

METROBANK
PAKISTAN SOVEREIGN 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 | Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad | Chairman(subject to the approval of SECP) Executive Vice Chairman Chief Executive (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director 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 Standard Chartered Bank Limited | |
| Auditors | A.F. Ferguson & Co. - Chartered Accountants State Life Building No. 1-C, I.I. Chundrigar Road, Karachi-74000. | |
| Legal Advisor | Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530 | |
| Transfer Agent | Arif Habib Investments Limited 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi. | |
| Rating | AM2 (Positive Outlook) Management Quality Rating assigned by PACRA | |

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

Dear Investor,

On behalf of the Board of Directors, I am pleased to present the financial results of **Metro-bank Pakistan Sovereign 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 12.0% as against its benchmark return of 10.3%, an out performance by 1.7%.

The fund remained significantly invested in Government papers throughout the period with a focus on adjusting its portfolio duration to capitalize on the fluctuating liquidity and interest rates in the market. At period-end, the fund was 88.6% invested in Treasury Bills, 2.0% in PIBs, 3.6% in GoP Ijarah Sukuk, 2.1% in its sub-fund 12/12, while the rest in cash and other assets.

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.

The fund would remain vigilant towards changes in macroeconomic environment with a view of exploiting attractive opportunities in government papers.

ACKNOWLEDGMENT

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

On behalf of Directors,

Yasir Qadri
Chief Executive Officer
Dated: April 27, 2012

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

| | Note | Un-audited March 31, 2012 | Audited June 30, 2011 |
|---|------|---------------------------------|-----------------------------|
| | | ----- (Rupees in '000) ----- | |
| ASSETS | | | |
| Balances with banks | | 215,683 | 3,952 |
| Investments | 4 | 5,972,233 | 2,991,425 |
| Accrued income | | 15,671 | 7,908 |
| Total Assets | | <u>6,203,587</u> | <u>3,003,285</u> |
| LIABILITIES | | | |
| Payable to the Management Company | | 6,971 | 1,855 |
| Payable to the Trustee | | 466 | 164 |
| Payable to Securities and Exchange Commission of Pakistan | | 2,939 | 1,301 |
| Payable against redemption request | | - | 27 |
| Accrued expenses and other liabilities | | 2,333 | 986 |
| Total liabilities | | <u>12,709</u> | <u>4,334</u> |
| NET ASSETS | | <u><u>6,190,878</u></u> | <u><u>2,998,951</u></u> |
| UNIT HOLDERS' FUND (as per statement attached) | | <u><u>6,190,878</u></u> | <u><u>2,998,951</u></u> |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 5 | | |
| | | (Number of Units) | |
| Number of units in issue | | <u><u>124,620,287</u></u> | <u><u>57,180,743</u></u> |
| | | (Rupees) | |
| Net Asset Value per unit | 3.4 | <u><u>49.68</u></u> | <u><u>0.05</u></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

| | | Nine months ended | | Quarter ended | |
|---|------|------------------------------|----------------|----------------|---------------|
| | Note | March 31, | | March 31, | |
| | | 2012 | 2011 | 2012 | 2011 |
| | | ----- (Rupees in '000) ----- | | | |
| INCOME | | | | | |
| Income from investment in government securities | | 439,142 | 156,153 | 166,980 | 56,708 |
| Capital gain / (loss) on sale of investments | | 25,280 | (17,140) | (4,810) | 179 |
| Profit on bank deposits | | 33,169 | 1,072 | 12,939 | 227 |
| Income from reverse repurchase transactions of government securities | | 5,070 | 323 | 4,634 | 151 |
| Unrealised (diminution) / appreciation in the fair value of investments classified as 'at fair value through profit or loss' - net | 4.2 | (5,095) | (2,391) | 11,418 | 746 |
| Total income | | 497,566 | 138,016 | 191,161 | 58,011 |
| EXPENSES | | | | | |
| Remuneration of the Management Company | 6 | 44,580 | 15,833 | 17,643 | 6,010 |
| Sindh sales tax on management remuneration | | 7,132 | - | 2,822 | - |
| Remuneration of the Trustee | | 3,504 | 1,521 | 1,380 | 523 |
| Annual fee - Securities and Exchange Commission of Pakistan | | 2,940 | 961 | 1,193 | 338 |
| Securities transaction costs | | 1,527 | 173 | 720 | 69 |
| Auditors' remuneration | | 600 | 324 | 205 | 101 |
| Other expenses | | 717 | 452 | 234 | 146 |
| Total expenses | | 61,000 | 19,265 | 24,197 | 7,188 |
| Net income from operating activities | | 436,566 | 118,752 | 166,964 | 50,823 |
| Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net | | 81,871 | (2,980) | 11,498 | 641 |
| Net Income for the period before taxation | | 518,437 | 115,771 | 178,462 | 51,464 |
| Taxation | 7 | - | - | - | - |
| Net income for the period after taxation | | 518,437 | 115,771 | 178,462 | 51,464 |
| Other comprehensive income for the period | | | | | |
| Unrealised appreciation in the fair value of investments classified as 'available for sale' - net | | - | 7,655 | - | 4,721 |
| Total comprehensive income for the period | | 518,437 | 123,426 | 178,462 | 56,186 |
| Earnings per unit | 3.5 | | | | |

