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FUND'S INFORMATION

Management Company	Arif Habib Investments Limited Arif Habib Centre, 23 M.T. Khan Road, Karachi-74000.	
Board of Directors of the Management Company	Mr. Muhammad Shafi Malik	Chairman
	Mr. Nasim Beg	Chief Executive
	Syed Ajaz Ahmed	Director
	Mr. Sirajuddin Cassim	Director
	Mr. Samad A. Habib	Director
	Mr. S. Gulrez Yazdani	Director
	Mr. Muhammad Akmal Jameel	Director
	Mr. Muhammad Kashif	Director
Audit Committee	Mr. Muhammad Shafi Malik	Chairman
	Mr. Muhammad Akmal Jameel	Member
	Mr. Samad A.Habib	Member
	Syed Ajaz Ahmed	Member
Company Secretary & CFO of the Management Company	Mr. Zeeshan	
Trustee	Central Depository Company of Pakistan Limited (CDC) CDC House, 99-B, S.M.C.H.S Main Shahrah-e-faisal, Karachi.	
Bankers	Bank AL Habib Limited Summit Bank Limited (formerly:Arif Habib Bank Limited) Allied Bank Limited Bank Alfalah Limited Habib Metropolitan Bank Limited Standard Chartered Bank (Pakistan) Ltd	
Auditors	KPMG Taseer Hadi & Co Chartered Accountants 1st Floor, Sheikh Sultan Trust Building No. 2 Beaumont Road, Karachi - 75530	
Legal Adviser	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	PACRA: AA-(f) Stability Rating PACRA AM2 (Positive Outlook) - Management Quality Rating assigned to Management Company	

REPORT OF THE DIRECTORS' OF THE MANAGEMENT COMPANY FOR THE NINE MONTHS ENDED 31 MARCH 2011

The Board of Directors of Arif Habib Investments Limited, the Management Company of Pakistan Income Enhancement Fund (PIEF), submits herewith its Report together with the Condensed Interim Financial Statements for the nine months ended 31 March 2011.

Fund Objective

The objective of the Fund is to deliver return from aggressive investment strategy in debt and fixed income market.

Fund Profile

PIEF is an Open-end Fund, which is allowed to invest in debt and fixed income instruments and is also allowed to take limited exposure in structured products (subject to SECP approval) and spread transactions in Ready/Future markets.

Fund Performance during the nine months ended 31 March 2011

The net assets of the Fund as at 31 March 2011 stood at Rs 1,678.43 million as compared to Rs. 2,223.59 million at 30 June 2010 registering a decrease of 24.52%. The decrease was primarily due to the fact that investors opted to convert their investments in other money market funds.

The ex-dividend Net Asset Value (NAV) per unit at the beginning of the period was Rs 50.87 and with an increase of Rs 4.07 in the NAV per unit recorded during the period under review; the NAV per unit on 31 March 2011 was Rs 51.29 after interim distribution of Rs 3.65 per unit.

Income Distribution

During the period, the Management Company has announced the following interim distributions:

Date of Distribution	Interim payouts during the nine months	
	(PKR/Unit)	Return as % of opening Ex-NAV
26 July 2010	0.42	9.91% of Ex-NAV of 25 June 2010
26 August 2010	0.51	12.08 % of Ex-NAV of 25 July 2010
27 September 2010	0.40	9.50 % of Ex-NAV of 25 August 2010
26 October 2010	0.27	6.41 % of Ex-NAV of 25 September 2010
26 November 2010	0.27	6.41 % of Ex-NAV of 25 October 2010
27 December 2010	0.54	12.74 % of Ex-NAV of 25 November 2010
26 January 2011	0.43	10.04% of Ex-NAV of 25 December 2010
26 February 2011	0.30	7.09% of Ex-NAV of 25 January 2011
26 March 2011	0.51	12.00% of Ex-NAV of 25 February 2011
Total	3.65	

Future Outlook and Fund Performance

Future Outlook and Fund Performance is fully explained in Fund Manager Report attached to this report.

Acknowledgement

The Board is thankful to its valued investors, the Securities and Exchange Commission of Pakistan, State Bank of Pakistan, the Trustees of the Fund – Central Depository Company of Pakistan Limited and the management of the Islamabad Stock Exchange for their continued cooperation and support. The Directors of the Management Company also acknowledge the efforts put in by the team of the Management Company and for the meticulous management of the Fund.

For and on behalf of the Board

23 April 2011
Karachi.

Nasim Beg
Chief Executive

PAKISTAN INCOME ENHANCEMENT FUND
Managed by: ARIF HABIB INVESTMENTS LIMITED



REPORT OF THE FUND MANAGER FOR THE QUARTER ENDED 31ST MARCH 2011

Objective

The objective of the fund is to deliver return from aggressive investment strategy in debt and fixed income market.

Fund Profile

Pakistan Income Enhancement Fund (An Aggressive Fixed Income Fund, referred to as PIEF) is an open end fund which primarily invests in debt and fixed income instruments and may also take limited exposure in structured products. The maximum duration of the fund does not exceed 3 years.

Fund Performance and Investment activities

PIEF earned an annualized return of 7.44% during the 3rd quarter FY2011 against its benchmark return of 12.26% p.a. Annualized return for 9 months FY11 was 11.04% during the period ended 31st March 2011 compared to its benchmark return of 10.87% for the same period.

During the quarter, the returns were adversely impacted by sharp fall of 31% in the price of PACE Pakistan Ltd.-TFC (3% of net assets) following the delay in coupon payment. PACE-TFC contributed a negative return of 6.44% (annualized) on PIEF's earnings and weighed down the returns in this quarter. However, the accrued mark-up and partial principal as per TFC payment schedule were paid in the first week of April 2011 but the price of the TFC remained depressed due to future payment concerns.

During this time, prices of banking and fertilizer sectors TFCs in the Fund's portfolio, 9.4% and 10.9% of net assets respectively, witnessed substantial price appreciation. Most notably, price of Engro-TFC (PP-1) increased by 5% which was 9.7% of net assets. In addition, banking sector TFCs in the portfolio witnessed price increases ranging from 0.40% to 5%. Exposure in TFCs was 29.5% of net assets which mainly comprised 10.9% fertilizer, 9.4% banks, 4.4% real estate, 3.8% investment banks & companies and 1.0% household goods sectors. During the period, TFC of Escort Investment Bank Ltd. was added in the portfolio up to 0.5% of net assets.

