

**PAKISTAN
INCOME ENHANCEMENT 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	<table><tr><td>Mian Mohammad Mansha</td><td>Chairman(subject to the approval of SECP)</td></tr><tr><td>Mr. Nasim Beg</td><td>Executive Vice Chairman</td></tr><tr><td>Mr. Yasir Qadri</td><td>Chief Executive (subject to the approval of SECP)</td></tr><tr><td>Syed Salman Ali Shah</td><td>Director (subject to the approval of SECP)</td></tr><tr><td>Mr. Haroun Rashid</td><td>Director (subject to the approval of SECP)</td></tr><tr><td>Mr. Ahmed Jahangir</td><td>Director (subject to the approval of SECP)</td></tr><tr><td>Mr. Samad A. Habib</td><td>Director</td></tr><tr><td>Mr. Mirza Mahmood Ahmad</td><td>Director (subject to the approval of SECP)</td></tr></table>	Mian Mohammad Mansha	Chairman(subject to the approval of SECP)	Mr. Nasim Beg	Executive Vice Chairman	Mr. Yasir Qadri	Chief Executive (subject to the approval of SECP)	Syed Salman Ali Shah	Director (subject to the approval of SECP)	Mr. Haroun Rashid	Director (subject to the approval of SECP)	Mr. Ahmed Jahangir	Director (subject to the approval of SECP)	Mr. Samad A. Habib	Director	Mr. Mirza Mahmood Ahmad	Director (subject to the approval of SECP)
Mian Mohammad Mansha	Chairman(subject to the approval of SECP)																
Mr. Nasim Beg	Executive Vice Chairman																
Mr. Yasir Qadri	Chief Executive (subject to the approval of SECP)																
Syed Salman Ali Shah	Director (subject to the approval of SECP)																
Mr. Haroun Rashid	Director (subject to the approval of SECP)																
Mr. Ahmed Jahangir	Director (subject to the approval of SECP)																
Mr. Samad A. Habib	Director																
Mr. Mirza Mahmood Ahmad	Director (subject to the approval of SECP)																
Company Secretary & Chief Financial Officer of the Management Company	Mr. Muhammad Saqib Saleem																
Audit Committee	Mr. Nasim Beg Mr. Haroun Rashid Mr. Samad A. Habib Mr. Ali Munir																
Trustee	Central Depository Company of Pakistan Limited CDC House, 990B, Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400																
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited Bank Alfalah Limited Bank Al-Habib Limited Faysal Bank Limited Summit Bank Limited Allied Bank Limited																
Auditors	A.F. Ferguson & Co. - Chartered Accountants State Life Building No. 1-C, I.I. Chundrigar Road, Karachi-74000.																
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 (Positive Outlook) Management Quality Rating assigned by PACRA																

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

Dear Investor,

On behalf of the Board of Directors, I am pleased to present the financial results of **Pakistan Income Enhancement Fund** for the nine months ended March 31, 2012.

ECONOMY AND MONEY MARKET OVERVIEW

On the macroeconomic front, inflationary pressures have remained largely on the lower side during the period with YoY CPI inflation averaging 10.8% amid change in CPI methodology as well as high base-effect of last year. External account, however, has started deteriorating significantly with 8M FY12 current account balance posting a sizeable deficit of US\$ 3.0 billion amid higher trade deficit despite record remittances flows. Financial flows have remained weak during the period thereby posing serious risks towards balance of payment position as well as exchange rate. On the fiscal side, the government posted a budget deficit of 2.5% of GDP during 1H FY12 with about 94% funding coming from the domestic sources (including one-off circular debt adjustment, 1H FY12 deficit is around 4.4%). Significant deterioration in key macroeconomic indicators has compelled the SBP to keep its earlier adopted monetary easing stance at a halt during the latter part of the period under review.

In the money market, short term market rates remained on the higher side due to relatively tight liquidity scenario in the system amid continued NFA attrition. Due to sizeable depletion in net foreign assets (NFA) of the banking system, market liquidity remained largely tight almost throughout the period - compelling the SBP to constantly inject significant amount of money in the system through OMOs in order to calm down the market.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 9.5% as against its benchmark return of 11.1%, an under performance of 1.6% due to provisions taken against some of the term finance certificates in the portfolio.