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

| Note | Nine months ended March 31, | | Quarter ended March 31, | |
|---|--------------------------------|-----------------|----------------------------|-----------------|
| | 2012 | 2011 | 2012 | 2011 |
| | ----- (Rupees in '000) ----- | | | |
| Undistributed income / (Accumulated loss) brought forward | 140,987 | 115,389 | 142,116 | (13,291) |
| Final distribution for the year ended June 30, 2011: Rs 2.7739 (2010: Rs 5) per unit (Date of distribution : July 4, 2011) | | | | |
| - Bonus units | (79,304) | (139,558) | - | - |
| - Cash distribution | (79,315) | - | - | - |
| | <u>(17,632)</u> | <u>(24,169)</u> | <u>142,116</u> | <u>(13,291)</u> |
| Net income for the period after taxation | 518,437 | 115,771 | 178,462 | 51,464 |
| Interim distribution for the period from July 1, 2011 to to March 31, 2012 (2011: from July 1 2010 to March 31, 2011): Rs 1.70 (2011 : Rs 1.44) per unit | | | | |
| Date of distribution : September 28, 2011 | | | | |
| - Bonus units | (43,738) | - | 6,893 | - |
| - Cash distribution | (106,484) | (52,706) | - | - |
| Date of distribution : Janaury 27, 2012 | | | | |
| - Bonus units | (104,807) | - | (104,807) | - |
| - Cash distribution | (165,014) | - | (165,014) | - |
| Date of distribution : March 29, 2012 | | | | |
| - Bonus units | (34,062) | - | (34,062) | - |
| - Cash distribution | (60,366) | - | (60,366) | - |
| Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - net | 3.1 | | | |
| | (26,038) | (625) | (2,925) | 98 |
| | <u>(22,073)</u> | <u>62,440</u> | <u>(181,821)</u> | <u>51,562</u> |
| Undistributed Income / (accumulated loss) carried forward | <u>(39,705)</u> | <u>38,271</u> | <u>(39,705)</u> | <u>38,271</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 STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

