

PAKISTAN INCOME ENHANCEMENT FUND

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FUND'S INFORMATION

Management Company

Arif Habib Investments Limited
(Formerly: Arif Habib Investment Management Limited)
2 / I, R.Y. 16, Old Queens Road, Karachi-74000, Pakistan.

Board of Directors of the Management Company

Mr. Nasim Beg	Chief Executive
Mr. Muhammad Shafi Malik	Director
Syed Ajaz Ahmed	Director
Mr. Sirajuddin Cassim	Director
Mr. Muhammad Akmal Jameel	Director
Mr. Muhammad Kashif	Director
Mr. S. Gulrez Yazdani	Director (appointment subject to approval of SECP)

Audit Committee

Mr. Muhammad Shafi Malik	Member
Syed Ajaz Ahmed	Member
Mr. Muhammad Akmal Jameel	Member
Mr. Muhammad Kashif	Member

Company Secretary & CFO of the Management Company

Mr. Zeeshan

Trustee

Central Depository Company of Pakistan Limited (CDC)
99-B, Block-B, S.M.C.H.S.,
Main Shahrah-e- Faisal, Karachi.

Bankers

- Arif Habib Bank Limited
- Allied Bank Limited
- Bank AL Habib Limited
- Bank Alfalah Limited
- Habib Metropolitan Bank Limited
- The Bank of Punjab

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,
6-cl-10, Beaumont Road,
Civil Lines, Karachi-75530

Registrar

Gangjees Registrar Services (Pvt) Limited.
Room No. 516, 5th Floor, Clifton Centre,
Kehkashan, Clifton, Karachi.

Rating

- PACRA : A+ (f) Stability Rating
- PACRA : AM2 - (Management Quality rating assigned to Management Company)

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REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED 30TH SEPTEMBER 2009

The Board of Directors of Arif Habib Investments Limited (*formerly Arif Habib Investment Management Limited*), the Management Company of Pakistan Income Enhancement Fund (PIEF), submits herewith its Report together with the Condensed Interim Financial Statements for the quarter ended 30th September 2009.

Fund Objective

The objective of the Fund is to provide investors an opportunity to earn a reasonable rate of return by taking exposure primarily in debt and fixed income products and also seek enhancement in return wherever possible, by taking a limited exposure in the equities and structured products both within and outside Pakistan.

Fund Profile

PIEF is an Open-end Fund, which is allowed to invest primarily in debt and fixed income instruments and is also allowed to take limited exposure in structured products and arbitrage transactions in Ready/Future markets.

Financial Performance during the quarter ended 30th September 2009

The net income for the quarter ended 30th September 2009 was Rs 52.41 million which comprised mainly of income from Term Finance Certificates Rs 14.95 million, Treasury bills Rs 11.08 million, Capital gain on sale of investments Rs 8.07 million, other debt securities Rs 4.78 million and bank deposits Rs 3.40 million.

The Net Assets of the Fund as at 30th September 2009 stood at Rs 1,627.74 million. The ex-dividend Net Asset Value (NAV) per unit at the beginning of the period was Rs 50.54 and with an increase of Rs 1.98 in the NAV per unit recorded during the period under review; the NAV per unit on 30th September 2009 was Rs 50.52 after distribution of interim dividend of Rs 2 per unit. The Fund made an annualized return of 16.70% during the period.

Earning Per Unit (EPU)

EPU has not been disclosed as we feel determination of weighted average units for calculating EPU is not practicable for Open-end Funds.

Interim Distribution

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

Date	Rate
26 th July 2009	Re 0.65 per unit
26 th August 2009	Re 0.53 per unit
26 th September 2009	Re 0.82 per unit

Future Outlook

While declining core inflation and improvements in the external account have provided impetus to the case for further monetary easing, pressures from the fiscal side, particularly

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uncertainty with respect to the externally financed portion of the budget, will likely result in the SBP to adopt a more cautious stance in this respect. Along this view, Market yields will probably remain at higher levels for the time being. Thus, government securities will continue to provide good yields in the near term with the advantage of a valuation gain once interest rates do come down. This, to a large extent depends on SBP's decision to reduce the discount rate in its monetary policy statement in November, 2009.

