,769	2,845	4,923
Sindh sales tax on management fee		1,397	2,523	455	788
Remuneration of Central Depository Company of Pakistan Limited - Trustee		990	1,532	322	490
Annual fee - Securities and Exchange Commission of Pakistan		437	788	143	246
Securities transaction cost		313	351	56	75
Settlement and bank charges		307	639	82	172
Fees and subscriptions		151	101	53	27
Auditors' remuneration		370	449	127	109
Amortization of preliminary and floatation costs		150	151	49	50
Other expenses		175	370	34	68
Provision against non-performing exposures	6.3	62,987	2,441	3,523	-
<b>Total expenses</b>		<b>76,011</b>	<b>25,114</b>	<b>7,689</b>	<b>6,948</b>
		<b>32,595</b>	<b>97,477</b>	<b>17,051</b>	<b>23,309</b>
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		2,050	(2,399)	(360)	(321)
<b>Net income for the period before taxation</b>		<b>34,645</b>	<b>95,078</b>	<b>16,691</b>	<b>22,988</b>
Taxation	8.	-	-	-	-
<b>Net income for the period after taxation</b>		<b>34,645</b>	<b>95,078</b>	<b>16,691</b>	<b>22,988</b>
Other comprehensive income for the period		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>34,645</b>	<b>95,078</b>	<b>16,691</b>	<b>22,988</b>
<b>Earnings per unit</b>	9.				

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

For Arif Habib Investment Limited  
(Management Company)

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

  
\_\_\_\_\_  
Director



**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)  
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013**

	<b>Nine months ended 31 March</b>		<b>Quarter ended 31 March</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>----- (Rupees in '000) -----</b>			
Undistributed income brought forward	<b>34,904</b>	68,060	<b>16,090</b>	55,998
Net income for the period	<b>34,645</b>	95,078	<b>16,691</b>	22,988
Net element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed	<b>(8,579)</b>	(11,586)	<b>4,537</b>	(1,164)

***Distributions to the unit holders of the Fund:***

*Final distribution:*

Final distribution for the year ended 30 June 2011 at the  
rate of Rs. 1.24 per unit - Date of distribution: 4 July 2011

- Cash distribution
- Issue of 27,591 bonus units

*Interim distribution:*

- Cash distribution
- Issue of 800,184 (2012: 1,551,163) bonus units and  
344,085 (2012: 453,827) bonus units for the nine  
months and quarter ended respectively

11.

-	(1,169)	-	-
-	(9,130)	-	-
<b>(242)</b>	(9,142)	-	<b>(2,705)</b>
<b>(40,976)</b>	(80,717)	<b>(17,566)</b>	<b>(23,643)</b>
<b>(41,218)</b>	(100,158)	<b>(17,566)</b>	(26,348)
<b>19,752</b>	51,394	<b>19,752</b>	51,474

Undistributed income carried forward

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.



Chief Executive Officer

For Arif Habib Investment Limited  
(Management Company)