| | Nine months ended March 31, | | Quarter ended March 31, | |
|--|--------------------------------|-----------|----------------------------|-----------|
| | 2012 | 2011 | 2012 | 2011 |
| | (Rupees in '000) | | | |
| Net assets at the beginning of the period | 2,998,951 | 1,506,591 | 6,183,731 | 1,755,724 |
| Issue of 161,289,961 units (2011: 25,018,951 units) and 6,452,988 units (2011: 11,895,872 units) for the nine months and quarter respectively | 8,209,834 | 1,252,344 | 334,848 | 600,468 |
| Redemption of 99,129,092 units (2011: 18,451,288 units) and 5,247,767 units (2011: 9,978,702) units for the nine months and quarter respectively | (5,043,293) | (924,769) | (269,284) | (503,871) |
| | 3,166,541 | 327,575 | 65,564 | 96,597 |
| Issue of 5,278,675 bonus units (2011: 2,847,098 units) | 261,911 | 139,558 | 131,976 | - |
| | 3,428,452 | 467,133 | 197,540 | 96,597 |
| Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net | | | | |
| - amount representing (income) / loss and capital (gains) / losses - transferred to income statement | (81,871) | 2,980 | (11,498) | (641) |
| - amount representing loss that forms part of unit holders' fund - transferred to distribution statement | 26,038 | 625 | 2,925 | (98) |
| | (55,833) | 3,605 | (8,573) | (739) |
| Unrealised appreciation on revaluation of investments classified as 'available for sale' - net | - | 7,655 | - | 4,721 |
| Capital gain / (loss) on sale of investmnets | 25,280 | (17,140) | (4,810) | 179 |
| Unrealised (diminution) / appreciation in the fair value of of investments classified as 'at fair value thorough profit or loss' - net | (5,095) | (2,391) | 11,418 | 746 |
| Other net income for the period | 498,252 | 135,303 | 171,853 | 50,539 |
| Total comprehensive income for the period | 518,437 | 123,426 | 178,462 | 56,186 |
| Element of (loss) / income and capital (losses) /gains included in prices of units issued less those in units redeemed - amount representing loss that forms part of unit holder's fund | (26,038) | (625) | (2,925) | 98 |
| Final distribution for the year ended June 30, 2011: Rs 2.7739 (2010: Rs 5) per unit (Date of distribution : July 4, 2011) | | | | |
| - Bonus units | (79,304) | (139,558) | - | - |
| - Cash distribution | (79,315) | (52,706) | - | - |
| Interim distribution for the period from July 1, 2011 to to March 31, 2012 (2010: from July 1 2010 to December 31, 2010): Rs 1.70 (2010 : Rs 1.44) per unit | | | | |
| Date of distribution : September 28, 2011 | | | | |
| - Bonus units | (43,738) | - | 6,893 | - |
| - Cash distribution | (106,484) | - | - | - |
| Date of distribution : Janaury 27, 2012 | | | | |
| - Bonus units | (104,807) | - | (104,807) | - |
| - Cash distribution | (165,014) | - | (165,014) | - |
| Date of distribution : March 29, 2012 | | | | |
| - Bonus units | (34,062) | - | (34,062) | - |
| - Cash distribution | (60,366) | - | (60,366) | - |
| | (673,091) | (192,264) | (357,357) | - |
| Net assets at the end of the period | 6,190,878 | 1,907,866 | 6,190,878 | 1,907,866 |

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, | | Quarter ended March 31, | |
|--|--------------------------------|-----------|----------------------------|-----------|
| | 2012 | 2011 | 2012 | 2011 |
| | (Rupees in '000) | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net income for the period | 518,437 | 115,771 | 178,462 | 51,464 |
| Adjustments for non-cash charges and other items: | | | | |
| Unrealised diminution / (appreciation) in the fair value of investments classified as 'at fair value through profit or loss' - net | 5,095 | 2,391 | (11,418) | (746) |
| Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net | (81,871) | 2,981 | (11,498) | (641) |
| | 441,661 | 121,143 | 155,546 | 50,077 |
| (Increase) / Decrease in assets | | | | |
| Investments - net | (2,985,903) | (418,921) | 91,088 | (145,824) |
| Accrued income | (7,763) | 19,682 | 24,057 | (3,205) |
| Prepayments and other receivables | - | (22) | - | (18) |
| | (2,993,666) | (399,261) | 115,145 | (149,047) |
| Increase / (Decrease) in liabilities | | | | |
| Remuneration payable to the Managemnet Company | 5,116 | 733 | 683 | 268 |
| Payable to the Trustee | 302 | 28 | (22) | 8 |
| Annual fee payable to the Securities and Exchange Commission of Pakistan | 1,638 | (299) | 1,192 | 338 |
| Payable against redemption of units | (27) | - | - | - |
| Accrued expenses and other liabilities | 573 | (134) | (3,948) | (105) |
| | 7,601 | 328 | (2,096) | 509 |
| Net cash (used in) / generated from operating activities | (2,544,404) | (277,790) | 268,595 | (98,461) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Receipts against issue of units | 8,209,834 | 1,252,344 | 334,948 | 600,468 |
| Payments against redemption of units | (5,043,293) | (924,770) | (269,284) | (503,871) |
| | 3,166,541 | 327,574 | 65,664 | 96,597 |
| Dividend paid | (410,406) | (52,706) | (224,607) | - |
| Net cash inflow from / (outflow on) financing activities | 2,756,136 | 274,868 | (158,942) | 96,597 |
| Net increase / (decrease) in cash and cash equivalents during the period | 211,731 | (2,922) | 109,652 | (1,864) |
| Cash and cash equivalents at the beginning of the period | 3,952 | 6,805 | 106,030 | 5,747 |
| Cash and cash equivalents at the end of the period | 215,684 | 3,883 | 215,682 | 3,883 |

