

**PAKISTAN
INCOME FUND**

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FUND'S INFORMATION

Management Company	Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi																
Board of Directors of the Management Company	<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 NIB Bank Limited Allied Bank Limited Summit Bank Limited Askari Bank Limited Habib Bank Limited Meezan Bank Limited Standard Chartered Bank (Pakistan) Limited																
Auditors	KPMG Taseer Hadi & Co. Chartered Accountant 1st Floor, Sheikh Sultan Trust Building No.2 Beaumont Road, Civil Lines, Karachi-75530																
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530																
Transfer Agent	Arif Habib Investments Limited 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.																
Rating	AM2 (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 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 9.2% as against its benchmark return of 10.2%, an under performance of 1.0% 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 15% as against 28% 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 23% 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

	<i>Note</i>	(Unaudited) March 31, 2012	(Audited) June 30, 2011
(Rupees in '000)			
Assets			
Balances with bank		34,117	32,102
Investments	5	2,230,841	1,716,445
Loans and receivables		100,000	-
Receivable against sale of units		149	5,772
Dividend and profit receivable		31,055	24,335
Advances, deposits and other receivables		7,891	42,145
Total assets		2,404,053	1,820,799
Liabilities			
Payable to Management Company		1,808	2,338
Payable to Trustee		174	196
Payable to The Securities and Exchange Commission of Pakistan - Annual fee		945	1,483
Payable against purchase of investments		976,906	-
Accrued expenses and other liabilities		2,271	3,202
Total liabilities		982,104	7,219
Contingency	7		
Net assets		1,421,949	1,813,580
Unit holders' funds (as per statement attached)		1,421,949	1,813,580
Number of units			
Number of units in issue		27,226,327	34,090,038
Rupees			
Net asset value per unit		52.23	53.20

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

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

	<i>Note</i>	Nine months ended 31 March		Quarter ended 31 March	
		2012	2011	2012	2011
		----- (Rupees in '000) -----			
Income					
Capital gain on sale of investments		3,834	3,532	1,301	3,998
Profit on bank deposits and term deposit receipts		6,496	8,637	3,397	4,715
Income from term finance certificates		59,359	78,701	17,304	18,616
Income from government securities		89,469	111,590	22,625	35,812
		159,158	202,460	44,627	63,141
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed		(13,455)	(8,895)	(11,694)	(1,638)
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5.3	802	(8,420)	(4,055)	(18,677)
Total income		146,505	185,145	28,878	42,826
Expenses					
Remuneration of the Management Company		18,901	22,719	5,869	7,045
Sales tax on remuneration of the Management Company		3,024	-	939	-
Remuneration of the Trustee		1,710	2,158	544	609
Annual fee - Securities and Exchange Commission of Pakistan		945	1,136	293	352
Securities transaction cost		361	158	100	86
Settlement and bank charges		320	304	124	101
Auditors' remuneration		460	418	183	149
Provision / (reversal) against debt securities		21,618	(2,471)	(839)	-
Other expenses		667	389	195	148
		48,006	24,811	7,408	8,490
Net income for the period before taxation		98,499	160,334	21,470	34,336
Taxation		-	-	-	-
Net income for the period after taxation		98,499	160,334	21,470	34,336
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		98,499	160,334	21,470	34,336
Earnings per unit					

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

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

	Nine months ended 31 March		Quarter ended 31 March	
	2012	2011	2012	2011
	----- (Rupees in '000) -----			
Undistributed income brought forward	109,185	89,581	112,070	73,000
Final distribution at the rate of Rs 1.24 per unit for the year ended 30 June 2011 - Date of distribution: 4 July 2011 (2010: Rs 1.10 per unit)				
- Cash distribution	(3,504)	(3,642)	-	-
- Issue of bonus units	(38,762)	(40,631)	-	-
	(42,266)	(44,273)	-	-
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed- amount representing unrealized appreciation / (diminution)	(6,650)	-	(572)	-
Net income for the period	98,499	160,334	21,470	34,336
Interim distribution at the rate of Re. 0.80 per unit for the quarter ended 30 September 2011 - Date of Distribution: 29 September 2011 (30 September 2010: Rs. 1.15 per unit)				
- Cash Distribution	(1,517)	(3,251)	-	-
- Issue of bonus units	(24,283)	(43,323)	-	-
Interim distribution at the rate of Re. 1.37 per unit for the quarter ended 31 December 2011 - Date of Distribution: 27 January 2012 (31 December 2010: Rs. 1.42 per unit)				
- Cash Distribution	(2,599)	(4,014)	(2,599)	-
- Issue of bonus units	(40,227)	(47,718)	(40,227)	-
Interim distribution at the rate of Re. 1.10 per unit for the quarter ended 31 March 2012 - Date of Distribution: 29 March 2012 (31 March 2010: Rs. 1.50 per unit)				
- Cash Distribution	(2,087)	(4,240)	(2,087)	(4,240)
- Issue of bonus units	(27,315)	(49,705)	(27,315)	(49,705)
	(98,028)	(152,251)	(72,228)	(53,945)
Undistributed income carried forward	60,740	53,391	60,740	53,391