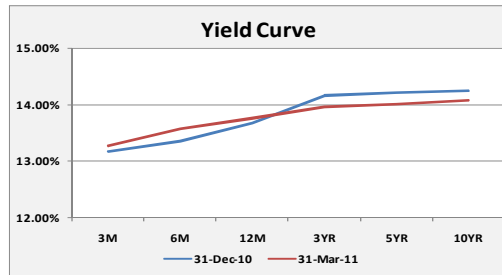
At the end of the period, T-bills were 55% of net assets. Stable interest rates helped in generating returns in excess of 13% p.a. in this asset class. Short term TDRs with commercial banks were 8.64% as the quarter-end deposit demand provided opportunity to earn high returns. Investment in Govt. Ijara Sukuk was 3.0% of net assets and cash in banks were 1%. In addition, the Fund invested 1.11% in Commercial paper to earn high yield. The Fund deployed 0.85% of net assets in newly introduced Margin trading system against shares (MTS) in Karachi stock exchange.

The weighted average credit quality of the portfolio was AA+ and the overall average portfolio duration was 72 days at the end of the period. The Fund size stood at Rs. 1.68 billion compared to Rs. 1.69 billion at the start of the quarter.

As a policy, PIEF distributes monthly dividends in order to provide better periodic net-of-tax returns to investors. During this quarter, PIEF declared total dividends of Rs. 1.24/unit (Rs. 2.80/unit, last two quarters, FY2011). Hence the total cumulative dividend yield was 9.77% p.a. for the three quarters FY2011.

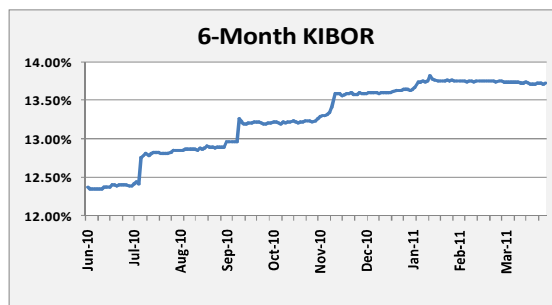
Treasury Market Review

SBP kept the discount rate unchanged at 14% during the quarter as the rate of increase in inflation has reduced to 13.16% in March compared to 15.45% YoY growth in December. Higher interest rate expectations earlier in the year had pushed up yields initially across all tenors. However, long term yields finished the quarter lower by approximately 17 bps to 14.08% compared to December end. While short term rates remained at comparatively higher side throughout the period amid tight liquidity in the system. This has led to reduction in the steepness of the yield curve in comparison to that of December 10.



Change in PKRV & KIBOR		
Tenor	31 Dec, 10 (%)	31 Mar, 11 (%)
Overnight	13.90	13.90
KIBOR (6-M)	13.62	13.73
90-Days	13.17	13.27
180-Days	13.36	13.58
365-Days	13.68	13.76
3-Years	14.16	13.97
5-Years	14.22	14.02
10-Years	14.25	14.08

Similarly, 6-month KIBOR displayed rising trend during the quarter to close at 13.73% or 11bps higher as compared to last quarter's close of 13.62%.



Treasury Bill

Short term interest rates have risen sharply in January, 3 month T-Bill near 13.6% and 1 year at 13.84% amid expectations of further tightening and high inflation numbers, however, the unchanged discount rate and ease in inflationary pressure pushed the short term rates lower with 3 months and 1 year rates at 13.27% and 13.76% respectively by quarter end.

Earlier in the quarter, higher participation was seen in 3 month T-bill; however, the stability in interest rates resulted in shift in bidding pattern with increasingly high participation in 6 month and 1 year T-bills. Total T-bills worth Rs. 997.0bn were sold against a target of Rs. 980.0bn amid T-bill maturity of Rs. 854.0bn. Cut-off yields closed at 13.25%, 13.64% and 13.80% in 3 and 6-months and 1-year tenures respectively.

Pakistan Investment Bond

On the other hand, yields of long term PIBs, especially 10 year bond, witnessed decline during the quarter. In January, the rates of 10 year PIB moved higher to 14.40%, which subsequently fell to as low as 14% in March given the expectations of no increase in the discount rate. During the quarter, there was pick in demand for 10 year PIBs from the corporate sector.



SBP conducted two PIB auctions during the 3rd quarter FY11 and given the stability in discount rate, higher participation was seen in 10-year bonds. Total target was Rs. 35.0 billion and accepted amount was Rs. 49.0 billion against participation of Rs. 76.0 billion.

Government Ijara Sukuk

The Government Ijara Sukuk auction was conducted on 7th March, 11. Substantial amount of participation of Rs. 57.0 billion was received due to increased Statutory Liquidity Requirement (SLR) of Islamic Banks/Islamic Banking Branches to 14.0% from 9.0%, effective 1st April, 11. Target was set at Rs. 45.0 billion and the SBP sold GIS worth Rs. 47.5 billion at 'Par' (weighted average 6-month T-bill yield). Trading was seen in the band of 100.0 and 100.40 in the secondary market.

Corporate Debt Instruments

Prices of corporate bonds (Term Finance Certificates-TFCs) improved during the quarter as demand for long term papers emerged as prospects of further increase in the discount rate reduced. Mostly trading remained confined in TFCs of banking, fertilizer and telecommunications sectors. Banking sector TFCs were traded at a spread of 1.4% to 2.25% while fertilizer sector TFCs traded in the wide band of 1.9% to 2.55%.

Few instruments delayed their coupon payments during the quarter ended 31st March, 11 including PACE Pakistan Limited TFC and Pak Elektron Limited Sukuk. Pace TFC price fell by 32.0% to Rs 65 from Rs. 96.40 in January 11.

To eliminate unwanted volatility in TFC prices due to MUFAP valuation method, MUFAP has decided to cap the prices of traded TFCs to their previous traded prices, if any TFC price gets inflated, after being classified as non-traded.

Margin Trading System

Margin Trading System (MTS) has started functioning effective from Monday 14th March, 2011 on the Karachi Stock Exchange. Total outstanding MTS financing stood at Rs. 228.0mn at 31st March, 11 with major activity in POL, Engro and LOTPTA. Average rate of return on MTS financing, after opening at 21% has fallen to around 17% by month end.