Director

# CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013

	Nine months ended 31 March		Quarter ended 31 March	
	2013	2012	2013	2012
	(Rupees in '000)			
Net assets at the beginning of the period	991,307	1,624,412	614,112	1,332,193
Issue of 7,526,763 units (2012: 9,176,069 units) and 5,531,319 units (2012: 2,549,904 units) for the nine months and quarter ended respectively	386,716	478,705	284,508	133,371
Issue of 800,184 bonus units (2012: 1,727,209 bonus units) and 344,086 bonus units (2012: 453,825 bonus units) for the nine months and quarter ended respectively	40,976	89,847	17,566	23,643
Issue of 27,591 bonus units for the year ended 30 June 2011	-	-	-	-
Redemption of 13,015,132 units (2012: 17,126,115 units) and 3,395,983 units (2012: 3,632,425 units) for the nine months and quarter ended respectively	(668,631)	(894,129)	(173,926)	(189,934)
	(240,939)	(325,577)	128,148	(32,920)
Net 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 the Income Statement	(2,050)	2,399	360	321
- amount representing unrealised capital (gains) / losses - transferred to the Distribution Statement	8,579	11,586	(4,537)	1,164
	6,529	13,985	(4,177)	1,485
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - transferred to Distribution Statement	(8,579)	(11,586)	4,537	(1,164)
Net income for the period (excluding net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss' and capital gains / (loss) on sale of investments)	2,183	101,653	15,815	29,001
Capital gain/(loss) on sale of investments - net	26,407	5,406	(1,963)	2,249
Net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss'	6,055	(11,981)	2,839	(8,262)
	34,645	95,078	16,691	22,988
<b>Distributions to the unit holders of the Fund:</b>				
<i>Final distribution:</i>				
Final distribution for the year ended 30 June 2011 at the rate of Re. 0.3309 per unit -				
Date of distribution: 4 July 2011				
- Cash distribution	-	(1,169)	-	-
- Issue of 27,591 bonus units	-	(9,130)	-	-
<i>Interim distribution:</i>				
- Cash distribution	(242)	(9,142)	-	(2,705)
Issue of 800,184 (2012: 1,097,335) bonus units and 344,086 (2012: 508,286) bonus units for the six months and quarter ended respectively	(40,976)	(80,717)	(17,566)	(23,643)
	(41,218)	(100,158)	(17,566)	(26,348)
Net assets as at the end of the period	741,745	1,296,154	741,745	1,296,234

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

For Arif Habib Investment Limited  
(Management Company)

  
Chief Executive Officer

  
Director

# CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013

	Nine months ended 31 March		Quarter ended 31 March	
	2013	2012	2013	2012
	----- (Rupees in '000) -----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income for the period before taxation	34,645	95,078	16,691	22,908
<i>Adjustments for non cash and other items:</i>				
Net unrealised (appreciation) / diminution in value of investments classified as 'at fair value through profit or loss'	(6,055)	11,981	(2,839)	8,262
Net element of (income) / loss and capital (gains) / losses prices of units issued less those in units redeemed	(2,050)	2,399	360	321
Amortization of preliminary expenses and flotation cost	150	151	49	50
Provision against non performing exposures	62,987	2,441	3,523	-
Reversal of provision against non performing investment	(7,811)	-	(2,929)	-
	<u>81,867</u>	<u>112,050</u>	<u>14,856</u>	<u>31,541</u>
<b>Decrease / (increase) in assets</b>				
Receivable against sale of units	-	-	-	1,011
Investments	2,917	626,918	(142,925)	225,946
Dividend and profit receivable	10,397	(158,914)	1,585	(178,270)
Deposits and prepayments	(31)	(931)	(113)	37
	<u>13,284</u>	<u>467,073</u>	<u>(141,452)</u>	<u>48,724</u>
<b>(Decrease) / increase in liabilities</b>				
Payable against purchase of investments	-	-	-	-
Payable against redemption of units	-	(2,297)	-	-
Payable to Arif Habib Investments Limited - Management Company	(342)	(762)	227	(17)
Payable to Central Depository Company of Pakistan Limited - Trustee	(30)	(17)	22	-
Accrued expenses and other liabilities	(35)	(85)	(63)	(1,463)
Payable to Securities and Exchange Commission of Pakistan - Annual fee	(556)	(614)	143	246
	<u>(964)</u>	<u>(3,775)</u>	<u>328</u>	<u>(1,234)</u>
<b>Net cash generated from operating activities</b>	<u>94,187</u>	<u>575,349</u>	<u>(126,268)</u>	<u>79,031</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividend paid	(242)	(10,311)	-	(2,705)
Receipts from issuance of units	388,812	478,705	284,508	133,371
Payments on redemption of units	(671,731)	(894,129)	(173,926)	(189,934)
<b>Net cash used in financing activities</b>	<u>(283,161)</u>	<u>(425,735)</u>	<u>110,582</u>	<u>(59,268)</u>
Net increase / (decrease) in cash and cash equivalents during the period	<u>(188,974)</u>	<u>149,613</u>	<u>(15,686)</u>	<u>19,763</u>
Cash and cash equivalents at beginning of the period	441,793	32,062	268,505	161,912
<b>Cash and cash equivalents at end of the period</b>	<u>10. 252,819</u>	<u>181,675</u>	<u>252,819</u>	<u>181,675</u>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