The fund has reduced its exposure towards GoP Ijarah Sukuk to around 13% as against 26% in the previous quarter as it was able to off-load some of its stock at attractive prices. The fund has kept a decent exposure in good quality TFCs especially of banking sector to the tune of around 30% while actively managed its exposure and duration in Treasury bills throughout the period to capitalize on the fluctuating liquidity and interest rates in the market.

FUTURE OUTLOOK

Despite relatively lower inflation, fragile external and fiscal accounts would continue to keep a check on the SBP's future monetary direction. We continue to flag realization of foreign flows as the single most important variable especially in the backdrop of sustained oil prices, downward trend in cotton prices and debt repayments including IMF. However, re-emergence of talks over US flows under coalition support fund (CSF) and Kerry-Lugar bill would hold the key for the economic outlook in the near term.

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 27, 2012

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2012

	Note	Unaudited March 31, 2012	Audited June 30, 2011
Rupees in '000			
ASSETS			
Balances with banks		13,683	32,062
Investments	4	1,571,927	1,556,161
Loans and receivable		175,000	-
Receivable against sale of investments		-	678
Balance Receivable under margin trading system		-	7,707
Profit receivable		26,235	34,614
Security deposits and prepayments		1,727	796
Preliminary expenses and floatation cost		281	432
Total assets		1,788,853	1,632,450
LIABILITIES			
Payable to the Management Company		1,921	2,683
Payable to Central Depository Company of Pakistan Limited - Trustee		166	183
Payable to Securities and Exchange Commission of Pakistan		788	1,402
Payable against purchase of investments		488,436	-
Payable against redemption of units		-	2,297
Accrued expenses and other liabilities		1,388	1,473
Total liabilities		492,699	8,038
NET ASSETS		1,296,154	1,624,412
Unit holders' fund (as per statement attached)		1,296,154	1,624,412
CONTINGENCIES AND COMMITMENTS	5		
		Number of units	
NUMBER OF UNITS IN ISSUE		24,892,894	31,124,731
		Rupees	
NET ASSET VALUE PER UNIT	3.4	52.07	52.19

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

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

Yasir Qadri
Chief Executive Officer

Nasim Beg
Executive Vice Chairman

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

	Nine months ended		Quarter ended	
	March 31		December 31	
	2012	2011	2012	2011
	(Rupees in '000)		(Rupees in '000)	
INCOME				
Capital gain / (loss) on sale of investments - net	5,406	(2,941)	2,249	(1,112)
Profit on bank deposits, term deposit receipts and commercial paper	7,033	11,586	2,379	6,610
Income from investments in government securities	71,705	111,718	18,895	31,283
Income from margin trading system	35	48	-	48
Income from term finance certificates and sukuk bonds	50,393	73,390	14,996	19,960
	134,572	193,801	38,519	56,789
Net unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets at 'fair value through profit or loss'	4.3 (11,981)	(12,966)	(8,262)	(11,673)
Total Income	122,591	180,835	30,257	45,116
EXPENSES				
Remuneration of the management Company	15,769	21,720	4,923	6,333
Sindh sales tax on remuneration of the Management Company	2,523		788	
Remuneration of Central Depository Company of Pakistan Limited -Trustee	1,532	2,098	490	568
Annual fee - Securities and Exchange Commission of Pakistan	788	1,090	246	316
Brokerage and settlement charges	990	1,027	247	463
Amortization of preliminary expenses and floatation costs	151	150	50	49
Auditors' remuneration	449	300	109	99
Printing of annual accounts	252	94	68	31
Fees and subscription fees	101	133	27	44
Professional Charges	118	68	80	18
Total Expenses before provision for non-performing exposure	22,673	26,680	7,028	7,921
Provision for non-performing exposure	4.4 2,441	3,271	-	5,549
Net Income from operating activities	97,477	150,884	23,229	31,646
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed	(2,399)	(10,288)	(321)	(289)
Provision for Workers' Welfare Fund	-	-	-	-
Net Income / (loss) for the period before taxation	95,078	140,596	22,908	31,357
Taxation	-	-	-	-
Net income/ (loss) for the period after taxation	95,078	140,596	22,908	31,357
Other comprehensive income/ (loss) for the period	-	-	-	-
Total comprehensive income/ (loss) for the period	95,078	140,596	22,908	31,357
Earnings / (loss) per unit	3.5			