Future Outlook

Reduction in headline inflation during the last two months, restraint in government's borrowing from SBP, and measures for reducing budgetary deficits have resulted in providing a breather to interest rates. With the expectations of pause in the discount rate hike for the next few months, market yields of government securities are expected to remain stable during the next quarter. In the TFC market, secondary market activity is expected to remain confined to selected quality issues with price discovery remaining a major concern for low rated TFCs.

3QFY11 Economic Review

During the third quarter of the fiscal year, pick up in textile exports and higher remittances helped in reducing the pressure from rising international oil prices and keeping the current account deficit in check. The rate of increase in inflation has reduced during the quarter to 13.16% in March compared to 15.45% YoY growth in December, therefore allowing the central bank to keep the discount rate unchanged at 14% during the last two monetary policy reviews. Following the last round of talks with IMF in March, the government has finally taken additional taxation measures to reduce the rising fiscal gap for the current fiscal year.

Fiscal Side

Given the rising fiscal deficit (2.8% of GDP during 1HFY11 against the full year target of 5.5%), GoP introduced new taxation measures in March which would collect Rs 53 billion through removal of subsidies and/or further taxes on income, imports, agriculture, and domestic sales of zero-rated export-oriented items, while Rs 67 billion is expected to be saved from the government expenditure side. Of Rs53 billion, Rs20



billion will be collected through 15% flood surcharge on income-tax, Rs25 billion revenue will be accumulated through withdrawal of sales tax exemptions on fertilizers, pesticides and tractors, Rs6 billion revenue through increase in special excise duty on imports from 1% - 2.5% and Rs2 billion proceeds from increase in tax on sugar.

Total tax collection from July – February, 2011 summed up to Rs 876 billion against a target of Rs1600 billion for the full FY. With the above mentioned measures, it is now expected that tax revenue target for the current fiscal year is likely to be met. However, given the additional expenditures on last year floods, the fiscal deficit is expected to be higher than the government target of 5.5% for the year ending June 2011.

Inflation

Inflation figures for 3QFY11 came down considerably from 15.45% YoY in December, 2010 to 13.16% YoY in March 2011. This was due to the following reasons: first, high base-effect of last year starting January, 2010, and second, containment of government borrowing from the SBP within agreed limits. Nonetheless, inflation is expected to edge higher over the next few months given the outlook of an increase in international commodity prices especially oil prices, higher domestic commodity prices with the introduction of 'mini-budget' to enhance the tax base, and expectations of an increase in government borrowing to fund fiscal deficit.

Real Sector

Large Scale Manufacturing (LSM) figures for July – January 2011 showed an increase of 2.34% over the corresponding period of last year. The growth in manufacturing is restricted to few sectors, with majority of the industries showing decline. Textiles, Pakistan's largest industry having one fourth of the total weight could only increase by 0.6%. Major contribution has come from sugar sector (4.15% weight) showing a growth of 8.1% till January and which is likely to improve further as recent reports suggest that total output of sugar for this year has exceeded 4 m tones compared to only 3.1 m tones in the previous year. Other growth sectors have been automobile production (+16.8%), Pharmaceuticals (+5.8%), chemicals (+3.5%) and leather products (+14.2%). All other manufacturing sectors were in decline including Food and beverages (-2%), petroleum products (-6.2%), metal industries (-8.1%), non metallic minerals (-11.8%), fertilizers (-7.2%) and cement (-10.6%).

External Side

External sector continued to post encouraging figures in 3QFY11. Current Account Deficit (CAD) from July – February, 2011 equaled US\$98 million against US\$3027 million deficit in the same period of preceding year, thus showing a decrease of almost 97%. This is explained by an improvement in balance on Goods & Services & Income account where deficit decreased from US\$11.2 billion in July-February, 2010, to US\$9.9 billion in the same period of current FY. Remittances also played a key role in uplifting the CAD as US\$8.02 billion were received from July- March, 2011 against US\$6.54 billion in the corresponding period of last year, thus showing a growth of 22.39%. The SBP expects current account deficit for FY 11 in the range of 1 – 1.5%. Exports from July – March, 2011 were US\$18.1 billion against a US\$14.3 billion exports in the same period last year, posting a robust growth of 26.6% YoY. Textile export was yet once again the major determinant of this growth as US\$9.92 billion was contributed by textiles. Imports for the same period equaled US\$29.1 billion against US\$ 25.1 billion in the first 9 months of last FY. This translates into a growth 15.97%. Petroleum group imports stood at US\$8.15 billion from July – March, 2011 showing a growth of 11%. Forex reserves YtD (March19th, 2011) closed at US\$17.5 billion against US\$16.75 billion at the end of FY10.

Moreover, Asian Development Bank approved a US\$650 million loan which will be used to build the damaged infrastructure due to the floods which hit the country early FY11.

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT 31 MARCH 2011**

	<i>Note</i>	31 March 2011 (Unaudited)	30 June 2010 (Audited)
(Rupees in '000)			
Assets			
Bank balances		17,825	107,319
Receivable against sale of units		4,840	27,631
Investments	5	1,487,470	2,068,284
Receivable under Margin Trading System		13,808	-
Term deposit receipt		145,000	-
Income and profit receivable		15,742	26,776
Deposits, prepayments and other receivables		2,191	1,305
Preliminary expenses and floatation costs		482	632
Total assets		1,687,358	2,231,947
Liabilities			
Payable to the Management Company		2,833	3,607
Payable to Central Depository Company of Pakistan Limited - Trustee		195	257
Payable to Securities and Exchange Commission of Pakistan - Annual Fee		1,090	1,165
Payable on redemption of units		27	2,243
Accrued expenses and other liabilities		4,783	1,083
Total liabilities		8,928	8,355
Contingencies and commitments	6		
Net assets		1,678,430	2,223,592
Unit holders' funds		1,678,430	2,223,592
		(Number of units)	
Number of units in issue		32,721,790	43,274,506
		(Rupees)	
Net asset value per unit		51.29	51.38

