

**MCB**  
**ISLAMIC INCOME FUND**

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## FUND'S INFORMATION

<b>Management Company</b>	Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi																
<b>Board of Directors of the Management Company</b>	<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)																
<b>Company Secretary &amp; Chief Financial Officer of the Management Company</b>	Mr. Muhammad Saqib Saleem																
<b>Audit Committee</b>	Mr. Nasim Beg Mr. Haroun Rashid Mr. Samad A. Habib Mr. Ali Munir																
<b>Trustee</b>	Central Depository Company of Pakistan Limited CDC House, 990B, Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400																
<b>Bankers</b>	MCB Bank Limited Bank Alfalah Limited Standard Chartered Bank (Pakistan) Limited United Bank Limited																
<b>Auditors</b>	A.F. Ferguson & Co. - Chartered Accountants State Life Building No. 1-C, I.I. Chundrigar Road, Karachi-74000.																
<b>Legal Advisor</b>	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530																
<b>Transfer Agent</b>	Arif Habib Investments Limited 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.																
<b>Rating</b>	AM2 (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

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Dear Investor,

On behalf of the Board of Directors, I am pleased to present the financial results of **MCB Islamic 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 10.7% as against its benchmark return of 6.4%, a significant out performance by 4.3%.

Since the launch of fund in June 2011, the fund has gradually been increasing its exposure towards GoP Ijarah Sukuk, which stood at around 71% at period-end, on the back of decent yield as well as capital gains potential. The fund has kept its remaining exposure in cash and bank deposits at decent rates.

## 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.

We believe that well-timed accumulation of GoP Ijarah Sukuk should contribute towards healthy fund returns going forward, while the fund would remain cognizant of the changes in the macroeconomic environment in order to deploy assets efficiently in Shariah compliant instruments.

## 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,

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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 ------(Rupees in '000)-----	Audited June 30, 2011
<b>ASSETS</b>			
Balances with banks		277,621	79,505
Investments	4	751,244	100,250
Accrued income and prepayments		35,237	2,491
Preliminary expenses and floatation costs		843	993
<b>Total assets</b>		1,064,945	183,239
<b>LIABILITIES</b>			
Payable to the Management Company		2,974	1,599
Payable to the Trustee		143	20
Payable to Securities and Exchange Commission of Pakistan		292	4
Accrued expenses and other liabilities		672	59
<b>Total liabilities</b>		4,081	1,682
<b>NET ASSETS</b>		<u>1,060,864</u>	<u>181,557</u>
<b>UNIT HOLDERS' FUND (as per statement attached)</b>		<u>1,060,864</u>	<u>181,557</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	5		
		(Number of units)	
<b>NUMBER OF UNITS IN ISSUE</b>		<u>10,578,954</u>	<u>1,810,991</u>
		(Rupees)	
<b>NET ASSET VALUE PER UNIT</b>	3.3	<u>100.28</u>	<u>100.25</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 INCOME STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

	Note	Nine Months ended March 31, 2012 ------(Rupees in '000)-----	Quarter ended March 31, 2012
<b>INCOME</b>			
Profit on bank deposits		12,355	6,919
Capital gain on sale of investments-net		1,210	(249)
Income from government securities		32,088	17,002
		45,653	23,672
<b>EXPENSES</b>			
Remuneration of the Management Company		4,467	2,383
Sindh sales tax on remuneration of the Management Company	6	715	381
Remuneration of the Trustee		660	371
Annual fee - Securities and Exchange Commission of Pakistan		292	165
Auditors' remuneration		453	170
Amortisation of preliminary expenses and floatation costs		151	50
Brokerage and settlement charges		28	1
Other expenses		209	54
		6,975	3,575
<b>Net income from operating activities</b>		38,678	20,097
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed		27,874	11,797
Provision for Workers' Welfare Fund		(73)	-
<b>Net income for the period before taxation</b>		66,479	31,894
Taxation	7	-	-
<b>Net income for the period after taxation</b>		66,479	31,894
Other comprehensive income for the period		-	-
<b>Total comprehensive income for the period</b>		66,479	31,894
Earnings per unit	3.4		

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 March 31, 2012	Quarter ended March 31, 2012
	----- (Rupees in '000) -----	
<b>Undistributed income brought forward</b>	458	34,585
Final distribution for the year ended June 30, 2011:		
Rs 0.2532 per unit (Date of distribution: July 4, 2011)		
Bonus Units	(458)	-
Distribution for the quarter ended March 31, 2012:		
Rs 6.4087 per unit (Date of distribution: December 26, 2012)		
Bonus units	(49,680)	(49,680)
Cash Distribution	(248)	(248)
Rs 1.3 per unit (Date of distribution: March 28, 2012)		
Bonus units	(13,532)	(13,532)
Cash Distribution	(50)	(50)
 Profit during the current period	 66,479	 31,894
<b>Undistributed income carried forward</b>	<b>2,969</b>	<b>2,969</b>