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

For Arif Habib Investments Limited
(Management Company)

Yasir Qadri
Chief Executive Officer

Nasim Beg
Executive Vice Chairman

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

Note	Nine months ended		Quarter ended	
	March 31		December 31	
	2012	2011	2012	2011
	----- Rupees in '000 -----			
Undistributed income brought forward	68,060	59,869	55,998	52,082
Final Distribution for the year ended June 30, 2011 Re 0.3309 per unit (Date of Distribution: July 4, 2011) (2010:Re 0.51) per unit				
-Bonus units	(9,130)	(20,072)	-	-
-Cash distribution	(1,169)	(1,998)	-	-
	57,761	37,799	55,998	52,082
Net element of income losses / gains 'included in the prices of units issued less those in units 'redeemed	(11,586)	-	(1,164)	-
Net income for the period	95,078	140,596	22,908	31,357
Interim Distribution				
Interim distribution for the period ended March 31, 2012:				
-Bonus units	8 (80,717)	(121,352)	(23,643)	(35,995)
-Cash distribution	8 (9,142)	(14,820)	(2,705)	(5,221)
Undistributed income carried forward	51,394	42,223	51,394	42,223

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

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

Yasir Qadri
Chief Executive Officer

Nasim Beg
Executive Vice Chairman

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

Note	Nine months ended		Quarter ended	
	March 31		December 31	
	2012	2011	2012	2011
	----- Rupees in '000 -----			
Net assets at beginning of the period	1,624,412	2,223,592	1,332,193	1,688,201
Issue of 9,167,069 units (2010: 13,042,078 units) and 2,549,904 units (2010: 3,948,054 units) for the half year and quarter respectively	478,705	952,965	133,371	288,092
Redemption of 17,126,115 units (2010: 25,670,956 units) and 3,632,425 units (2010: 13,128,496 units) for the half year and quarter respectively	(894,129)	(1,632,193)	(189,934)	(324,288)
	(415,424)	(679,228)	(56,563)	(36,196)
Issue of 1,727,209 bonus units (2011: 2,074,516 bonus units) and 453,825 bonus units (2011: 646,374 bonus units) for the half year and quarter respectively.	89,847	141,424	23,643	35,995
	(325,577)	(537,804)	(32,920)	(201)
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed transferred to income statement - net				
- Amount representing loss and losses transferred to income statement	2,399	10,288	321	289
- Amount representing loss and capital losses that form part of unitholders' fund transferred to distribution statement	11,586	-	1,164	-
Capital gain / (loss) on sale of investments - net	5,406	(2,941)	2,249	(1,112)
Unrealised (diminution) / appreciation in value of investments at market value through profit or loss - net	11,981	12,966	8,262	11,673
Other net income for the period	77,692	130,571	12,398	20,796
	95,078	140,596	22,908	31,357
- Amount representing loss and capital losses that form part of unitholders' fund transferred to distribution statement	(11,586)	-	(1,164)	-
Final Distribution				
Final Distribution for the year ended June 30, 2011: Re 0.3309 per unit (2010: Re 0.51 per unit) (Date of Distribution: July 5, 2011)				
- Bonus units	(9,130)	(20,072)	-	-
- Cash Distribution	(1,169)	(1,998)	-	-
Interim Distribution				
Issue of 1,097,335 bonus units (2010: 1,679,937 bonus units) and 508,286 bonus units (2010: 646,374 bonus units) for the half year and quarter respectively.				
- Bonus Distribution	8 (80,717)	(121,352)	(23,643)	(35,995)
- Cash Distribution	8 (9,142)	(14,820)	(2,705)	(5,221)
Net assets as at end of the period	<u>1,296,154</u>	<u>1,678,430</u>	<u>1,296,154</u>	<u>1,678,430</u>