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

**CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH 2011**

	Note	Nine months period ended 31 March		Quarter ended 31 March	
		2011 (Rupees in '000)	2010	2011 (Rupees in '000)	2010
Income					
Income from term finance certificates and sukuk bond		73,390	63,379	19,960	30,959
Income from government securities		111,718	55,443	31,283	21,077
Income from reverse repurchase transactions		-	508	-	-
Income from placements, certificates of investments and term deposit receipts		8,734	8,197	5,777	1,707
Income from Commercial Paper		173	-	173	-
Income from Margin Trading System		48	-	48	-
Profit on bank deposits		2,679	15,289	660	5,159
Capital (loss) / gain on sale of investments - net		(2,941)	11,991	(1,112)	3,667
Unrealised (diminution) / appreciation in the value of investments - net	5.1	(12,966)	6,887	(11,673)	(8,881)
Total income before provisioning for non-performing exposure		180,835	161,694	45,116	53,688
Provision against non-performing exposure		(3,271)	-	(5,549)	6,835
Total income		177,564	161,694	39,567	60,523
Expenses					
Remuneration of the Management Company		21,720	15,758	6,333	5,968
Remuneration of Central Depository Company of Pakistan Limited - Trustee		2,098	1,786	568	644
Annual fee - Securities and Exchange Commission of Pakistan		1,090	788	316	298
Securities transaction costs		313	883	58	336
Settlement and bank charges		714	716	405	185
Fees and subscription		133	153	44	57
Legal and professional charges		68	120	18	34
Auditor's remuneration		300	279	99	85
Printing and related costs		94	132	31	33
Amortisation of preliminary expenses and floatation costs		150	150	49	49
Total expenses		26,680	20,765	7,921	7,689
Net income from operating activities		150,884	140,929	31,646	52,834
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed		(10,288)	17,536	(289)	7,631
Net income carried forward for distribution		140,596	158,465	31,357	60,465
Earnings per unit	8	-	-	-	-

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

08

PAKISTAN INCOME ENHANCEMENT FUND
Managed by: ARIF HABIB INVESTMENTS LIMITED

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH 2011**

	Nine months period ended 31 March		Quarter ended 31 March	
	2011	2010	2011	2010
	(Rupees in '000)		(Rupees in '000)	
Net income for the period	140,596	158,465	31,357	60,465
Other comprehensive income for the period	-	-	-	-
Total Comprehensive income for the period	140,596	158,465	31,357	60,465

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH 2011**

<i>Note</i>	Nine months period ended 31 December		Quarter ended 31 December	
	2011	2010	2011	2010
	(Rupees in '000)		(Rupees in '000)	
Undistributed income brought forward	59,869	14,233	52,082	19,199
Final distribution for the period ended 30 June 2010: Rs. 0.51 per unit (Date of distribution: 05 July 2010)				
- Issue of 394,579 bonus units (2009: 100,312)	(20,072)	(5,070)	-	-
- Cash distribution	(1,998)	(740)	-	-
	(22,070)	(5,810)	-	-
Undistributed income brought forward less final distribution for the year ended 30 June 2010	37,799	8,423	52,082	19,199
Net income for the period	140,596	158,465	31,357	60,465
Interim distribution for the nine months and quarter ended 31 March 2011: ⁹				
- Issue of 2,385,819 and 705,842 bonus units respectively (2010: 2,237,185 bonus units and 778,437 bonus units respectively)	(121,352)	(113,272)	(35,995)	(39,465)
- Cash distribution	(14,820)	(23,711)	(5,221)	(10,294)
	4,424	21,482	(9,859)	10,706
Undistributed income carried forward	42,223	29,905	42,223	29,905

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT
IN UNIT HOLDERS' FUND (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH 2011**

	Nine months period ended 31 March		Quarter ended 31 March	
	2011	2010	2011	2010
	(Rupees in '000)		(Rupees in '000)	
Net assets at the beginning of the period	2,223,592	799,337	1,688,201	1,383,385
Issue of 18,664,640 units and 5,622,562 units for the nine months and quarter ended 31 March 2011 respectively (2010: 93,534,218 units and 26,356,905 units respectively)	952,965	4,756,541	288,092	1,340,858
Redemption of 31,997,204 units and 6,326,248 units for the nine months and quarter ended 31 March 2011 respectively (2010: 75,122,116 units and 17,967,391 units respectively)	(1,632,193)	(3,819,867)	(324,288)	(914,294)
	(679,228)	936,674	(36,196)	426,564
Final distribution for the period ended 30 June 2010: Rs. 0.51 per unit (Date of distribution: 05 July 2010)				
- Issue of 394,579 bonus units	(20,072)	(5,070)	-	-
- Cash distribution	(1,998)	(740)	-	-
	(22,070)	(5,810)	-	-
Net element of loss / (income) and capital (gains) / losses included in prices of units issued less those in units redeemed - transferred to the Income Statement	10,288	(17,536)	289	(7,631)
Capital gain on sale of investments - net	(2,941)	11,991	(1,112)	3,667
Unrealised (diminution) / appreciation / in the value of investments - net	(12,966)	6,887	(11,673)	(8,881)
Other net income for the period	156,503	139,587	44,142	65,679
	140,596	158,465	31,357	60,465
Interim distribution for the nine months and quarter ended 31 March 2010:				
- Issue of 2,385,819 and 705,842 bonus units respectively (2010: 2,237,185 bonus units and 778,437 bonus units respectively)	(121,352)	(113,272)	(35,995)	(39,465)
- Cash distribution	(14,820)	(23,711)	(5,221)	(10,294)
	(136,172)	(136,983)	(41,216)	(49,759)
Net income for the period less distributions	4,424	21,482	(9,859)	10,706
Issue of 394,579 bonus units for the period ended 30 June 2010	20,072	5,070	-	-
Issue of 2,385,819 bonus units and 705,842 bonus units for the nine months and quarter ended 31 March 2011 respectively (2010: 2,237,185 bonus units and 778,437 bonus units respectively)	121,352	113,272	35,995	39,465
Net assets at the end of the period	1,678,430	1,852,489	1,678,430	1,852,489