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

**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

	Nine months ended 31 March		Quarter ended 31 March	
	2012	2011	2012	2011
	----- (Rupees in '000) -----			
Net assets at the beginning of the period	1,813,580	2,101,695	1,684,861	1,936,743
Issue of 2,935,133 units (2011: 7,669,453 units) and 834,278 units (2011: 2,683,796 units) for the nine months and quarter ended respectively	155,393	398,867	44,348	139,683
Issue of 745,993 bonus units for the year ended 30 June 2011 (2010: 794,9817 units)	38,762	40,631	-	-
Issue of 465,114 bonus units for the quarter ended 30 September 2011 (2010: 842,537 units)	24,283	43,323	-	-
Issue of NIL bonus units for the quarter ended 31 December 2011 (2010: 919,246 units)	-	47,718	-	-
Issue of 1,290,287 bonus units for the quarter ended 31 March 2012 (2011: 996,845 units)	67,542	49,705	67,542	49,705
Redemption of 12,300,238 units (2011: 14,578,001 units) and 6,445,663 units (2011: 4,068,472 units) for the nine months and quarter ended respectively	(649,271)	(758,403)	(335,738)	(211,919)
	(363,291)	(178,159)	(223,848)	(22,531)
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed:				
- amount representing accrued (income) / loss and realised capital (gains) / losses transferred to the Income Statement	13,455	8,895	11,694	1,638
- amount representing unrealised capital (gains) / losses transferred to the Distribution Statement	6,650	-	(572)	-
	20,105	8,895	11,122	1,638
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	(6,650)	-	572	-
Final distribution at the rate of Rs 1.24 per unit for the year ended 30 June 2011 (2010: Rs. 1.10 per unit) - Date of distribution: 4 July 2011 (2010: 5 July 2010)				
- Cash Distribution	(3,504)	(3,642)	-	-
- Issue of bonus units	(38,762)	(40,631)	-	-
Interim distribution at the rate of Re. 0.80 per unit for the quarter ended 30 September 2011 - Date of distribution: 30 September 2011 (30 September 2010: Rs. 1.15 per unit)				
- Cash Distribution	(1,517)	(3,251)	-	-
- Bonus units	(24,283)	(43,323)	-	-
Interim distribution for the quarter ended 31 December 2011 Rs. NIL - (31 December 2010: Rs. 1.42 per unit)				
- Cash Distribution	-	(4,014)	-	-
- Bonus units	-	(47,718)	-	-
Interim distribution for the quarter ended 31 March 2012 Rs. 1.10 per unit (31 March 2011: Rs. 1.50 per unit)				
- Cash Distribution	(4,686)	(4,240)	(4,686)	(4,240)
- Bonus units	(67,542)	(49,705)	(67,542)	(49,705)
	(140,294)	(196,524)	(72,228)	(53,945)
Net income for the period (excluding unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss' and capital gain / (loss) on sale of investments)	93,863	165,222	24,224	49,015
Capital gain / (loss) on sale of investments	3,834	3,532	1,301	3,998
Unrealised appreciation in value of investments classified as 'at fair value through profit or loss'	802	(8,420)	(4,055)	(18,677)
Net income for the period (including unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss' and capital gain / (loss) on sale of investments)	98,499	160,334	21,470	34,336
Net assets as at the end of the period	<u>1,421,949</u>	<u>1,896,241</u>	<u>1,421,949</u>	<u>1,896,241</u>