Acknowledgement

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

For and on behalf of the Board

22nd October 2009
Karachi

Nasim Beg
Chief Executive

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REPORT OF THE FUND MANAGER FOR THE QUARTER ENDED 30TH SEPTEMBER 2009

Objective

The objective of the Fund is to deliver high regular return, primarily from debt and fixed income securities investments.

Fund Profile

PIEF is an Open-end Fund, which is allowed to invest primarily in debt and fixed income instruments and is also allowed to take limited exposure in structured products and arbitrage transactions in Ready/Future markets.

Fund Performance

PIEF delivered an annualised return of 16.70% for the quarter ended 30th September, 2009 outperforming the industry average of 10.76%. Better returns during the quarter were mainly attributed to price appreciation in TFC portfolio. A more than 100% increase in the Fund size including an increase in rupee value investment from Rs. 278.8 to Rs. 448.40 million a quarter earlier, reduced the overall exposure percentage of TFC allocation in the portfolio. During the period, investment in banking, real estate and investment banking sector TFCs was increased, while the Fund booked profits in fertilizer, leasing and communication sectors. Majority of new allocation was made in Treasury Bills offering adequate short term yields and highest credit quality and liquidity. The Fund also actively traded TFCs in the secondary market during the period which further enhanced the overall returns of the Fund. The Fund's weighted average portfolio credit quality was AA+ with an average duration of 169 days at September end.

During this period, the funds under management increased by 103.64% to Rs 1.628 billion on 30th September 2009 from Rs 799.34 million (30th June 2009). PIEF declared a cumulative dividend of Rs 2.0 per unit during the quarter ended 30th September 2009.

Asset allocation during First Quarter FY10

The major asset class during July – September, 2009 was Government Securities followed by TFCs, Short term Money Market Placements and Bank deposits. PIEF increased its allocation in short dated Government Treasury Bills to 58.36% of net assets, from 28.88% in the last quarter due to attractive yields. The Fund invested 27.55% of net assets in TFCs as compared to 34.25% (June 2009) after decreasing exposure in Fertilizer, Leasing and Communication TFCs, which were offering comparatively lower credit spreads and increased Real Estate, Banking and Investment Banking sector TFCs in its portfolio in order to capitalise on higher credit spreads. The Fund remained invested mostly in high quality TFCs with an average rating of AA-. Short term Money Market Placements stood at 10.33% and Bank deposits were at 1.64% of net assets at the end of the quarter.

Market Review

Interest rates have edged upwards in Q1 FY10 in longer tenors with a 23 bps and 31 bps rise in 6-month and 1 year T-bills, while in the 3 month tenor there was a decline of 11 bps. There was however a more substantial rise in the 10 year PIB yield which rose by 48 bps

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to 12.47% at Q1 end. Liquidity pressures emanating from an aggressive T-bill auction target in Q1 against maturities and deposit withdrawals as a result of the Ramadan-Eid season restrained the KIBOR from slipping down significantly while expectations of the Central Bank maintaining policy rate at 13% in September against previous anticipations of a cut, were paramount in pushing treasury yields higher. During Q1 FY10 2009, 6-month KIBOR moved slightly downwards by 11 bps to 12.65%, after touching a low of 11.87% on 27th July, 2009 and a high of 12.68% on 10th & 12th September 2009.

In addition to this, SBP announced a cut in the discount rate by 100 bps in August, which was less than originally anticipated. The State Bank of Pakistan (SBP) is viewing mixed inflationary signals going forward and continued stress on the fiscal accounts. What particularly concerns the Central Bank is that effectively a rising trend has been witnessed in the CPI since February 2009, which if continued, will push headline CPI higher in the months to come. September CPI recorded an increase of 10.12 percent.