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH 2011**

	Nine months period ended 31 March		Quarter ended 31 March	
	2011	2010	2011	2010
	(Rupees in '000)		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	140,596	158,465	31,357	60,465
Adjustments:				
Unrealised diminution / (appreciation) in the value of investments - net	12,966	(6,887)	11,673	8,881
Amortisation of preliminary expenses and floatation costs	150	150	49	49
Net element of loss / (income) and capital (gains) / losses included in prices of units issued less those in units redeemed	10,288	(17,536)	289	(7,631)
Provision for non-performing assets	3,271	-	5,549	-
	<u>167,271</u>	<u>134,192</u>	<u>48,917</u>	<u>61,764</u>
(Increase) / decrease in assets				
Receivable against sale of units	22,791	25,576	(4,258)	1,154
Investments	564,577	(705,286)	(194,103)	(480,279)
Receivable under Margin Trading System	(13,808)	-	(13,808)	-
Loan and receivable	(145,000)	135,000	205,000	150,000
Income and profit receivable	11,034	(9,372)	6,473	4,561
Deposits, prepayments and other receivables	(886)	(101,736)	419	(105,112)
	<u>438,708</u>	<u>(655,818)</u>	<u>(277)</u>	<u>(429,676)</u>
Increase / (decrease) in liabilities				
Payable to the Management Company	(774)	924	21	1,748
Payable to Central Depository Company of Pakistan Limited - Trustee	(62)	104	(37)	18
Payable to Securities and Exchange Commission of Pakistan - Annual Fee	(75)	383	316	298
Payable against purchase of investments	-	-	-	-
Payable on redemption of units	(2,216)	(675)	(12,049)	(205)
Accrued expenses and other liabilities	3,700	(166)	3,355	44
	<u>573</u>	<u>570</u>	<u>(8,394)</u>	<u>1,903</u>
Net cash from / (used in) operating activities	606,552	(521,056)	40,246	(366,009)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net (payments) / receipts made against issuance / redemption of units	(679,228)	936,674	(36,196)	426,564
Cash dividend paid	(16,818)	(24,451)	(5,221)	(10,294)
Net cash (used in) / from financing activities	(696,046)	912,223	(41,417)	416,270
Net (decrease) / increase in cash and cash equivalents during the period	(89,494)	391,167	(1,172)	50,261
Cash and cash equivalents at the beginning of the period	107,319	122,495	18,996	463,401
Cash and cash equivalents at the end of the period	<u>17,825</u>	<u>513,662</u>	<u>17,825</u>	<u>513,662</u>

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED 31 MARCH 2011**

1. LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Income Enhancement Fund (the Fund) was established through a Trust Deed under the Trust Act 1882, executed between Arif Habib Investments Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the 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 2003).

The Management Company of the Fund has been licensed to act as an Asset Manager Company under the NBFC Rules through a certificate of registration issued by the SECP.

The Fund is an open-ended mutual fund listed on the Islamabad Stock Exchange of Pakistan. 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 management rating of 'AM2' (positive outlook) to the Management Company and 'AA-' as Stability rating of the Fund.

The policy of the Fund is to invest in the investment grade term finance certificates and sukuk bonds, certificate of investments, term deposit receipts, 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 (after approval of the SECP), ready & future markets and any other investment permissible under the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations 2008).

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

These un-audited condensed interim financial statements comprise of condensed interim statement of assets and liabilities as at 31 March 2011 and the related condensed interim income statement, condensed statement of comprehensive income, condensed interim distribution statement, condensed interim movement in unit holders' funds, condensed interim statement of cash flows and notes thereto, for the period ended 31 March 2011.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These un-audited condensed interim financial information have been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements for the year ended 30 June 2010.

These condensed interim financial information comprise of condensed interim statement of assets and liabilities as at 31 March 2011 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement, and notes thereto, for the nine months period ended 31 March 2011.

These condensed interim financial information are being submitted to the unit holders as required under Regulation 38 (g) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

2.2 Use of estimates and judgments

The preparation of these condensed interim financial statements requires the Management Company to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by the Management Company in applying accounting policies and the key sources of estimating uncertainty are the same as those that applied to financial statements as at and for the year ended 30 June 2010.

2.3 Functional and presentation currency

These condensed interim financial statements are presented in Pak Rupees which is the functional and presentation currency of the Fund. Figures have been rounded off to the nearest thousand Rupees.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are same as those applied in the preparation of the financial statements of the Fund for the period ended 30 June 2010.

3.1 Securities under Margin Trading System


Securities purchased under Margin Trading System (MTS) are entered into at contracted rates for Specified periods of time. Amount paid under these agreements are recognised as receivable in respect of MTS. Profit on MTS is recognised on an accrual basis using the effective interest rate method.

4. RISK MANAGEMENT

The Fund's risk management objectives and policies are consistent with those objectives and policies which were disclosed in the financial statements as at and for the year ended 30 June 2010.

5. INVESTMENTS - AT FAIR VALUE THROUGH PROFIT OR LOSS

		(Unaudited) 31 March 2011	(Audited) 30 June 2010
		(Rupees in '000)	
Term Finance Certificates - listed	5.2	234,039	276,275
Term Finance Certificates - unlisted	5.2	218,625	275,409
Sukuk Bonds - listed	5.2	-	37,487
Sukuk Bonds - unlisted	5.2	42,676	54,248
Government Securities	5.3	923,339	1,424,865
Commercial Paper	5.4	18,666	-
Government Ijarah Sukuk	5.5	50,125	-
		<u>1,487,470</u>	<u>2,068,284</u>