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

MetroBank - Pakistan Sovereign Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (AHIL), as Management Company and Habib Metropolitan Bank Limited as Trustee. The Trust Deed was executed on December 24, 2002 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 7, 2003 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules), [repealed by the Non - Banking Finance Companies (Establishment and Regulations) Rules, 2003 (NBFC Rules)].

Central Depository Company of Pakistan Limited (CDC) was appointed as the new Trustee with effect from November 23, 2009 on retirement of Habib Metropolitan Bank Limited. The SECP approved the appointment of CDC as the Trustee in place of Habib Metropolitan Bank Limited and further approved the amendments to the Trust Deed vide its letter number SCD/NBFC-11/MF-RS/MSPF/981/2009 dated November 3, 2009. Accordingly, the Trust Deed of the Fund was revised through a supplemental Deed executed between the Management Company, Habib Metropolitan Bank Limited and the CDC.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.

Based on shareholders' resolutions of MCB Asset Management Limited (MCB-AMC) and AHIL 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). AHIL being a listed company is the surviving entity and 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 30th July 2011 (through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AHI/348/2011 dated June 27, 2011). Since the merger had already taken place and the subsequent order of the SECP could not be complied with, the Company has sought a ruling by the honourable Sindh High Court (SHC). The honourable 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 Metro Bank - Pakistan Sovereign Fund is an open-end mutual fund listed on the Islamabad 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.

Pakistan Credit Rating Agency Limited (PACRA) has assigned an Asset Manager rating of 'AM2' (positive outlook) to the Management Company and a stability rating of 'AA(f)' to the Fund.

The Fund consists of a 'Perpetual' (the Fund) and one sub-fund as at December 31, 2011 with pre-determined maturity date as follows.

| Name of sub-fund | Maturity date of sub-fund |
|---|---------------------------|
| MetroBank - Pakistan Sovereign Fund - (December 2012) [MSF 12/12] | December 31, 2012 |

In addition to the above sub-scheme, the Fund had also issued other sub-funds which had matured as follows:

| Name of sub-fund | Matured on |
|---|-------------------|
| MetroBank - Pakistan Sovereign Fund - (December 2003) [MSF 12/03] | December 31, 2003 |
| MetroBank - Pakistan Sovereign Fund - (December 2005) [MSF 12/05] | December 31, 2005 |
| MetroBank - Pakistan Sovereign Fund - (December 2007) [MSF 12/07] | December 31, 2007 |

The Fund and Sub-Fund of MSF are open-end funds which offer units for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The Fund can directly invest in Pakistan rupee denominated bonds and debt securities issued by the Government of Pakistan, reverse repurchase transactions in government securities and any otherwise un-invested funds in deposits with banks and financial institutions.

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

2 BASIS OF PREPARATION

- 2.1** 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 International Accounting Standard (IAS) 34: 'Interim Financial Reporting', 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 does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual published financial statements of the Fund for the year ended June 30, 2011.
- 2.3** This condensed interim financial information is unaudited. Accordingly, 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.

3 SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

- income for the period would have been lower by Rs 26.038 million.
- amount taken to distribution statement would have been higher by Rs 26.038 million.

3.2 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 periods beginning July 1, 2011:

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

IFRS 7 (amendment) 'Financial instruments: Disclosures'. This amendment was part of the IASB's annual improvement project published in May 2010. The amendment emphasises the interaction between quantitative 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 this condensed interim financial information.