On the positive side however, Non Food, Non Energy or core inflation fell to 11.9% YoY in September against 12.6% percent a month earlier and in SBP's view, slow economic activity is likely to keep fundamental drivers of core inflation under control. In this regard, SBP may opt for easing the discount rate by 100 bps to 12%, expectations of which may allow market interest rates to adjust downward. Moreover, the liquidity situation is likely to improve into Q2 FY10, driven by a build up of Net Foreign Assets (NFAs) of the banking system. A more favourable, Balance of Payments (BoP) position has allowed the NFAs to increase by PKR 127.48 bn July-Sept, consequently increasing the Monetary base (RM) by 7.43% against 3.11% in the corresponding period in FY09. However, risks to lower interest rates also emanate from the fiscal side as lack of clarity with respect the timing of foreign inflows may increase budgetary financing needs from the domestic economy and decrease the quantum of credit available in an already inactive credit market.

Government Bonds

During the previous quarter, SBP conducted a PIB auction on 2nd September 2009 with the pre-auction targets of Rs. 15.0 billion. Expectations of a further cut in discount rate, attracted major participation in 10-year bond; received a participation of Rs. 17.17 billion, against which Rs. 12.47 billion was accepted. The cut-off of 10-year bond was decreased by 13 bps to 12.50% from 12.63% (previous). However, a decline of 46 to 55 bps in longer tenor yields (15 to 30 yrs) was noted due to high demand by selective institutions. The Government had also borrowed Rs. 14.396 billion from Islamic institutions by selling GIS Sukuk through auction at a cut-off of weighted average 6-month T-bill cut-off minus 5 bps.

Treasury Bills

During last quarter, SBP conducted six regular T-bill auctions. The pre-auction target was Rs. 325.0 billion against a T-bill maturity of Rs. 173.67 billion in the same period. A cumulative amount of Rs. 363.28 billion was accepted against total participation of Rs. 771.01 billion. In anticipation of cut in discount rate, major participation was in the 1-year T-bill. The first auction (16th July 09) witnessed a decrease of 70 bps in the cut-off of 1-year T-bill at 11.54%, while in the last auction (26th September 09), cut-off of 1-year T-bill increased by 6 bps to 12.54%.

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Corporate Bonds

Corporate sector demand in TFCs reduced the credit spread over benchmark (6-month) KIBOR at quarter end. New issues from commercial banks are being offered at 2.5% over benchmark rate, which has pushed the prices of existing papers down where credit spreads have widened to almost 2.5% over 6 month KIBOR from 2% earlier. Later on, upward adjustment was witnessed in TFC prices issued by Communication, Leasing and Real Estate Companies with the resulting decrease in credit spreads from 11.00% to 8.40% in Communications and 8.56% to 6.20% in Leasing.

Future Outlook

While declining core inflation and improvements in the external account have provided impetus to the case for further monetary easing, pressures from the fiscal side, particularly uncertainty with respect to the externally financed portion of the budget, will likely result in the SBP to adopt a more cautious stance in this respect. Along this view, Market yields will probably remain at higher levels for the time being. Thus, government securities will continue to provide good yields in the near term with the advantage of a valuation gain once interest rates do come down. This, to a large extent depends on SBP's decision to reduce the discount rate in its monetary policy statement in November, 2009.

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**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT 30TH SEPTEMBER 2009**

	<i>Note</i>	(Unaudited) 30th September 2009	(Audited) 30th June 2009
		----- (Rupees in '000) -----	
Assets			
Bank balances		26,641	122,495
Receivable against sale of units		15,150	26,277
Investments - 'at fair value through profit or loss'	5	1,398,336	499,186
Loans and receivables		260,000	135,000
Income and profit receivable		16,921	15,809
Deposits, prepayments and other receivables		6,015	3,807
Preliminary expenses and floatation costs		781	832
Total assets		1,723,844	803,406
Liabilities			
Payable to the Management Company		1,000	2,086
Payable to Trustee		180	128
Payable to Securities & Exchange Commission of Pakistan - Annual Fee		190	405
Payable against purchase of investments		91,897	-
Payable on redemption of units		2,088	675
Accrued expenses and other liabilities		747	775
Total liabilities		96,102	4,069
Net assets		1,627,742	799,337
Unit holders' funds		1,627,742	799,337
		----- (Number of units) -----	
Number of units in issue		32,220,266	15,702,070
		----- (Rupees) -----	
Net asset value per unit		50.52	50.91