- 
- (a) These term finance certificates carry floating mark-up rate equal to 6 months Karachi Interbank Offered Rate "ask side" plus 1.50% per annum, receivable semi-annually in arrears with no floor or cap. These term finance certificates are unsecured.
 - (b) These term finance certificates carry floating mark-up rate equal to 6 months Karachi Interbank Offered Rate "ask side" plus 1.50% per annum, receivable semi-annually in arrears with no floor or cap. These term finance certificates are unsecured.
 - (c) These term finance certificates carry floating mark-up rate equal to 6 months Karachi Interbank Offered Rate "ask side" plus 2.50% per annum, receivable semi-annually in arrears with no floor or cap. These term finance certificates are unsecured.
 - (d) These term finance certificates carry floating mark-up rate equal to 6 months Karachi Interbank Offered Rate "ask side" plus 1.95% per annum, receivable semi-annually in arrears with no floor or cap. These term finance certificates are unsecured.
 - (e) These term finance certificates carry floating mark-up rate equal to 6 months Karachi Interbank Offered Rate "ask side" plus 1.60% per annum, receivable semi-annually in arrears with no floor or cap. These term finance certificates are secured.
 - (f) These term finance certificates carry floating mark-up rate equal to 6 months Karachi Interbank Offered Rate "ask side" plus 1.50% per annum, receivable semi-annually in arrears with no floor or cap. These term finance certificates are secured.
 - (g) These term finance certificates carry floating mark-up rate equal to 6 months Karachi Interbank Offered Rate "ask side" plus 1.50% per annum, receivable semi-annually in arrears with no floor or cap. These term finance certificates are secured.
 - (h) These term finance certificates carry mark-up rate equal to 6 months Karachi Interbank Offered Rate "ask side" plus 2.50% per annum, receivable semi-annually in arrears with no floor or cap. These term finance certificates are unsecured.
 - (i) These term finance certificates carry mark-up rate equal to 6 months Karachi Interbank Offered Rate "ask side" plus 1.70% per annum, receivable semi-annually in arrears with no floor or cap. These term finance certificates are secured.
 - (j) These term finance certificates carry mark-up rate equal to 6 months Karachi Interbank Offered Rate "ask side" plus 1.90% per annum, receivable semi-annually in arrears with no floor or cap. These term finance certificates are secured.
 - (k) These term finance certificates carry mark-up rate equal to 6 months Karachi Interbank Offered Rate "ask side" plus 1.70% per annum, receivable semi-annually in arrears with no floor or cap. These term finance certificates are secured.
 - (l) These Sukuk bonds carry mark-up rate equal to 6 months Karachi Interbank Offered Rate "ask side" plus 2.50% per annum, receivable semi-annually in arrears with no floor or cap. These term finance certificates are secured.
 - (m) These Sukuk bonds carry mark-up rate equal to 3 months Karachi Interbank Offered Rate "ask side" plus 1.75% per annum, receivable semi-annually in arrears with no floor or cap. These term finance certificates are secured.

5.3 Government securities

PAKISTAN INCOME ENHANCEMENT FUND
Managed by: ARIF HABIB INVESTMENTS LIMITED

Issue date	Tenure	As at 01 July 2010	Purchases during the period	Sales / Matures during the period	As at 31 March 2011	Cost as at 31 March 2011	Market value as at 31 March 2011	Appreciation / (diminution) in the value of	Market value as a percentage of net assets	total investment
------(Face value in denomination of Rs. 1,000)-----										
Pakistani Investment Bonds										
03 rd September 2009	3 years	41,667	-	41,667	-	-	-	-	-	-
03 rd September 2009	3 years	20,833	-	20,833	-	-	-	-	-	-
03 rd September 2009	3 years	41,667	-	41,667	-	-	-	-	-	-
03 rd September 2009	3 years	20,833	-	20,833	-	-	-	-	-	-
22 nd August 2007	5 years	39,000	-	39,000	-	-	-	-	-	-
Treasury Bills										
10 th September 2009	12 months	25,000	-	25,000	-	-	-	-	-	-
25 th February 2010	3 months	100,000	-	100,000	-	-	-	-	-	-
11 th March 2010	12 months	125,000	-	125,000	-	-	-	-	-	-
25 th March 2010	12 months	265,000	-	265,000	-	-	-	-	-	-
08 th April 2010	3 months	75,000	-	75,000	-	-	-	-	-	-
08 th April 2010	6 months	150,000	-	150,000	-	-	-	-	-	-
22 nd April 2010	3 months	65,000	-	65,000	-	-	-	-	-	-
22 nd April 2010	6 months	50,000	-	50,000	-	-	-	-	-	-
06 th May 2010	3 months	75,000	-	75,000	-	-	-	-	-	-
06 th May 2010	12 months	100,000	-	100,000	-	-	-	-	-	-
20 th May 2010	3 months	150,000	-	150,000	-	-	-	-	-	-
20 th May 2010	12 months	50,000	-	50,000	-	-	-	-	-	-
17 th June 2010	3 months	50,000	-	50,000	-	-	-	-	-	-
17 th June 2010	3 months	50,000	-	50,000	-	-	-	-	-	-
15 th July 2010	3 months	-	25,000	25,000	-	-	-	-	-	-
21 st July 2010	3 months	-	70,000	70,000	-	-	-	-	-	-
29 th July 2010	3 months	-	100,000	100,000	-	-	-	-	-	-
29 th July 2010	12 months	-	125,000	125,000	-	-	-	-	-	-
13 th August 2010	3 months	-	125,000	125,000	-	-	-	-	-	-
13 th August 2010	3 months	-	50,000	50,000	-	-	-	-	-	-
Balance brought down										-

Issue date	Tenure	As at 01 July 2010	Purchases during the period	Sales / Matured during the period	As at 31 March 2011	Cost as at 31 March 2011	Market value as at 31 March 2011	Appreciation / (diminution) in the value of	Market value as a percentage of net assets	Market value as a percentage of total investment
------(Face value in denomination of Rs. 1,000)-----										
			Balance brought forward							
26 th August 2010	3 months	-	35,000	35,000	-	-	-	-	-	-
09 th September 2010	3 months	-	85,000	85,000	-	-	-	-	-	-
07 th October 2010	3 months	-	150,000	150,000	-	-	-	-	-	-
13 th October 2010	3 months	-	60,000	60,000	-	-	-	-	-	-
21 st October 2010	3 months	-	200,000	200,000	-	-	-	-	-	-
04 th November 2010	3 months	-	170,000	170,000	-	-	-	-	-	-
04 th November 2010	3 months	-	50,000	50,000	-	-	-	-	-	-
16 th November 2010	3 months	-	35,000	35,000	-	-	-	-	-	-
02 nd December 2010	3 months	-	75,000	75,000	-	-	-	-	-	-
18 th December 2010	3 months	-	130,000	130,000	-	-	-	-	-	-
31 st December 2010	3 months	-	35,000	35,000	-	-	-	-	-	-
13 th January 2011	3 months	-	170,000	170,000	-	-	-	-	-	-
27 th January 2011	3 months	-	175,000	20,000	155,000	153,880	153,877	(3)	0.09	0.10
10 th February 2011	3 months	-	175,000	-	175,000	172,861	172,859	(2)	0.10	0.12
24 th February 2011	3 months	-	300,000	65,000	235,000	230,971	230,960	(11)	0.14	0.16
10 th March 2011	3 months	-	150,000	-	150,000	146,695	146,694	(1)	0.09	0.10
24 th March 2011	3 months	-	225,000	-	225,000	218,974	218,950	(24)	0.13	0.15
					923,381	923,340	(41)			