For Arif Habib Investment Limited  
(Management Company)

  
Chief Executive Officer

  
Director

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013

---

## 1. LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Income Enhancement Fund (the Fund) was established through a Trust Deed executed between Arif Habib Investments Limited (AHIL), as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 14 July 2008 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 26 June 2008 in accordance with Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). In conformity with Circular 7 of 2009 dated 6 March 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 "Aggressive Fixed Income" category.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.

Based on shareholders' resolutions of MCB-AMC and AHI 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). 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 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 SHC. The honourable 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 Net Assets Value (NAV) remain unaffected.

The Fund is an open-ended mutual fund listed on the Islamabad Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. Unit holders are divided into plan "A" and plan "B". The unit holders under plan "A" are entitled for bonus units as well as cash dividend, whereas unit holders under plan "B" are entitled for cash dividend.

Pakistan Credit Rating Agency (PACRA) has assigned asset manager rating of 'AM2' to the Management Company and A+(f) - as stability rating to the Fund.

The objective of the Fund is to invest in investment grade term finance certificates and sukuk bonds, certificate of investments, term deposit receipts, spread transactions and, with SECP approval, structured deposits, notes, interest rate / cross currency swap and arbitrage products, options, derivatives, index linked structures etc. both within and outside Pakistan, international mutual funds, credit linked notes, and any other investment permissible under NBFC Regulations.

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

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

**2.1.1** This condensed interim financial information has been prepared in accordance with the requirement of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). In case where requirements differ, the provisions of / or directives issued under the Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations have been followed.

**2.1.2** This condensed interim financial information does not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the financial statements for the year ended 30 June 2012.

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013

- 2.1.3** This condensed interim financial information is unaudited and is presented in Pak Rupees, which is the functional and presentation currency of the Fund and has been rounded off to the nearest thousand rupees.
- 2.1.4** The Board of Directors of the Management Company declare that this condensed interim financial information gives a true and fair view of the state of affairs of the Fund.
- 2.1.5** The comparatives in the condensed interim statement of assets and liabilities presented in this condensed interim financial information as at 31 March 2013 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2012, where as the comparative in condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, and condensed interim cash flow statement are extracted from unaudited condensed interim financial information for the period ended 31 March 2012.

## 3. SIGNIFICANT ACCOUNTING POLICIES

- 3.1** The accounting policies adopted for the preparation of this condensed interim financial information are same as those applied in the preparation of the financial statements of the Fund for the year ended 30 June 2012.
- 3.2** Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Fund's operations and did not have any impact on the accounting policies of the Fund.

## 4. ESTIMATES AND JUDGEMENTS

- 4.1** The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.
- 4.2** In preparing this condensed interim financial information, significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 30 June 2012.

## 5. FINANCIAL RISK MANAGEMENT

The Fund's risk management objectives and policies are consistent with those objectives and policies which were disclosed in the financial statements of the Fund as at and for the year ended 30 June 2012.

## 6. INVESTMENTS

		(Unaudited) 31 March 2013	(Audited) 30 June 2012
		(Rupees in '000)	
<i>Fixed income and other debt securities</i>			
<i>'At fair value through profit or loss'</i>			
- Government securities	6.1	465,388	218,211
- Term finance and sukuk certificates	6.2		
Listed debt securities		172,683	226,130
Unlisted debt securities		141,520	236,410
- Less provision	6.3	(65,366)	(23,213)
		248,837	439,327
Term Deposit Receipts		-	205,000
		<u>714,225</u>	<u>862,538</u>



## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013

---

- 6.3.1** Owing to continuous default on repayment of coupon by the issuer, the Fund has classified the said investment as non performing debt securities. During the period, the Fund has recognised further provision amounting to Rs. 43.287 million (Rs. 39.516 million in aggregate) against outstanding principal in accordance with circular No.1 of 2009 read with circular No.33 & 35 of 2012 issued by the SECP and provisioning policy of the Fund. The Fund has also suspended further accrual of markup there against.
- 6.3.2** Owing to continuous default on repayment of coupon by the issuer, the Fund has classified the said investment as non performing debt securities. During the period, the Fund has recognised further provision amounting to Rs. 2.488 million (Rs. 13.028 million in aggregate) against outstanding principal in accordance with circular No.1 of 2009 read with circular No.33 & 35 of 2012 issued by the SECP and provisioning policy of the Fund. The Fund has also suspended further accrual of markup there against, however, during the current period, the Fund has reversed the amount of Rs. 7.811 million received during the period.
- 6.3.3** Owing to continuous default on repayment of coupon by the issuer, the Fund has classified the said investment as non performing debt securities. During the period, the Fund has recognised further provision amounting to Rs. 9.402 million (Rs. 12.822 million in aggregate) against outstanding principal in accordance with circular No.1 of 2009 read with circular No.33 & 35 of 2012 issued by the SECP and provisioning policy of the Fund. The Fund has also suspended further accrual of markup there against.

### 7. CONTINGENCY

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / 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 for adjudication.

Subsequent to the year ended 30 June 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 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 Court.

Subsequent to the year ended June 30, 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 our legal counsel the stay granted to Collective Investment Schemes (CIS) remains intact and the constitution petitions filed by the CIS to challenge the Workers Welfare Fund contribution have not been affected SHC judgment and hence no provision has been recognised by the Management Company in this condensed interim financial information. The aggregate unrecognised amount of WWF as at 31 March 2013 amounted to Rs. 13.158 million, including 0.693 million for the current period (NAV per unit Re. 0.91).

### 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. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Accordingly, no provision for taxation has been made in this condensed interim financial information.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013**

**9. 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.

<b>Un-audited</b>	<b>Audited</b>
<b>March</b>	<b>June</b>
<b>31, 2013</b>	<b>30, 2012</b>
<b>(Rupees in '000)</b>	

**10. CASH AND CASH EQUIVALENTS**

Bank balances	<b>20,667</b>	113,366
Term Deposit Receipts	-	205,000
Treasury bills due within 3 months	<b>232,152</b>	123,427
	<b>252,819</b>	441,793

**11. INTERIM DISTRIBUTIONS**

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

Date	Rate per unit	Bonus *		Cash Distribution**	Total
		Units	Amount		
25 July 2012	Re. 0.3000	103,143	5,346	88	5,434
25 August 2012	Re. 0.2640	87,090	4,488	77	4,565
25 September 2012	Re. 0.1314	39,955	2,056	38	2,094
25 October 2012	Re. 0.1314	31,479	1,604	39	1,643
25 November 2012	Re. 0.4500	108,182	5,517	-	5,517
25 December 2012	Re. 0.3700	86,249	4,399	-	4,399
25 January 2013	Re. 0.5100	154,470	7,892	-	7,892
25 February 2013	Re. 0.3000	93,993	4,794	-	4,794
25 March 2013	Re. 0.3400	95,623	4,881	-	4,881
		<b>800,184</b>	<b>40,976</b>	<b>242</b>	<b>41,218</b>

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

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

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

**12. 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 carried out on agreed terms / 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 INFORMATION (UNAUDITED)  
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013**

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

**Arif Habib Investment Management  
Limited - Management Company**

Remuneration for the period

Sindh sales tax on management fee

**MCB Bank Limited**

Bank charges

Profit on bank deposits

**Summit Bank Limited**

Profit on bank deposits

**Other Related Parties**

**Directors and executives of the  
Management Company**

Issue of 21,302 units (2012: 351,079 units)  
and 21,302 units (2012: 248,435 units) for the  
nine months and quarter ended respectively