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

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

Yasir Qadri
Chief Executive Officer

Nasim Beg
Executive Vice Chairman

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

	Nine months ended		Quarter ended	
	March 31		December 31	
	2012	2011	2012	2011
	(Rupees) '000'			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period before taxation	95,078	140,596	22,908	31,357
Adjustments for non-cash charges and other items:				
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	2,399	10,288	321	289
Amortization of preliminary expenses	151	150	50	49
Net unrealised appreciation / (diminution) on re - measurement of investments classified as 'financial assets at fair value through profit or loss'	11,981	12,966	8,262	11,673
Provision for non-performing assets	2,441	3,271	-	5,549
	112,050	167,271	31,541	48,917
Decrease / (increase) in assets				
Investments - net	458,926	564,577	57,954	(194,103)
Receivable against sale of units	-	22,791	1,011	(4,258)
Balance Receivable under margin trading system	7,707	(13,808)	-	(13,808)
Loans and receivables	(175,000)	(145,000)	(175,000)	205,000
Income receivable	8,379	11,034	(3,270)	6,473
Prepayments	(931)	(886)	37	419
	299,081	438,708	(119,268)	(277)
(Decrease) / increase in liabilities				
Payable to the Management Company	(762)	(774)	(17)	21
Payable to the Trustee	(17)	(62)	-	(37)
Annual fee payable to the Securities and Exchange Commission of Pakistan	(614)	(75)	246	316
Payable against purchase of investments	-	-	-	-
Payable against redemption of units	(2,297)	(2,216)	-	(12,049)
Accrued expenses and other liabilities	(85)	3,700	(1,463)	3,355
	(3,775)	573	(1,234)	(8,394)
Net cash generated from / (used in) from operating activities	407,357	606,552	(88,960)	40,246
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts against issue of units	478,705	952,965	133,371	288,092
Payment against redemption of units	(894,129)	(1,632,193)	(189,934)	(324,288)
	(415,424)	(679,228)	(56,563)	(36,196)
Dividend paid	(10,311)	(16,818)	(2,705)	(5,221)
Net cash (used in) / generated from financing activities	(425,735)	(696,046)	(59,268)	(41,417)
Net increase in cash and cash equivalents during the period	(18,379)	(89,494)	(148,229)	(1,171)
Cash and cash equivalents at beginning of the period	32,062	107,319	161,912	18,996
Cash and cash equivalents at end of the period	13,683	17,825	13,683	17,825

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

For Arif Habib Investments Limited
(Management Company)

Yasir Qadri
Chief Executive Officer

Nasim Beg
Executive Vice Chairman

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

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

The 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. The Fund has been categorized as Aggressive Fixed Income scheme by the Board of Directors of the Asset Management Company

Pakistan Credit Rating Agency (PACRA) has assigned asset manager rating of 'AM2' (positive outlook) to the Management Company and AA- as stability rating to 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, 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 as a trustee of the Fund.

2. BASIS OF PREPARATION

2.1 This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'.

2.2 This condensed interim financial information is unaudited.

2.3 The directors of the management company declare that this condensed interim financial information give a true and fair view of the Fund.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

During the period the Fund has revised the methodology for determination of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed. As per the revised methodology, element of income / (loss) and capital gains / (losses)

included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the year is recognised in the income statement and the remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is included in the distribution statement. Previously, the proportion of opening undistributed income received / paid on issue / redemption of units was being recognised in the income statement.

The revised methodology, in the opinion of the management, would ensure that continuing unit holders' share of undistributed income remains unchanged on issue and redemption of units. The change did not have any impact on the net assets value (NAV) of the Fund. Had the management not revised its methodology:

- profit for the period would have been lower by Rs 11.586 million.
- amount taken to distribution statement would have been higher by Rs 11.586 million.

3.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

The following new standards are amendments to existing standards are mandatory for the first time for the financial periods beginning July 1, 2011

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The adoption of the revised standard did not have any impact on the Fund's condensed interim financial information.