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

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

3.4 Net Asset Value per unit

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

3.5 Earnings per unit

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

| Note | Unaudited | | | Audited |
|------|------------------|-----------|-------|---------------|
| | March 31, 2012 | | | June 30, 2011 |
| | MSF Perpetual | MSF 12/12 | Total | Total |
| | (Rupees in '000) | | | |

4 INVESTMENTS

Investments 'at fair value
through profit or loss'

| | | | | | |
|---------------------------|-------------|------------------|----------------|------------------|------------------|
| Pakistan Investment Bonds | 4.1 | 120,822 | 151,880 | 272,702 | 159,255 |
| Treasury Bills | 4.1 | 5,302,439 | 179,346 | 5,481,785 | 2,782,092 |
| GOP Ijarah Sukuks | 4.1 & 4.1.1 | 217,746 | - | 217,746 | 50,078 |
| | | <u>5,641,007</u> | <u>331,226</u> | <u>5,972,233</u> | <u>2,991,425</u> |

4.1 Investments in Government Securities - 'at fair value through profit or loss'

| Particulars | 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 | Purchases during the period | Sales during the period | Matured during the period | As at March 31, 2012 | Carrying Value | Market Value | | |
| ----- Rupees in 000 ----- | | | | | | | | | |
| Pakistan Investment Bond - MSF perpetual | | | | | | | | | |
| Pakistan Investment Bond 3 Years | - | 650,000 | 650,000 | - | - | - | - | - | - |
| Pakistan Investment Bond 5 Years | - | 1,200,000 | 93,000,000 | - | (91,800,000) | 97,849 | 96,871 | 1.56% | 1.62% |
| Pakistan Investment Bond 7 Years | - | 100,000 | 100,000 | - | - | - | - | - | - |
| Pakistan Investment Bond 10 Years | - | 516,000 | 490,500 | - | 25,500 | 23,880 | 23,951 | 0.39% | 0.40% |
| | | | | | | 121,729 | 120,822 | (907) | |
| Pakistan Investment Bond - MSF December 2012 | | | | | | | | | |
| Pakistan Investment Bond 3 Years | 126,500 | - | - | - | 126,500 | 125,067 | 126,111 | 2.04% | 2.11% |
| Pakistan Investment Bond 5 Years | 31,000 | - | 12,000 | - | 19,000 | 18,652 | 18,804 | 0.30% | 0.31% |
| Pakistan Investment Bond 10 Years | 7,000 | - | - | - | 7,000 | 6,888 | 6,965 | 0.11% | 0.12% |
| | | | | | | 150,607 | 151,880 | 1,273 | |
| Total of Pakistan Investment Bond as at March 31, 2012 | | | | | | | | | |
| | | | | | | 272,336 | 272,702 | 366 | |
| Total as at June 30, 2011 | | | | | | | | | |
| | | | | | | 160,599 | 159,255 | (1,344) | |
| Treasury Bills - MSF perpetual | | | | | | | | | |
| Treasury Bill - 1 Year | 690,300 | 25,671,600 | 20,524,500 | 1,686,800 | 4,150,600 | 3,931,143 | 3,925,835 | 63.41% | 65.73% |
| Treasury Bill - 6 Months | 2,240,000 | 11,799,500 | 8,154,000 | 5,378,000 | 507,500 | 506,606 | 506,575 | 8.18% | 8.48% |
| Treasury Bill - 3 Months | 75,000 | 3,660,800 | 1,502,500 | 1,345,800 | 887,500 | 870,047 | 870,029 | 14.05% | 14.57% |
| | | | | | | 5,307,796 | 5,302,439 | (5,357) | |
| Treasury Bills - MSF 12/12 | | | | | | | | | |
| Treasury Bill - 1 Year | - | 245,800 | 170,000 | - | 75,800 | 72,020 | 71,946 | 1.16% | 1.20% |
| Treasury Bill - 6 Months | - | 454,000 | 59,000 | 395,000 | - | - | - | 0.00% | 0.00% |
| Treasury Bill - 3 Months | - | 133,000 | - | 24,000 | 109,000 | 107,431 | 107,401 | - | - |
| | | | | | | 179,450 | 179,346 | (104) | |
| Total of Treasury Bills as at March 31, 2012 | | | | | | | | | |
| | | | | | | 5,487,246 | 5,481,785 | (5,461) | |
| Total as at June 30, 2011 | | | | | | | | | |
| | | | | | | 2,782,320 | 2,782,092 | (228) | |
| GOP Ijarah Sukuk - MSF perpetual | | | | | | | | | |
| GOP Ijarah sukuk 3 Year | 50,000,000 | - | - | - | 50,000,000 | 50,078 | 50,078 | 0.81% | 0.84% |
| GOP Ijarah sukuk 2 Year | - | 167,000,000 | - | - | 167,000,000 | 167,668 | 167,668 | 2.71% | 2.81% |
| | | | | | | 217,746 | 217,746 | - | - |
| Total of Ijarah sukuk as at March 31, 2012 | | | | | | | | | |
| | | | | | | 50,078 | 50,078 | - | - |
| Total as at June 30, 2011 | | | | | | | | | |
| | | | | | | 5,977,328 | 5,972,233 | (5,095) | |
| Total as at March 31, 2012 | | | | | | | | | |
| | | | | | | 2,992,997 | 2,991,425 | (1,572) | |
| Total as at June 30, 2011 | | | | | | | | | |