5.4 Commercial Paper

	As at 01 July 2010	Purchases during the period	Sales / Matured during the period	As at 31 March 2011	Cost as at 31 March 2011	Carrying value as at 31 March 2011	Appreciation / (diminution) in the value of	Market value as a percentage of net assets	total investment	
1 st March 2011	-	20	-	20	18,666	18,666	-	0.01	0.01	
	----- (Number of certificates) ----- (Rupees in '000) -----									
Face value of Re 1 million each					<u>18,666</u>	<u>18,666</u>	<u>-</u>			

5.5 Government Ijarah Sukkuik

Name of Investments	As at 1 July 2010	Purchases during the period	Sales during the period	As at 31 March 2011	Cost as at 31 March 2011	Market Value as at 31 March 2011	Appreciation / (diminution)	Market value as percentage of net assets	total
Government Ijarah Sukkuik	-	50,000	-	50,000	50,000	50,125	125	0.03	0.03
					<u>50,000</u>	<u>50,125</u>	<u>125</u>		
GRAND TOTAL					<u>1,486,380</u>	<u>1,487,470</u>	<u>1,090</u>		

6. CONTINGENCIES AND COMMITMENTS

Through the Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. The Mutual Funds Association of Pakistan (MUFAP), on behalf of its members filed a constitutional petition in the High Court of Sindh (SHC) praying it to declare that the funds are not establishments and as a result are not liable to pay contribution to the WWF. The honorable court has rejected the petition on technical grounds stating that MUFAP is not the aggrieved party in this case and required the aggrieved parties to approach the courts for the said petition. In response a petition has been filed with the SHC by some of Mutual Funds through their Trustees along with few investors. However, subsequent to filing of the petition, the Ministry of Labour and Manpower (the Ministry) issued a letter which states that mutual funds are not liable for WWF. Further, in a subsequent letter dated July 15, 2010 the Ministry clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section-4 of WWF Ordinance 1971. However, the income of Mutual Fund(s), the product being sold, is exempted under the law *ibid*."

There have been instances whereby show cause notices under section 221 of the Income Tax Ordinance, 2001 have been issued to a number of mutual funds for the recovery of WWF. On December 14, 2010, the Ministry filed its response contesting the said petition. SHC has concluded its hearing and judgement has been reserved.

Based on the advice of the legal council handling the case, the Management Company is of the view that notwithstanding the show cause notices issued to a number of mutual funds, WWF is not applicable to the Funds due to the clarification issued by the Ministry which creates vested right, hence provision has not been made in respect of WWF, which, if liable, would amount to Re 0.28 per unit.

7. NUMBER OF UNITS IN ISSUE

The units in issue as at 31 March 2011 in each class are as follows:

Plan	(Unaudited)	(Audited)
	31 March 2011	30 June 2010
	(Number of units)	
A	28,511,377	39,357,348
B	4,210,413	3,917,158
	<u>32,721,790</u>	<u>43,274,506</u>

8. EARNINGS PER UNIT

Earnings per unit (EPU) has not been disclosed as in the opinion of the management determination of weighted average units for calculating EPU is not practicable.

9 INTERIM DISTRIBUTION

The Fund has made following distributions during the period:

Dates	Rate	Bonus *		Cash Distribution **	Total
		Units	Amount		
------(Rupees in '000)-----					
26 July 2010	Re. 0.42 per unit	342,915	17,437	1,645	19,082
26 August 2010	Re. 0.51 per unit	388,269	19,662	1,998	21,660
27 September 2010	Re. 0.40 per unit	302,378	15,285	1,567	16,852
26 October 2010	Re. 0.27 per unit	181,263	9,163	1,058	10,221
26 November 2010	Re. 0.27 per unit	165,850	8,437	1,058	9,495
27 December 2010	Re. 0.54 per unit	299,302	15,375	2,274	17,649
26 January 2011	Re. 0.43 per unit	243,182	12,350	1,810	14,160
26 February 2011	Re. 0.30 per unit	177,250	9,036	1,263	10,299
26 March 2011	Re. 0.51 per unit	285,410	14,607	2,147	16,754
		2,385,819	121,352	14,820	136,172

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

** Cash dividend has been distributed to unit holders under plan B.

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

10 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons include Arif Habib Investments Limited (AHI) being the Management Company, Arif Habib Corporation Limited (formerly: Arif Habib Securities Limited) being the holding company of AHI, Arif Habib Limited and Thatta Cement Limited being companies under common control, Summit Bank Limited (formerly: Arif Habib Bank Limited) and Pak Arab Fertilizers Limited being the companies under common directorship, Central Depository Company Limited being the Trustee of the Fund, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.

Remunerations to the management company and trustee are determined in accordance with the provisions of NBFC regulations and Trust Deed of the Fund.