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

**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 31 March		Quarter ended 31 March	
	2012	2011	2012	2011
	----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income before taxation	98,499	160,334	21,470	34,336
Adjustments				
Net unrealised diminution in the fair value of investments classified 'as financial assets at fair value through profit or loss'	(802)	8,420	4,055	18,677
Element of income / (losses) and capital gains / (losses) included in prices of units issued less those in units redeemed	13,455	8,895	11,694	1,638
Provision against debt securities	21,618	(2,471)	(839)	-
Net cash flows from operations before working capital changes	<u>132,770</u>	<u>175,178</u>	<u>36,380</u>	<u>54,651</u>
Working capital changes				
(Increase) / decrease in assets				
Investments - net	(635,212)	176,676	(836,531)	(29,066)
Receivable against sale of units	5,623	-	108,677	-
Other receivables	27,534	18,303	(2,595)	14,126
	<u>(602,055)</u>	<u>194,979</u>	<u>(730,449)</u>	<u>(14,940)</u>
Increase/(decrease) in liabilities				
Payable to the Management Company	(530)	(246)	(695)	(90)
Payable to the Trustee	(22)	(49)	(20)	(42)
Payable to Securities and Exchange Commission of Pakistan	(538)	(605)	293	352
Payable against sale of investments	976,906	0	976,906	-
Accrued expenses and other liabilities	(931)	825	(1,224)	244
	<u>974,885</u>	<u>(75)</u>	<u>975,260</u>	<u>464</u>
Net cash flow generated from operating activities	<u>505,600</u>	<u>370,082</u>	<u>281,191</u>	<u>40,175</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Net payments from sale and redemption of units	(493,878)	(352,217)	(294,149)	(71,661)
Cash distributions during the period	(9,707)	(10,907)	(4,686)	(4,014)
Net cash from generated financing activities	<u>(503,585)</u>	<u>(363,124)</u>	<u>(298,835)</u>	<u>(75,675)</u>
Net increase in cash and cash equivalents during the period	<u>2,015</u>	<u>6,958</u>	<u>(17,644)</u>	<u>(35,500)</u>
Cash and cash equivalents at the beginning of the period	32,102	16,396	51,761	58,854
Cash and cash equivalents as at end of the period	<u>34,117</u>	<u>23,354</u>	<u>34,117</u>	<u>23,354</u>

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

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 Fund ("the Fund") was established under a Trust Deed executed between Arif Habib Investments Limited (Management Company) and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 23 October 2001 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 28 February 2002 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules. During the year, the registered office of the Management Company has been shifted to Techno City Corporate Tower, 8th Floor, Hasrat Mohani Road, Karachi, Pakistan.

Based on shareholders' resolutions of MCB-Asset Management Company and Arif Habib Investments Limited the two companies have merged as of 27 June 2011 through operation of an order from the SECP issued under Section 282L of the Companies Ordinance 1984 (Order through letter no. SCD/NBFC-II/MCB- AMCL & AHIL/271/2011 dated 10 June 2011). Arif Habib Investments Limited being a listed company is the surviving entity and in compliance of the State Bank of Pakistan's approval it is a subsidiary of MCB Bank Limited. However, subsequent to the completion of the merger the SECP issued an order postponing the effective date of the merger to 30 July 2011 (through letter no. SCD/PR & DD/AMCW/ MCB-AMCL & AHI/348/2011 dated 27 June 2011). Since the merger had already taken place and the subsequent order of the SECP could not be complied with, the Company has sought a ruling by The Honourable Sindh High Court. The Honourable Sindh High Court has held the SECP's subsequent order in abeyance and instructed the SECP to treat the companies as merged pending a final ruling. Irrespective of the final ruling, the Fund's assets and NAV remain unaffected.

Pakistan Income Fund (PIF) is an open-ended mutual fund and is listed on the Karachi Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. This Fund is income scheme and the policy of the Fund is to invest in a mix of investment-grade debt securities, government securities, money market instruments and short-term reverse repurchase transactions.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned asset manager rating of AM2' (Positive Outlook) to the Management Company of the Fund. Currently, the management is awaiting for assignment of stability rating of the Fund from PACRA.

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

2. BASIS OF PREPARATION

Statement of compliance

This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. This condensed interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with the financial statements for the period ended 30 June 2011.

This condensed interim financial information comprises of the condensed interim statement of assets and liabilities as at 31 March 2012 and the related condensed interim income statement, condensed interim cash flow statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' funds and notes thereto for the nine months ended 31 March 2012. At 31 March 2012, the Fund has no item to be reported in other comprehensive income hence the reported net income for the period equals the total comprehensive income for the current period.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the Fund for the period ended 30 June 2011.

The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgements made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to financial statements as at and for the period ended 30 June 2011.

During the period, the Fund has revised the calculation 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 calculation, 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 recognized in income statement and the remaining portion of element of income / (loss) and capital gains / (losses) held in separate reserve account at the end of an accounting period (whether gain or loss) is included in amount available for distribution to the unit holders.