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

PAKISTAN INCOME ENHANCEMENT FUND

**CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED 30TH SEPTEMBER 2009**

	Quarter ended 30 th September 2009	Period from 28 th August 2008 to 30 th September 2008
	----- (Rupees in '000) -----	
Income		
Income from term finance certificates and sukuk bonds	14,947	-
Income from government securities	11,079	-
Income from reverse repurchase transactions	206	-
Income from placements, certificates of investment and term deposit receipts	4,577	197
Profit on bank deposits	3,395	5,239
Capital gain on sale of investments - net	8,067	-
Unrealised appreciation in the value of investments - net	831	-
Total income	43,102	5,436
Expenses		
Remuneration of the Management Company	3,791	486
Remuneration of Trustee	490	88
Annual fee - Securities and Exchange Commission of Pakistan	189	32
Securities transaction costs	307	-
Settlement and bank charges	81	10
Legal and professional charges	94	14
Auditors' remuneration	107	33
Printing and related costs	32	7
Amortisation of preliminary expenses and floatation costs	51	19
Total expenses	5,142	689
Net income from operating activities	37,960	4,747
Element of income and capital gains included in prices of units issued less those in units redeemed - net	14,452	3,045
Net income for the period	52,412	7,792

Earnings per unit (EPU) is not disclosed as the management is of the opinion that calculation of weighted average number of units is impracticable.

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

For Arif Habib Investments Limited
(Formerly Arif Habib Investment Management Limited)
(Management Company)

Chief Executive

Director

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**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED 30TH SEPTEMBER 2009**

	Quarter ended 30 th September 2009 ----- (Rupees in '000) -----	Period from 28 th August 2008 to 30 th September 2008
Undistributed income brought forward	14,233	-
Final distribution:		
- Issue of 100,312 bonus units for the period ended 30 th June 2009 @ Rs 0.37 per unit (date of distribution: 06 th July 2009)	(5,070)	-
- Cash distribution for the period ended 30 th June 2009	(740)	-
	<u>(5,810)</u>	<u>-</u>
Undistributed income brought forward less final distribution for the period ended 30 th June 2009	8,423	-
Net income for the period	52,412	7,792
Interim distribution:		
- Issue of 746,210 bonus units and 98,453 bonus units for the period ended 30 th September 2009 and period ended 30 th September 2008 respectively	(37,699)	(4,928)
- Cash distribution the period ended 30 th September 2009 and period ended 30 th September 2008 respectively	(6,408)	(900)
Net income for the period less distribution	8,305	1,964
Undistributed income carried forward	<u>16,728</u>	<u>1,964</u>
Undistributed income carried forward:		
- Unrealised appreciation in the value of investments - net fair value through profit or loss'	459	-
- Realised gains	16,269	1,964
	<u>16,728</u>	<u>1,964</u>

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

For Arif Habib Investments Limited
(Formerly Arif Habib Investment Management Limited)
(Management Company)

Chief Executive

Director

PAKISTAN INCOME ENHANCEMENT FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED) FOR THE QUARTER ENDED 30TH SEPTEMBER 2009