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 March 31, 2012 ----- <b>(Rupees in '000)</b> -----	Quarter ended March 31, 2012
<b>Net assets at the beginning of the period</b>	181,557	644,801
Issue of 10,541,023 and 5,667,147 units for the nine months and quarter respectively	1,086,594	580,921
Issue of 636,395 and 631,810 bonus units for nine months and quarter respectively	63,670	63,211
Redemption of 2,409,455 and 1,821,482 units for nine months and quarter respectively	(245,594)	(184,656)
	904,670	459,476
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(27,874)	(11,797)
Net income for the period after taxation	66,479	31,894
Final distribution for the year ended June 30, 2011: Rs 0.2532 per unit (Date of distribution: July 4, 2011) 4,585 bonus units	(458)	-
Interim Distribution: Rs 6.4087 per unit (Date of distribution: December 26, 2012) 496,802 bonus units	(49,680)	(49,680)
Cash Distribution	(248)	(248)
Rs 1.3 per unit (Date of distribution: March 28, 2012) 135,004 bonus units	(13,532)	(13,532)
Cash Distribution	(50)	(50)
<b>Net assets at the end of the period</b>	1,060,864	1,060,864

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 March 31, 2012	Quarter ended March 31, 2012
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation	66,479	31,894
<b>Adjustments for non-cash charges and other items:</b>		
Capital gain on sale of investments	(1,210)	249
Amortisation of preliminary expenses and floatation costs	151	50
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(27,874)	(11,797)
	37,546	20,396
<b>(Increase) / decrease in assets</b>		
Investments	(649,785)	(284,811)
Accrued income and prepayments	(32,746)	(27,584)
	(682,531)	(312,395)
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	1,376	(2,676)
Payable to the Trustee	123	55
Payable to Securities and Exchange Commission of Pakistan Commission of Pakistan	288	165
Advance against issue of units	-	(18,901)
Accrued expenses and other liabilities	562	59
	2,349	(21,298)
<b>Net cash outflow on operating activities</b>	(642,636)	(313,297)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Receipts from issue of units	1,086,594	580,921
Net Payments on redemption of units	(245,594)	(184,656)
Dividend Paid	(248)	(248)
<b>Net cash inflow from/ (outflow on) financing activities</b>	840,752	396,017
<b>Net increase in cash and cash equivalents during the period</b>	198,116	82,720
Cash and cash equivalents at the beginning of the period	79,505	194,901
<b>Cash and cash equivalents at the end of the period</b>	277,621	277,621

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

1.1 MCB Islamic Income Fund (the Fund) was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and was approved as an Investment Scheme by the Securities and Exchange Commission of Pakistan (SECP) on June 19, 2011. It was constituted under a Trust Deed dated March 7, 2011 between MCB Asset Management Company Limited as the Management Company, a Company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited as the Trustee, also incorporated under the Companies Ordinance, 1984.

1.2 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 being a listed Company, is the surviving entity and in compliance of SBP's approval, it is a subsidiary of MCB Bank. However subsequent to the completion of the merger, the SECP issued an order postponing the effective date of the merger to July 30th, 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 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 Management Company of the Fund has been licensed to act as 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.

1.3 The Fund has been categorized as an Open-End Shariah Compliant (Islamic) Scheme and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering to the Fund. The units are listed on the Lahore Stock Exchange.

1.4 According to paragraph 19.3 of the Trust Deed, the first accounting period of the Fund shall commence from the date on which the trust property is first paid or transferred to the Trustee i.e May 01, 2011.

1.5 The principal activity of the Fund is to seek to provide the investors with a rate of return consistent with a broadly diversified portfolio of long, medium and short term, high quality Shariah Compliant fixed income instruments.

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

1.7 The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of 'AM2' (positive outlook) to the Management Company. Management Company has initiated the process of obtaining the rating of the Fund which is expected to be completed in the year 2012.

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of IAS 34: 'Interim Financial Reporting' (IAS 34), the Trust Deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), Non Banking Finance Companies and Notified Entities Regulations 2008 (NBFC Regulations) and the directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IAS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.2 This condensed interim financial information is unaudited. However, the Board of Directors of the Management Company declare that this condensed interim financial information gives a true and fair view of the state of affairs of the Fund.