The revised calculation, 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 calculation not been changed, the net income for the year ended 31 March 2012 would have been higher by Rs. 6.650 million

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

The following amendments to existing standards are mandatory for the first time for the financial year beginning 1 July 2011:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. 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 and qualitative disclosures about the nature and extent of risks associated with financial instruments. The Management is currently considering the impact of the stated disclosure on financial statements.

Apart from above, 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 1 July 2011 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not disclosed in this condensed interim financial information.

3.2 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 1 July 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 this condensed interim financial information.

4. FINANCIAL RISK MANAGEMENT

The Fund's risk management objectives and policies are consistent with those objectives and policies which were disclosed in the financial statements of the year ended 30 June 2011.

5. INVESTMENTS

	(Unaudited)	(Audited)
	31 March	30 June
	2012	2011
	(Rupees in '000)	
<i>At fair value through profit or loss - held for trading</i>		
<i>Fixed income and other debt securities</i>		
Term finance and sukuk certificates	5.1 557,967	513,184
Government securities	5.2 1,672,873	1,203,261
	<u>2,230,841</u>	<u>1,716,445</u>

5.1 Term finance and sukuk certificates

Name of the investee company	Issue date	As at 1 July 2011	Purchases during the period	Sales / matured during the period	As at 31 March 2012	Cost as at 31 March 2012	Market value as at 31 March 2012	Appreciation/ (diminution) as at 31 March 2012	Market value		Face value in relation to the size of the issue
									as a percentage of net assets	as a percentage of total investments	
----- Number of certificates ----- (Rupees in '000) -----											
30 June 2011											
Askari Bank Limited	4 February 2005	14,000	-	6,000	8,000	39,474	40,387	913	2.84	1.81	1.33
Askari Bank Limited	18 November 2009	6,000	-	-	6,000	30,080	32,051	1,971	2.25	1.44	2.00
Bank AL Habib Limited	7 February 2007	5,520	-	-	5,520	27,545	28,325	780	1.99	1.27	0.55
Bank AL Habib Limited	30 June 2011	-	15,000	1,500	13,500	69,286	71,582	2,296	5.03	3.21	2.25
Bank Alfalah Limited (Floating)	2 December 2009	7,000	-	-	7,000	34,972	35,462	490	2.49	1.59	0.70
Bank Alfalah Limited (Fixed)	2 December 2009	-	6,000	-	6,000	30,021	31,235	1,214	2.20	1.40	0.60
Engro Corporation Limited	18 March 2008	29,400	-	5,100	24,300	117,052	114,210	(2,842)	8.03	5.12	3.04
Escorts Investment Bank Limited	15 March 2007	3,016	-	-	3,016	3,821	2,746	(1,075)	0.19	0.12	3.02
KASB Securities Limited	27 June 2007	8,500	-	-	8,500	12,266	14,105	1,839	0.99	0.63	8.50
Maple Leaf Cement Factory Limited (refer note 5.1.3)	3 December 2007	2,000	-	-	2,000	6,284	6,109	(175)	0.43	0.27	0.13
Maple Leaf Cement Factory Limited	30 September 2010	75	-	75	-	-	-	-	-	-	-
Pace Pakistan Limited (refer note 5.1.2)	15 February 2008	10,000	-	-	10,000	42,582	47,448	4,866	3.34	2.13	3.33
Telecard Limited (refer note 5.1.1)	27 May 2005	19,975	-	-	19,975	32,299	31,938	(361)	2.25	1.43	16.65
Trust Investment Bank Limited	4 July 2008	10,000	-	-	10,000	18,743	17,716	(1,027)	1.25	0.79	14.29
United Bank Limited	8 September 2006	15,612	-	-	15,612	65,194	64,737	(457)	4.55	2.90	3.90
Askari Commercial Bank Limited	23 December 2011	-	65	-	65	65,000	65,910	910	4.64	2.95	0.03
		139,488			139,488	594,619	603,961	9,342			
							(45,994)				
						594,619	557,967	(36,652)			

Provision against non-performing exposure

5.1.1 During the period, owing to financial difficulties, Telecard Limited has defaulted in the payment of coupon due on 27 May 2011 and 27 November 2011. In accordance with the requirements of Circular 1 of 2009, issued by the SECP, no further mark-up is being accrued on such investment from the date the coupon was due. Further, provision amounting to Rs 24.689 million has been made in accordance with the provisioning policy approved by the Board of Directors of the Management Company.