	Quarter ended 30 th September 2009	Period from 28 th August 2008 to 30 th September 2008
	----- (Rupees in '000) -----	
Net assets at the beginning of the period	799,337	-
Issue of 42,297,071 units and 13,400,910 units for the period ended 30 th September 2009 and period ended 30 th September 2008 respectively	2,152,787	672,196
Redemption of 26,625,397 units and 45,422 units for the period ended 30 th September 2009 and period ended 30 th September 2008 respectively	(1,355,194)	(1,382)
	797,593	670,814
Final distribution:		
- Issue of 100,312 bonus units for the period ended 30 th June 2009 @ Rs 0.37 per unit (date of distribution: 06 th July 2009)	(5,070)	-
- Cash distribution for the period ended 30 th June 2009	(740)	-
	(5,810)	-
Capital gain on sale of investments - 'at fair value through profit or loss'	8,067	-
Net Unrealised appreciation in the value of investments - 'at fair value through profit or loss'	831	-
Other net income for the period	43,514	7,792
	52,412	7,792
Element of income and capital gains included in prices of units issued less those in units redeemed - transferred to the income statement	(14,452)	(3,045)
Interim distribution:		
- Issue of 746,210 bonus units and 98,453 bonus units for the period ended 30 th September 2009 and period ended 30 th September 2008 respectively	(37,699)	(4928)
- Cash distribution the period ended 30 th September 2009 and period ended 30 th September 2008 respectively	(6,408)	(900)
	(44,107)	(5,828)
Net income for the period less distributions	1,584,973	669,733
Issue of 100,312 bonus units for the period ended 30 th June 2009 @ Rs 0.37 per unit (date of distribution: 06 th July 2009)	5,070	-
Issue of 746,210 bonus units and 98,453 bonus units for the period ended 30 th September 2009 and period ended 30 th September 2008 respectively	37,699	4,928
	42,769	4,928
Net assets at the end of the period	1,627,742	674,661

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

For Arif Habib Investments Limited
(Formerly Arif Habib Investment Management Limited)
(Management Company)

Chief Executive

Director

PAKISTAN INCOME ENHANCEMENT FUND

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED 30TH SEPTEMBER 2009**

	Quarter ended 30 th September 2009	Period from 28 th August 2008 to 30 th September 2008
	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period	52,412	7,792
Adjustments:		
Unrealised (appreciation) in the value of investments 'at fair value through profit or loss'	(831)	-
Amortisation of preliminary expenses and floatation costs	51	19
Net element of (income) and capital (gains) included in prices of units issued less those in units redeemed	<u>(14,452)</u>	<u>(3,045)</u>
	37,180	4,766
Decrease / (increase) in assets		
Receivable against sale of units	11,127	-
Investments - 'at fair value through profit or loss'	(898,319)	(50,000)
Loans and receivable	(125,000)	-
Income & profit receivable	(1,112)	(5,263)
Deposits, prepayments and other receivables	(2,208)	(20,561)
Preliminary expenses and floatation costs	-	(1,000)
	<u>(1,015,512)</u>	<u>(76,824)</u>
(Decrease) / increase in liabilities		
Payable to the Management Company	(1,086)	486
Payable to Trustee	52	88
Payable to Securities and Exchange Commission of Pakistan - Annual Fee	(215)	32
Payable against purchase of Investments	91,897	-
Payable on redemption of units	1,413	30
Accrued expenses and other liabilities	(28)	1,055
	<u>92,033</u>	<u>1,691</u>
Net cash used in operating activities	<u>(886,299)</u>	<u>(70,367)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Net receipts / (payments) made against issuance / redemption of units	797,593	670,814
Cash dividend paid	(7,148)	(900)
Net cash from financing activities	<u>790,445</u>	<u>669,914</u>
Net (decrease) / increase in cash and cash equivalents during the period	<u>(95,854)</u>	<u>599,547</u>
Cash and cash equivalents at the beginning of the period	<u>122,495</u>	<u>-</u>
Cash and cash equivalents at the end of the period	<u><u>26,641</u></u>	<u><u>599,547</u></u>

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

For Arif Habib Investments Limited
(Formerly Arif Habib Investment Management Limited)
(Management Company)

Chief Executive

Director

PAKISTAN INCOME ENHANCEMENT FUND

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE QUARTER ENDED 30TH SEPTEMBER 2009

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 (formerly Arif Habib Investment Management Limited) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on 14th July 2008 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 26th June 2008 in accordance with Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The Management Company of the Fund has been licensed by SECP to act as an Asset Management Company under the NBFC Rules. The registered office of the Management Company is situated at 2/1, R.Y. 16, Old Queens Road, Karachi, Pakistan.

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 a management quality rating of 'AM2' to the Management Company and stability rating of A+ (f) to the Fund.

The policy of the Fund is allowed 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 both within and outside Pakistan.