2.3 The comparative information of the Income Statement, Distribution Statement, Movement in Unit Holders' Fund and Cash Flow Statement have not been presented as the Fund started operations with effect from May 01, 2011.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied for the preparation of these 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 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period:**

The following new standards and amendments to existing standards are mandatory for the first time for the financial year 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 emphasizes the interaction between quantitative and qualitative 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 relevant or did not have any significant effect on the Fund's operations and are, therefore, not disclosed in these 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 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.

**3.3 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 issue at the period end.

**3.4 Earning / (loss) per unit**

Earnings / (loss) 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	Unaudited March 31, 2012	Audited June 30, 2011
------(Rupees in '000)-----			
<b>4 INVESTMENTS</b>			
<b>Investments classified as financial assets - at fair value through profit or loss</b>			
Investment in Government Ijarah Sukuks	4.1	<u>751,244</u>	<u>100,250</u>

**4.1 Investments in Government Ijarah Sukuks**

Government securities	Profit rate	Face Value				Balance as at March 31, 2012			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2011	Purchased during the period	Disposed / Matured during the period	As at Mar 31, 2012	Carrying Value	Market value	Appreciation / (diminution)		
-----Rupees in '000-----										
Government Ijarah Sukuk-8	11.79%	100,000	174,000	125,000	149,000	150,983	150,983	-	14.23	20.10
Government Ijarah Sukuk-5	11.79%	-	607,000	57,500	549,500	552,761	552,761	-	52.10	73.58
Government Ijarah Sukuk-9	11.94%	-	47,500	-	47,500	47,500	47,500	-	4.48	6.32
<b>Total - March 31, 2012</b>						<u>751,244</u>	<u>751,244</u>	<u>-</u>	<u>70.81</u>	<u>100.00</u>
<b>Total: June 30 2011</b>						<u>100,250</u>	<u>100,250</u>	<u>-</u>	<u>55.22</u>	<u>100.00</u>

4.2 The above sukuks have been carried at amortised 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.

## **5 CONTINGENCIES AND COMMITMENTS**

5.1 The Finance Act 2008 introduced an amendment to the Worker's 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 exceed 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 adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended June 30, 2011.

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 a 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 Sindh High Court (SHC). On the basis of this development, the Management Company has stopped making accrual of this liability with effect from August 24, 2011. However, provision made till this date has not been reversed. The aggregate amount of the Fund's liability in respect of WWF amounts to Rs. 1.337 million till March 31, 2012. Out of this amount, an amount of Rs. 0.082 million has been recognised by the Fund including an amount of Rs 0.073 million recognised during the current period.

## **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 performance fee of the management company through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011.

## **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 TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES**

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.

The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

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

Details of the transactions with the connected persons and balances with them at period end are as follows:

<b>8.1 Transactions during the period</b>	<b>Nine Months ended March 31, 2012</b>	<b>Quarter ended March 31, 2012</b>
	<b>(Rupees in '000)</b>	
<b>Details of the Transactions with connected persons during the period are as follows:</b>		
<b>MCB Bank Limited</b>		
Profit received on deposit accounts	795	137
<b>Arif Habib Investments Limited</b>		
Remuneration of the Management Company	4,467	2,383
Issue of 80,617 bonus units	8,065	7,812
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Fee charged during the period	660	371
<b>Key Management Personnel</b>		
Issue of 78,170 units	8,139	1,664
Issue of 5,058 bonus units	506	504
Redemption of 20,434 units	2,102	848
	<b>Unaudited</b>	<b>Audited</b>
	<b>March 31</b>	<b>June 30</b>
	<b>2012</b>	<b>2011</b>
	<b>(Rupees in '000)</b>	
<b>8.2 Amount outstanding as at period end</b>		
<b>MCB Bank Limited</b>		
Bank balance	4,794	22,843
Profit receivable on deposit accounts	12	508
<b>Arif Habib Investments Limited</b>		
Remuneration payable to the Management Company	887	51
Units held: 1,080,617 (June 30, 2011: 1,000,000)	108,365	100,253
Preliminary expenses and Formation Costs payable	-	1,000
Sales Load payable	2,087	145
Others	-	403
<b>Central Depository Company of Pakistan Limited-Trustee</b>		
Fee payable	143	20
<b>Key Management Personnel</b>		
Units held : 69,713 (June 30, 2011: 6,919)	6,991	694

**9 DATE OF AUTHORISATION FOR ISSUE**

This condensed interim financial information was authorised for issue on April 27, 2012 by the Board of Directors of the Management Company.

**10 CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified wherever necessary, for the purpose of comparison and better presentation. During the current period, there were no major reclassifications.

**11 GENERAL**

Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

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

Yasir Qadri  
Chief Executive Officer

Nasim Beg  
Executive Vice Chairman