IFRS 7 (amendment) 'Financial instruments: Disclosures'. This amendment was part of the IASB's annual improvement project published in May 2010. The amendment emphasises the interaction between quantitative disclosures about the nature and extent of risks associated with financial instruments. Adoption of this amendment did not have any impact on the Fund's condensed interim financial information.

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the period and are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevance or did not have any significant effect on the Fund's operations and are, therefore, not disclosed in this condensed interim financial information

3.3 Standards, interpretations and amendments to published approved accounting standards as adopted in Pakistan, that are not yet effective

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that are mandatory for accounting periods beginning on or after July 1, 2012 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these condensed interim financial information.

3.4 Net Asset Value per unit

The net asset value (NAV) per unit, as disclosed on the Statement of Assets and Liabilities, is calculated by dividing the net assets of the Fund by the number of units in circulation at the period end.

3.5 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.

	Note	(Un-audited) March 31, 2012	(Audited) June 30, 2011
----- Rupees in '000 -----			
4 INVESTMENTS			
At fair value through profit or loss			
- Government securities	4.1	1,029,722	1,062,209
- Debt securities	4.2		
- Listed Debt securities		217,164	237,022
- Unlisted Debt securities		325,041	212,515
- Advance against subscription of Term finance certificates		-	25,000
		1,571,927	1,536,746
Available for sale			
- Commercial paper		-	19,415
		1,571,927	1,556,161

**NOTES TO AND FORMING PART OF THE CONDENSED
INTERIM FINANCIAL INFORMATION (UN-AUDITED)**

**FOR THE NINE MONTHS AND
QUARTER ENDED MARCH 31, 2012**

4.1 Government Securities

Issue date	Tenor	Face value				Balance as at March 31, 2012			Market value as a percentage of net assets	Market value as a percentage of total investments
		Balance as at July 1, 2011	Purchases during the period	Sales / Matured during the period	Balance as at March 31, 2012	Cost	Market value	Appreciation / (Diminution)		
Rupees in '000										
Market Treasury Bills										
Treasury bills - 3 months	3 Months	425,000	315,000	(570,000)	170,000	168,038	167,992	(46)	-	-
Treasury bills - 6 months	6 Months	567,500	1,280,000	(1,347,500)	500,000	488,453	488,453	-	36.65	31.1
Treasury bills - 12 months	12 Months	-	1,637,000	(1,546,000)	91,000	85,579	85,439	(140)	6.41	5.4
						742,070	741,884	(186)		
Pakistan Investment Bonds										
Pakistan Investment Bonds	10 Years	-	240,000	(240,000)	-	-	-	-	-	-
Pakistan Investment Bonds	5 Years	-	50,000	-	-	48,928	48,435	(493)	3.6	4.6
						48,928	48,435	(493)		
Government Ijara Sukuk										
Government Ijara Sukuk - 5		50,000	280,000	200,000	130,000	130,675	130,675	-	9.8	12.5
Government Ijara Sukuk - 8		-	383,200	300,000	83,200	83,658	83,658	-		
Government Ijara Sukuk - 9		-	25,000	-	25,000	25,070	25,070	-	1.9	2.4
						239,403	239,403	-		
Total as at March 31, 2012						1,030,401	1,029,722	(679)		
Total as at June 30, 2011						1,062,659	1,062,209	(450)		