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

2. BASIS OF PRESENTATION

These un-audited condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, The requirements of the Trust Deed, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the NBFC Regulations or the directives issued by the SECP prevail. These financial statements are presented in condensed form in accordance with International Accounting Standard, 34 "Interim Financial Reporting". These do not include all the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Fund as at and for the year ended 30th June 2009.

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3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the Fund for the period ended 30th June 2009.

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 for the period ended 30th June 2009

	Note	(Unaudited) 30th September 2009	(Audited) 30th June 2009
(Rupees in '000)			
5 INVESTMENTS - 'AT FAIR VALUE THROUGH PROFIT OR LOSS'			
Term Finance Certificates and Sukuk Bonds	5.2	448,405	270,797
Government Securities	5.3	949,931	228,389
		<u>1,398,336</u>	<u>499,186</u>
5.1 Net unrealised appreciation / (diminution) in value of investments at fair value through profit or loss - net			
Fair value of investments		1,398,336	499,186
Less: Cost of investments		(1,395,533)	(499,558)
		<u>2,803</u>	<u>(372)</u>
Less: Unrealised appreciation in value of investments at fair value through profit or loss at the beginning of the period / year		372	-
Less: Realised on disposal during the period / year		(2,344)	-
		<u>(1,972)</u>	<u>-</u>
		<u>831</u>	<u>(372)</u>

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5.2 Term Finance Certificates and Sukuk Bonds

Name of the investee company	Issue date	Number of certificates			Balance as at 30 th Sep 2009			Market value as a percentage of net assets	Market value as a percentage of total investments	Percentage in relation to the size of the issue
		Purchases during the period	Sales / Mature during the period	As at 30 th Sep 2009	Cost	Market Value	Appreciation / (Diminution)			
Allied Bank Limited	December 6, 2006	400	-	400	29,247	28,614	(633)	1.76	2.05	2.00
Askani Bank Limited	October 31, 2005	6,000	-	6,000	49,288	49,013	(275)	3.01	3.51	3.33
Bank AL Habib Limited	February 07, 2007	10,000	-	10,000	-	-	-	-	-	-
Orix Leasing Pakistan Limited	May 25, 2007	10,000	-	10,000	-	-	-	-	-	-
United Bank Limited - III	September 8, 2006	3,000	-	3,000	14,982	14,726	(256)	0.90	1.05	0.75
United Bank Limited - IV	February 14, 2008	5,000	10,000	20,000	90,196	90,596	400	5.57	6.48	1.67
Engro Chemical Pakistan Limited - PRP 1	March 18, 2008	11,000	1,000	16,500	68,640	72,600	3,960	4.46	5.19	2.06
KASB Securities Limited	June 27, 2007	4,000	6,000	10,000	42,666	42,466	-	2.61	3.04	10.00
Pakistan Mobile Communications Limited	October 1, 2007	17,100	3,000	10,800	42,174	43,762	1,588	2.69	3.13	1.33
Eden Housing Limited	March 31, 2008	10,415	-	10,415	43,287	43,316	29	2.66	3.10	7.13
PACE Pakistan Limited	February 15, 2008	15,000	-	15,000	63,312	63,312	-	3.89	4.53	5.00
					443,692	448,405	4,713			