Issue of 108,817 bonus units (2012: 3,954 bonus  
units) and bonus 108,385 units (2012: 4,010  
units) for the nine months and quarter  
ended respectively

Redemption of 37,401 units (2012: 349,616  
units) and 36 units (2012: 263,303 units) for  
the nine months and quarter ended  
respectively

**Central Depository Company of  
Pakistan Limited - Trustee**

Remuneration for the period

CDS charges

**Mr. Najeeb Butt (10% or more holding) \*\***

Issue of 107,940 bonus units (2012: 130,210  
bonus units) and 45,186 units (2012:  
37,551 units) for the nine months and  
quarter ended respectively

**WESTBURY (PVT.) LTD (10% or more holding) \*\***

Issue of 1,939,112 units (2012: Nil units) and 1,939,112  
units (2012: Nil units) for the nine months  
and quarter ended respectively

Issue of 42,047 bonus units (2012: Nil  
bonus units) and 40,247 units (2012:  
Nil units) for the nine months and  
quarter ended respectively

Redemption of 293,255 units (2012: Nil units)  
and 293,255 units (2012: Nil units) for the nine  
months and quarter ended respectively

Nine months ended 31 March		Quarter ended 31 March	
2013	2012	2013	2012
(Rupees in '000)			
<b>8,734</b>	15,769	<b>2,845</b>	4,923
<b>1,397</b>	2,523	<b>455</b>	788
<b>8</b>	2	<b>3</b>	-
<b>1,232</b>	1,965	<b>429</b>	820
<b>34</b>	217	<b>7</b>	24
<b>1,097</b>	17,979	<b>1,097</b>	2,849
<b>5,569</b>	201	<b>5,547</b>	201
<b>1,929</b>	17,924	<b>2</b>	2,000
<b>990</b>	1,532	<b>322</b>	490
<b>10</b>	16	<b>4</b>	3
<b>5,524</b>	6,775	<b>2,307</b>	1,956
<b>101,350</b>	-	<b>101,350</b>	-
<b>2,147</b>	-	<b>2,147</b>	-
<b>15,000</b>	-	<b>15,000</b>	-

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013**

12.2 Amounts outstanding as at period / year end	(Unaudited) 31 March 2013 (Rupees in '000)	(Audited) 30 June 2012
<b>Arif Habib Investment Management Limited - Management Company</b>		
Payable to Management Company	1,136	1,469
Front end load payable	6	15
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	111	141
Security deposit	200	200
<b>Summit Bank Limited</b>		
Bank balance	72	429
Profit receivable on bank accounts	-	2
<b>MCB Bank Limited</b>		
Bank balance	10,565	775
Profit receivable on bank accounts	82	121
<b>Directors and executives of the Management Company</b>		
Units held 21,772 units (2012: 77,106 units)	1,119	3,996
<b>Mr. Najeeb Butt (10% or more holding) **</b>		
Units held 2,036,551 (30 June 2012: 1,928,611)	104,630	99,960
<b>WESTBURY (PVT.) LTD. (10% or more holding) **</b>		
Units held 1,687,904 (30 June 2012: Nil units)	86,718	-

\*\* They have been identified as connected persons during the period based on their holding in the Fund.

**13. DATE OF AUTHORISATION**

This condensed interim financial information has been authorised for issue in the meeting of the Board of Directors of the Management Company held on April 24, 2013.

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

For Arif Habib Investment Limited  
(Management Company)

  
\_\_\_\_\_  
Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

## **Arif Habib Investments Limited**

8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.

UAN: (+92-21) 11-11-622-24 (11-11-MCB-AH), 111-468378 (111-INVEST), Peshawar 091-5852961,  
Bachat Center: 0800-622-24 (0800-MCB-AH), Fax: (+92-21)32276898, 32276908, URL: [www.mcbah.com](http://www.mcbah.com)