5.1.2 During the period, owing to financial difficulties, Pace Pakistan Limited has defaulted in the payment of coupon due on 15 August 2011 and 15 February 2012. In accordance with the requirements of Circular 1 of 2009, issued by the SECP, no further mark-up is being accrued on such investment from the date the coupon was due. Further, provision amounting to Rs 19.992 million has been made in accordance with the provisioning policy approved by the Board of Directors of the Management Company.

5.1.3 During the period, owing to financial difficulties, Maple Leaf Cement Factory Limited has defaulted in the payment of coupon due on 3 September 2011, 3 December 2011 and 03 March 2012. In accordance with the requirements of Circular 1 of 2009, issued by the SECP, no further mark-up is being accrued on such investment from the date it restructured last year. Further, provision amounting to Rs 1.313 million has been made in accordance with the provisioning policy approved by the Board of Directors of the Management Company.

The above include Term Finance Certificates with fair value aggregating to Rs. 0.11 million (2010: Rs. 0.146 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of circular No. 11 dated October 23, 2007, issued by SECP.

5.2 Government securities

Issue date	Tenor	As at 1 July 2011	Purchases during the period	Sales during the period	As at 31 March 2012	Cost as at 31 March 2012	Market value as at 31 March 2012	Appreciation (diminution) as at 31 March	Market value as a percentage of net assets	Market value as a percentage of total investments
-----Face value----- (Rupees in '000)-----										
Pakistan Investment Bond										
22 July 2010	5 years	-	50,000	50,000	-	-	-	-	-	-
Total Investment in Pakistan Investment Bond										
Government of Pakistan Ijarah Sukuk - refer note 5.2.1										
15 November 2010	3 years	50,000	400,000	100,000	350,000	301,429	301,429	-	21.20	13.51
16 May 2011	3 years	-	61,000	-	61,000	60,983	60,983	-	4.29	2.73
Treasury Bills										
3 months		547,000	2,189,500	1,399,000	1,337,500	1,309,525	1,309,467	(58)	92.09	58.70
6 months		481,000	2,100,000	2,581,000	-	-	-	-	-	-
1 year		170,000	2,733,500	2,902,500	1,000	994	994	-	0.07	0.04
Total Investment in Treasury Bills										
Total Investment in Government Securities										
						1,310,519	1,310,461	(58)		
						1,672,931	1,672,873	(58)		

5.2.1 During the period the Fund has changed the valuation methodology of GOP Ijarah Sukuk. Previously, the fair value of investment in GOP Ijarah Sukuk was determined by using the average of the mid rates obtained from the Financial Markets Association of Pakistan (FMAP). FMAP is currently in the process of devising a revised benchmark for the purpose of revaluation of GOP Ijarah Sukuk. State Bank of Pakistan (SBP) vide letter no. DMMD/MPRD-FMAP/9329 dated 28 December 2011 has given concurrence on proposal of (FMAP) for devising a revised benchmark for revaluation of GOP Ijarah Sukuk subject to approval of SECP and SBP. Further Mutual Fund Association of Pakistan (MUFAP) has approached SECP vide email dated 30 December 2011 drawing attention towards difficulties in determining pricing for GOP Ijarah Sukuk. In view of above the management has carried the underlying investment at amortized cost till the time the valuation methodology prescribed by the SECP.

5.3 Unrealised appreciation / (diminution) in fair value of investments classified as at fair value through profit or loss	(Unaudited)	(Audited)
	31 March 2012	30 June 2011
	(Rupees in '000)	
Fair value of investments	2,230,840	1,716,445
Less: Cost of investments	(2,267,550)	(1,739,736)
	<u>(36,710)</u>	<u>(23,291)</u>
Less: Net unrealised diminution in fair value of investments at beginning of the year	23,291	27,569
Less: Provision against non performing exposure	21,618	1,934
Add: Realised on disposal during the year	(7,397)	(9,013)
	<u>37,512</u>	<u>20,490</u>
	<u>802</u>	<u>(2,801)</u>

6. DETAILS OF NON-COMPLIANT INVESTMENT WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated 6 March 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. Board has approved the category of the fund as "Income Scheme".