4.2 Debt Securities

Name of the investee company	Issue date	As at June 30, 2011	Purchases during the year	Sales / matured during the year	As at March 31, 2012	Balance as at March 31, 2012			--- Market Value ---		Percentage in relation to the size of issue
						Cost	Market value	Appreciation / (diminution)	As a percentage of total investments	As a percentage of net assets	
Number of certificates ----- (Rupees in '000) -----											
Certificates having a face value of Rs. 5,000 each unless stated otherwise											
Listed											
Bank AlHabib Limited	7-Feb-07	5,000	-	-	5,000	25,644	25,657	13	0.02	1.98	1.67
Askari Commercial Bank	31-Oct-05	6,000	-	-	6,000	30,288	30,000	(288)	0.03	2.31	2.00
PACE Pakistan Ltd	15-Feb-08	15,000	-	-	15,000	49,380	41,184	(8,196)	0.04	3.18	2.75
Pak Arab Fertilizer Ltd	28-Feb-08	4,703	-	4,703	-	-	-	-	0.02	-	0.00
Askari Commercial Bank	18-Nov-09	4,000	-	3,000	1,000	5,168	5,342	174	0.00	0.41	0.18
Askari Commercial Bank	4-Feb-05	425	-	-	425	2,126	2,146	20	0.00	0.17	0.14
Escorts Investment Bank	15-Mar-07	6,000	-	-	6,000	7,879	5,464	(2,415)	0.01	0.42	1.09
United Bank Limited	14-Feb-08	5,000	-	5,000	-	-	-	-	-	-	0.00
NIB Bank Limited	5-Mar-08	-	12,399	-	12,399	60,788	61,741	953	0.03	4.76	2.06
Askari Commercial Bank	23-Dec-11	-	45	-	45	45,000	45,630	630	0.04	3.52	4.56
						226,272	217,164	(9,108)			
Unlisted											
Engro Chemical (Perpetual 1)	18-Mar-08	27,200	-	4,100	23,100	108,570	108,570	-	0.11	8.38	2.71
KASB Securities	27-Jun-07	8,000	-	-	8,000	15,064	13,275	(1,789)	0.01	1.02	4.00
Bank Alfalah Limited (Floating)	2-Dec-09	11,000	-	-	11,000	55,726	55,726	-	0.05	4.30	1.11
JS Company Limited	4-Jul-07	3,250	-	-	3,250	16,240	16,167	(73)	0.02	1.25	1.29
Bank Al Habib Limited	30-Jun-11	-	15,000	1,900	13,100	67,234	69,461	2,227	0.08	5.36	2.32
Bank Al Falah Limited (Fixed)	2-Dec-09	-	6,000	-	6,000	30,021	31,235	1,214	0.03	2.41	0.62
						292,855	294,434	1,579			
Sukuk Bonds - Unlisted											
Eden Housing Limited	31-Mar-08	10,415	-	-	10,415	20,280	16,893	(3,387)	0.02	1.30	0.68
Pak Elektron Limited	28-Sep-07	8,000	-	-	8,000	14,100	13,714	(386)	0.01	1.06	1.14
						34,380	30,607	(3,773)			
Total as at March 31, 2012						553,507	542,205	(11,302)			
Total as at June 30, 2011						448,781	449,537	756			

- 4.3 Government Ijarah sukuks have been carried at cost by the Fund as in the opinion of the management, there is no external source available for their accurate valuation. Financial Markets Association of Pakistan (FMAP) is currently developing a mechanism for revaluation of these sukuks. Once developed, this mechanism will be forwarded to the Securities and Exchange Commission of Pakistan (SECP) and State Bank of Pakistan (SBP) for their consideration. Mutual Funds Association of Pakistan (MUFAP) has also informed the SECP that the mechanism of pricing of these sukuks is currently being studied by MUFAP and has requested SECP to allow status quo to the Funds in valuation of these securities.
- 4.4 During the period, Eden housing Limited has been classified as a non - performing debt security in accordance with Circular no. 1 of 2009 and Circular no. 3 of 2010 issued by the Securities and Exchange Commission of Pakistan the principal redemption due on 29th December amounting to Rs 2.441 million has been provided and since the accrual of income was suspended, therefore, no provision against the income has been made. Further, in accordance with circular 1 of 2009, investment committee has provided a provision of Rs 3.300 million. During the period Eden housing Limited paid the coupon due on 29 December 2011, however it deflated on coupon payment due on March 29, 2012 amounting to Rs. 2.441 million which has been provided.
- 4.5 During the period PACE Pakistan Limited has been classified as non - performing debt security in accordance with Circular no. 1 of 2009 and Circular no. 3 of 2010 issued by the Securities and Exchange commission of Pakistan the principal & interest income amounting to Rs 5.915 million has been provided for and markup accrual has been suspended. Further, in accordance with circular 1 of 2009, investment committee has provided a provision of Rs 4.477 million.