5.3 Government securities

Issue date	Tenor	Face value			Balance as at 30 th Sep 2009			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at 1 st July, 2009	Purchases during the period	Sales / Matured during the period	As at 30 th Sep 2009	Cost	Market Value		
February 12, 2009	6 Month	100,000	-	-	50,000	-	-	-	-
April 23, 2009	3 Month	50,000	-	100,000	50,000	-	-	-	-
June 04, 2009	1 Year	50,000	-	50,000	50,000	-	-	-	-
June 30, 2009	1 Year	-	50,000	-	50,000	45,677	43,327	(350)	2.78
April 09, 2009	1 Year	-	50,000	-	50,000	47,162	46,950	(212)	2.88
February 26, 2009	6 Month	-	150,000	150,000	-	-	-	-	-
February 26, 2009	1 Year	-	125,000	-	125,000	119,846	119,532	(314)	7.24
August 13, 2009	1 Year	-	50,000	-	50,000	45,323	45,132	(191)	2.77
August 13, 2009	1 Year	-	100,000	-	100,000	90,259	90,263	(296)	5.55
February 12, 2009	1 Year	-	50,000	40,000	10,000	9,276	9,363	(87)	0.59
August 27, 2009	1 Year	-	50,000	-	50,000	45,029	44,938	(91)	2.76
August 27, 2009	1 Year	-	100,000	-	100,000	90,040	89,873	(167)	5.52
August 27, 2009	1 Year	-	50,000	-	50,000	45,038	44,938	(100)	2.76
February 12, 2009	1 Year	-	100,000	-	100,000	95,725	95,626	(99)	5.87
September 10, 2009	6 Month	-	50,000	-	50,000	47,404	47,380	(24)	2.91
February 12, 2009	1 Year	-	40,000	-	40,000	38,275	38,250	(25)	2.35
March 26, 2009	6 Month	-	100,000	100,000	-	-	-	-	-
September 26, 2009	3 Month	-	50,000	-	50,000	48,723	48,715	(8)	2.99
September 26, 2009	1 Year	-	100,000	-	100,000	89,142	89,110	(32)	6.37
September 26, 2009	6 Month	-	100,000	-	100,000	94,322	94,332	10	5.80
					951,841	969,931	(1,090)		
					1,395,533	1,398,336	2,803		

PAKISTAN INCOME ENHANCEMENT FUND

6. INTERIM DISTRIBUTION

The Fund has made following distributions during the period.

Dates	Rate	Bonus *		Cash Distribution **	Total
		Units	Amount		
26 th July 2009	Re 0.65 per unit	201,217	10,167	1,300	11,467
26 th August 2009	Re 0.53 per unit	182,870	9,273	1,060	10,333
26 th September 2009	Re 0.82 per unit	362,123	18,258	4,048	22,306
		746,210	37,699	6,408	44,107

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

** Cash dividend have been distributed to unit holder under plan B

As per clause 12 of Trust Deed and clause 6 of Part VI of Offering Document, the Fund on monthly basis (except June) distributes cash dividend, bonus, partially cash / bonus or in any other form acceptable to the Commission (such as bonus units) that may qualify under the tax laws. Net income (after deducting all the expenses of the Fund) earned upto 25th of each month may be distributed by the Management Company. The Board of Directors on 22nd September 2008 have passed a resolution providing standing authorisation to the Chief Executive Officer to approve and declare interim dividends out of profit earned by the Fund upto the 25th of each month. The SECP vide letter no. NBFC - ILDD / AHIL / Misc-734 / 2009 has approved the above arrangement.

7. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include Arif Habib Investments Limited (formerly Arif Habib Investment Management Limited) being the Management Company, Funds managed by the Management Company, all other collective investment schemes managed by the Management Company, Arif Habib Bank Limited and Arif Habib Limited being companies under common management, Central Depository Company Limited being the Trustee of the Fund, Pak Arab Fertilizers Limited being the company under common directorship, directors and key management personnel of the Management Company.

Remunerations to the management company and trustee are determined in accordance with the provisions of NBFC regulations and Trust Deeds of the Fund. All other transactions with the connected persons / related parties are carried on agreed terms.

7.1 Transactions during the period with connected persons / related parties

	(Unaudited)	
	Quarter ended 30 th September 2009	Period from 28 th August 2008 to 30 th September 2008
	(Rupees in '000)	
Arif Habib Investments Limited (formerly Arif Habib Investment Management Limited) Management Company		
Remuneration for the period	3,791	486
Front-end load for the period	1,032	-
Arif Habib Bank Limited		
Mark-up for the period	346	141
Units issued - Nil units (2008: 2,000,000 units)	-	100,960
Units redeemed - 93,799 units (2008: 17,982 units)	4,740	900
Cash dividend	4,740	900