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

	Nine months period ended 31 March		Quarter ended 31 March	
	2011	2010	2011	2010
	(Rupees in '000)		(Rupees in '000)	
Arif Habib Investments Limited - Management Company				
Remuneration for the period	<u>21,720</u>	<u>15,758</u>	<u>6,333</u>	<u>5,968</u>
Front-end load for the period	<u>3,638</u>	<u>5,583</u>	<u>1,614</u>	<u>2,615</u>
Units issued - Nil units for the nine months and quarter ended 31 March 2011 (2010: 2,537,591 units)	-	130,000	-	130,000
Units redeemed - Nil units for the nine months and quarter ended 31 March 2011 (2010: 2,550,346 units)	-	130,349	-	130,349
Bonus units distributed - Nil units for the nine months and quarter ended 31 March 2011 respectively (2010: 12,755 units)	-	647	-	647
Summit Bank Limited (Formerly: Arif Habib Bank Limited)				
Mark-up for the period	<u>431</u>	<u>1,038</u>	<u>89</u>	<u>341</u>
Bonus Units issued 29,023 units and nil units for the nine months and quarter ended 31 March 2011 respectively (2010: 1,972,387 units and Nil units for the quarter)	<u>1,474</u>	<u>100,000</u>	-	<u>100,000</u>
Units redeemed 1,042,977- units and Nil units for the nine months and quarter ended 31 March 2011 respectively (2010: 2,968,512 units and 982,318 units for the quarter)	<u>53,015</u>	<u>150,700</u>	-	<u>50,000</u>
Cash dividend	-	10,118	-	2,538
Central Depository Company of Pakistan Limited - Trustee				
Remuneration for the period	<u>2,098</u>	<u>1,786</u>	<u>1,287</u>	<u>644</u>
CDS charges	<u>5</u>	<u>5</u>	<u>3</u>	<u>2</u>
CDS eligibility fee	<u>51</u>	<u>32</u>	<u>34</u>	<u>16</u>
Arif Habib Investment Management Limited - Employee Stock Beneficial Ownership Trust				
Bonus units issued 735 units and 225 units for the nine months and quarter ended 31 March 2011 respectively (2010 : 8,645 unit and 2,221 units for the quarter ended)	<u>37</u>	<u>438</u>	<u>11</u>	<u>113</u>
Units redeemed Nil units (2010: 25,569 units and 13,685 units for the quarter)	-	1,300	-	700
Arif Habib Investment Management Limited - Employee Provident Fund				
Bonus units issued 1,764 and 540 units for the nine months and quarter ended 31 March 2011 respectively (2010 : 20,387 unit and 603 units for the quarter ended)	<u>90</u>	<u>1,030</u>	<u>28</u>	<u>30</u>
Units redeemed Nil units	-	-	-	-
Purchase of Term Finance Certificates from Pakistan Strategic Allocation Fund (Managed by Arif Habib Investments Limited)				
United Bank Limited IV (14 February 2008) 20,000 certificates	-	91,897	-	-
Investment in Term Finance Certificates of Pak Arab Fertilizers Company Limited				
Sale of Term Finance Certificates (28 February 2008)	<u>3,947</u>	-	-	-
Purchase of Term Finance Certificates (28 February 2008) certificates	-	19,469	-	-

	31 March 2011 (Unaudited)	30 June 2010 (Audited)	(Rupees in '000)	
Directors and executives of the Management Company:				
Units issued 950,023 units and 564,055 units for the nine months and quarter ended 31 March 2011 respectively (2010: 57,696 and 50,703 units)	<u>48,546</u>	<u>571</u>	<u>28,855</u>	<u>503</u>
Units redeemed 756,042 units and 334,428 units for the nine months and quarter ended 31 March 2011 respectively (2010: 61,396 and 50,703 units)	<u>38,719</u>	<u>604</u>	<u>17,192</u>	<u>503</u>
Bonus units distributed 18,420 units and 8,435 units for the nine months and quarter ended 31 March 2011 respectively (2010: 18,637 and 4,703 units)	<u>939</u>	<u>944</u>	<u>431</u>	<u>239</u>
10.2 Amounts outstanding as at the period / year end with connected persons / related parties				
Arif Habib Investments Limited - Management Company				
Remuneration payable	<u>2,173</u>	<u>2,620</u>		
Payable in respect of preliminary expenses & floatation costs	<u>600</u>	<u>800</u>		
Front-end load payable	<u>60</u>	<u>187</u>		
Summit Bank Limited (Formerly: Arif Habib Bank Limited)				
Balance as at period end	<u>6,091</u>	<u>51,928</u>		
Accrued mark-up as at the period end	<u>30</u>	<u>182</u>		
Units held - Nil units (30 June 2010: 1,013,953 units)	<u>-</u>	<u>52,097</u>		
Arif Habib Investment Management Limited - Employee Stock Beneficial Ownership Trust				
Units held - 9,409 units (30 June 2010: 8,674 units)	<u>483</u>	<u>446</u>		
Arif Habib Investment Management Limited - Employee Provident Fund				
Units held - 22,554 units (30 June 2010: 20,791 units)	<u>1,157</u>	<u>1,068</u>		
Pakistan Stock Market Fund (Managed by Arif Habib Investments Limited)				
Receivable / (Payable) at the end of period / year	<u>(3,319)</u>	<u>(482)</u>		
Pakistan Cash Management Fund (Managed by Arif Habib Investments Limited)				
Payable as at the year end	<u>-</u>	<u>957</u>		
Pakistan International Element Islamic Fund (Managed by Arif Habib Investments Limited)				
Payable as at the year end	<u>-</u>	<u>5</u>		

31 March 2011 (Unaudited)	30 June 2010 (Audited)
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(Rupees in '000)

Pakistan Premier Fund (Managed by Arif Habib Investments Limited)

Receivable as at the end of the period / year	<u>272</u>	<u>-</u>
Central Depository Company of Pakistan Limited - Trustee		
Security deposit	<u>325</u>	<u>325</u>
Prepaid CDS eligibility fee	<u>35</u>	<u>-</u>
Remuneration payable	<u>195</u>	<u>257</u>
Directors and executives of the Management Company		
Units held - 472,526 units (30 June 2010: 237,671 units)	<u>24,236</u>	<u>12,212</u>

11 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

- 11.1** The mark-up and principal redemption of PEL issue dated 28.09.2007 amounting to Rs. 748,603 and Rs 2,857,120 respectively was due on 28.03.2011. The issuer on the due date had given a post dated cheque against mark-up. The payment instrument was beyond 15 days from the due date.

In accordance with the provisioning policy approved by the Board, the accrued mark-up of Rs. 748,603 was reversed and a provision was made against the principal amount due amounting to Rs.2,857,120. Further accrual of mark-up was also suspended.

- 11.2** The mark-up with principal redemption of Pace Pakistan Limited issue dated 15.02.2008 amounting to Rs. 5,549,307 and Rs. 30,000 respectively was due on 15.02.2011. In compliance with circular no 01 of 2009 dated 06 January 2009, the TFC was classified as non-performing on 02.03.2011. The accrued mark-up of Rs. 5,549,250 was reversed and accrual of mark-up was also suspended from the day the payment of mark-up became due ie 15.02.2011. Subsequently, the accrued mark-up amounting to Rs. 5,549,250 and principal amounting to Rs. 30,000 was received on 08.04.2011. In compliance with the above mentioned circular, the amount of mark-up and principal was written bank and TFC was classified as performing.

12 DATE OF AUTHORISATION

These financial statements were authorised for issue on 23 April 2011 by the Board of Directors of the Management Company.

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

Chief Executive

Director