5 CONTINGENCIES AND COMMITMENTS

- 5.1 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 Honorable High Court of Sindh (the Court), 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. Accordingly, 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 period, the Honourable Lahore Court, (LHC) in a constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company believes that the Pakistan Income Enhancement Fund is not liable to contribute to WWF and hence no provision has been recognised by the Management Company. The aggregate unrecognized amount of WWF as at March 31, 2012 amounted to Rs 12.145 million (including Rs. 10.243 million for the prior years).

- 5.2 There were no other contingencies and commitments outstanding as at March 31, 2012.

6 SINDH SALES TAX ON REMUNERATION OF THE MANAGEMENT COMPANY

During the current period the provincial government has levied General Sales Tax at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011. Management fee charged during the period includes General Sales Tax.

7 TAXATION

The income of the Fund is exempt from income tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded provision for taxation as the Management Company, on behalf of the Scheme, intends to distribute at least 90 percent of the Fund's accounting income for the current year as reduced by capital gains (whether realised or unrealised) to its unit holders.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

8 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** Rupees in '000	Total
		Units	Amount		
July 26, 2011	Re. 0.4000	208,325	10,812	1,413	12,225
August 26, 2011	Re. 0.4800	238,365	12,383	1,237	13,620
September 26, 2011	Re. 0.2900	142,358	7,400	747	8,147
October 26, 2011	Re. 0.3200	137,033	7,127	825	7,952
November 26, 2011	Re. 0.3600	152,788	7,953	927	8,880
December 26, 2011	Re. 0.5000	218,466	11,399	1,288	12,687
Janaury 26, 2012	Re. 0.3000	131,045	6,842	773	7,615
February 26, 2012	Re. 0.3500	151,256	7,870	902	8,772
March 26, 2012	Re. 0.4000	171,527	8,931	1,031	9,962
		1,551,163	80,717	9,142	89,859

* 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 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 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. SECP vide letter no. NBFC - ILDD / AHIL / Misc-734 / 2009 has approved the above arrangement.

9 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, the Trustee, directors and key management personnel and other associated undertakings.

Performance fee payable to the Management Company is determined in accordance with the provisions of the Non Banking Finance Companies and Notified Entities Regulation, 2008 and constitutive documents of the Fund.

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

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

9.1 Transactions during the period

	Unaudited			
	Nine months ended March 31,		Quarter ended December 31,	
	2012	2011	2012	2011
	----- Rupees in '000 -----			
Management Company				
Performance fee for the period	15,769	21,720	4,923	6,333
Summit Bank Limited				
Profit on bank deposits	217	342	24	118
MCB Bank Limited				
Profit on bank deposits	1,965	-	820	-
Central Depository Company of Pakistan Limited - Trustee				
Remuneration for the period	1,532	2,098	490	568
CDS charges	16	5	3	3
Directors / officers and employees of the management company				
Issue of 351,079 units (2011: 950,023 units) and 54,197 (2011: 564,055) for the nine months and quarter respectively	17,979	48,546	2,849	28,855
Redemption of 349,616 units (2011: 756,042 units) and 38,233 units (2011: 334,428) for the nine months and quarter respectively	17,924	38,719	2,000	17,192
Issue of 3,954 bonus units (2011: 18,420 units) and 3,857 units (2011: 8,435) for the nine months and quarter respectively	201	939	201	431

	(Un-audited) March 31, 2012	(Audited) June 30 2011
	(Rupees in '000)	
9.2 Balances outstanding as at period end		
Management Company		
Management fee payable	1,917	2,004
Payable in respect of preliminary expenses & floatation cost	-	600
Front end load payable	4	79
Summit Bank Limited		
Bank balance at the end of the period / year	2,193	5,300
Profit receivable	5	30
MCB Bank Limited		
Bank balance at the end of the period / year	9,889	-
Profit receivable	1,000	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	166	183
Security deposit	325	325
Directors / officers and employees of the management company		
Units held 200,684 units (2011: 636,396 units)	10,449	33,213

10 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on April 27, 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. No significant changes to corresponding figures have been made during the period.

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

Yasir Qadri
Chief Executive Officer

Nasim Beg
Executive Vice Chairman