PAKISTAN INCOME ENHANCEMENT FUND

	(Unaudited)	
Quarter ended	Period	
30 th September	from 28 th August	
2009	2008 to 30 th	
	September 2008	
	(Rupees in '000)	
Central Depository Company of Pakistan Limited - Trustee		
Remuneration for the period	490	88
Purchase / sale of Term Finance Certificates from / to Pakistan Strategic Allocation Fund (Managed by Arif Habib Investments Limited)(formerly Arif Habib Investment Management Limited)		
Purchase of Term Finance Certificates:		
United Bank Limited - IV 20,000 certificates	91,897	-
Directors and executives of the Management Company:		
Units issued - 490,710 units (2008: 106,598 units)	24,977	5,361
Units redeemed - 497,233 units (2008: 833 units)	25,239	42
Bonus units distributed - 7,997 units (2008: 778 units)	404	39
7.2 Amounts outstanding as at the period end with connected persons / related parties:		
	(Unaudited)	(Audited)
	30 th September	30 th June
	2009	2009
	(Rupees in '000)	
Arif Habib Investments Limited (formerly Arif Habib Investment Management Limited) - Management Company		
Remuneration payable	-	957
Payable in respect of preliminary expenses & floatation costs	1,000	1,000
Front-end load payable	156	129
Arif Habib Bank Limited		
Balance as at period end	8,511	6,355
Accrued mark-up as at the period end	117	69
Units held - 2,000,000 units (30th June 2008: 2,000,000 units)	101,040	101,820
Pakistan Stock Market Fund (Managed by Arif Habib Investments Limited)(formerly Arif Habib Investment Management Limited)		
Receivable as at the period end	4,270	3,539
Pakistan Cash Management Fund (Managed by Arif Habib Investments Limited)(formerly Arif Habib Investment Management Limited)		
Receivable as at the period end	252	288
Pakistan Income Fund (Managed by Arif Habib Investments Limited)(formerly Arif Habib Investment Management Limited)		
Receivable as at the period end	903	-

PAKISTAN INCOME ENHANCEMENT FUND

	(Unaudited) 30 th September 2009	(Audited) 30 th June 2009
(Rupees in '000)		
Pakistan Capital Market Fund (Managed by Arif Habib Investments Limited)(formerly Arif Habib Investment Management Limited)		
Receivable as at the period end	228	-
Central Depository Company of Pakistan Limited - Trustee		
Security deposit	200	200
Remuneration payable	180	128
Directors and executives of the Management Company		
Units held - 196,308 units (30 th June 2008: 2,000,000 units)	9,917	9,918

8. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The 3rd coupon of mark-up with 1st installment of principal redemption of the Eden Housing Limited Sukuk - Issue II amounting to Rs 3,981,597 and Rs 6,509,375 respectively; was due on 30th September 2009. Out of the total amount, an amount of Rs 1,627,344 has been received against 25% of principal redemption. For the remaining amount due, two post dated cheques dated 15th October 2009 amounting to Rs 3,981,597 against mark-up and Rs 4,882,031 against 75% principal redemption were received. Subsequently, an intimation was received from the issuer of the Sukuk requesting us to present the cheques on 22nd October 2009 due to delay in arrangement of payment.

In compliance with Circular No: 1 of 2009 dated 6th January 2009, the Sukuk was classified as non-performing on 14th October 2009. The accrued mark-up of Rs 3,981,597 was reversed and accrual of mark-up was also suspended from the day the payment of mark-up became due i.e., 30th September 2009. Furthermore, provision was also made against the remaining overdue principal amount of Rs 4,882,031.

However, subsequent to making the above provisions and after reversing the accrued mark-up, the mark-up amounting to Rs 3,981,597 has been received on 20th October 2009 and in compliance with the above mentioned circular, the said amount has been written back .

9. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on 22nd October 2009 by the Board of Directors of the Management Company.

10. General

10.1 Figures have been rounded off to the nearest thousand rupees.

10.2 For better presentation, other expenses have been reclassified as 'Printing and related costs' in the income statement for the corresponding quarter of last period.

For Arif Habib Investments Limited
(Formerly Arif Habib Investment Management Limited)
(Management Company)

Chief Executive

Director