In accordance with clause (v) of the investment criteria laid down for 'Income Scheme' in circular no. 7 of 2009, the Fund is required not to invest in any security having rating not lower than the investment grade (credit rating of BBB and above). However, as at 31 March 2012, the Fund is non-compliant with the above mentioned requirement in respect of the following investments:

Name of non-compliant investment	Name of Company	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
		(Rupees in '000)			%	%
Investment in debt securities	Maple Leaf Cement Factory Limited	6,109	1,313	4,796	0.32	0.28
Investment in debt securities	Escorts Investment Bank Limited	2,746	-	2,746	0.18	0.16
Investment in debt securities	Pace Pakistan Limited	47,448	19,992	27,456	1.83	1.62
Investment in debt securities	Telecard Limited	31,938	24,689	7,249	0.48	0.43

6.1 At the time of purchase, the said securities were in compliance of the circular (i.e. investment grade) and were subsequently downgraded to non investment grade by MUFAP.

7. CONTINGENCY

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending for an adjudication.

Subsequently, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However, on December 14, 2010 the Ministry filed its response against the Constitutional petition requesting the court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

During the period, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and

struck them down. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company believes that the Fund is not liable to contribute to WWF and hence no provision has been recognised by the Management Company in this condensed interim financial information. The aggregate unrecognised amount of WWF as at 31 March 2012 amounted to Rs. 17.57 million.

8. SERVICE TAX CHARGES

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

9. TAXATION

The Fund's income is exempt from Income Tax as per clause 99 of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the fund is required to distribute 90% of the net accounting income other than unrealized capital gains to the unit holders. The management intends to distribute at least 90% of the income earned by the Fund by the year end to the unit holders. Accordingly, no provision for taxation has been made in this condensed interim financial information.

10. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons / related parties of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, MCB Bank Limited being the holding company of the Management Company, the Trustee, directors and key management personnel and other associated undertaking.

The transactions with related parties / connected persons are in the normal course of business and at contracted rates.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

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

Arif Habib Investment Management Limited - Management Company

Remuneration for the period

Sales tax payable on management fee

Summit Bank Limited

Profit on bank deposits

Other Related Parties

Directors and executives of the Management Company

Issue of 36,683 units (2011: 922,734 units)

Issue of 10,764 bonus units (2011: 37,902 bonus units)

Redemption of 76,122 units (2011: 950,525 units)

Central Depository Company of Pakistan Limited - Trustee

Remuneration for the period

CDS charges

CDS induction charges

	Unaudited			
	Nine Months Ended March 31		Quarter Ended March 31	
	2012	2011	2012	2011
----- (Rupees in '000) -----				
Arif Habib Investment Management Limited - Management Company				
Remuneration for the period	18,901	22,719	5,869	7,045
Sales tax payable on management fee	3,024	-	939	-
Summit Bank Limited				
Profit on bank deposits	302	612	52	99
Other Related Parties				
Directors and executives of the Management Company				
Issue of 36,683 units (2011: 922,734 units)	1,939	47,937	253	20,675
Issue of 10,764 bonus units (2011: 37,902 bonus units)	562	1,951	283	541
Redemption of 76,122 units (2011: 950,525 units)	4,024	49,515	1,000	20,123
Central Depository Company of Pakistan Limited - Trustee				
Remuneration for the period	1,710	2,158	544	609
CDS charges	4	4	4	1
CDS induction charges	-	51	-	17

10.2 Amounts outstanding as at period / year end

	Unaudited 31 March 2012 (Rupees in '000)	Audited 30 June 2011
Arif Habib Investment Management Limited - Management Company		
Payable to Management Company	1808	2338
Sales Tax	<u>289</u>	<u>-</u>
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	<u>174</u>	<u>196</u>
Security deposit	<u>200</u>	<u>200</u>
Summit Bank Limited (formerly Arif Habib Bank Limited)		
Bank balance	<u>1,328</u>	<u>3,594</u>
Profit receivable on bank accounts	<u>19</u>	<u>97</u>
MCB Bank Limited		
Bank balance	<u>10,535</u>	<u>-</u>
Profit receivable on bank accounts	<u>732</u>	<u>-</u>
Directors and executives of the Management Company		
Units held 115,941 (30 June 2011: 144,616)	<u>6,055</u>	<u>7,694</u>

10.3 The brokerage amount disclosed represents the amount of brokerage paid to connected persons and not the purchase or sale value of securities transacted through them. The purchase or sale value has not been treated as transactions with connected persons as the ultimate counter parties are not connected persons.

11. DATE OF AUTHORISATION

This condensed interim financial information has been authorised for issue in the meeting of the Board of Directors of the Management Company held on April 27, 2012.

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

Yasir Qadri
Chief Executive Officer

Nasim Beg
Executive Vice Chairman