4.1.1 These sukuks have been carried at cost by the Fund as in the opinion of the management, there is no external source available for their accurate valuation. Financial Markets Association of Pakistan (FMAP) is currently developing a mechanism for revaluation of these sukuks. Once developed, this mechanism will be forwarded to the Securities and Exchange Commission of Pakistan (SECP) and State Bank of Pakistan (SBP) for their consideration. Mutual Funds Association of Pakistan (MUFAP) has also informed the SECP that the mechanism of pricing of these sukuks is currently being studied by MUFAP and has requested SECP to allow status quo to the Funds in valuation of these securities.

| Unaudited | | | Audited |
|-----------------|-----------|-------|---------------|
| March 31, 2012 | | | June 30, 2011 |
| MSF Perpetual | MSF 12/12 | Total | Total |
| (Rupees in 000) | | | |

4.2 Unrealised (diminution) / appreciation in fair value of investments classified as - 'at fair value through profit or loss' - net

| | | | | |
|-------------------------------|-------------|-----------|-------------|-------------|
| Market value of investments | 5,641,007 | 331,226 | 5,972,233 | 2,991,425 |
| Carrying value of investments | (5,647,271) | (330,057) | (5,977,328) | (2,992,997) |
| | (6,264) | 1,169 | (5,095) | (1,572) |

5 CONTINGENCIES AND COMMITMENTS

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

Subsequent to the year ended June 30, 2010, 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.

Subsequent to the year ended June 30, 2011, 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 MetroBank - Pakistan Sovereign Fund is not liable to contribute to WWF and hence no provision has been recognised by the Management Company. The aggregate unrecognized amount of WWF as at March 31, 2012 amounted to Rs 18.785 million (including Rs. 8.2 million for prior years).

5.2 There were no other contingencies and commitments outstanding as at March 31, 2012. (June 30, 2011: Nil).

6 SINDH SALES TAX ON MANAGEMENT REMUNERATION

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

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 Fund, 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

Connected persons 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 undertakings.

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

Fee payable to the Management Company and the Trustee is determined in accordance with the provisions of the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulation, 2008 and the Trust Deed respectively.

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

| | Nine months ended March 31, | | Quarter ended March 31, | |
|--|--------------------------------|-----------|----------------------------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| | ----- (Rupees in '000) ----- | | | |
| 8.1 Transactions during the period | | | | |
| Arif Habib Investment Limited - Management Company | | | | |
| Remuneration for the period | 44,580 | 15,833 | 17,643 | 6,010 |
| Sales tax on management fee | 7,132 | - | 2,822 | - |
| Issue of 2,666 bonus units (2011: 3,505 units) | 128 | 166 | 52 | - |
| Central Depository Company of Pakistan - Trustee | | | | |
| Remuneration for the period | 3,504 | 1,522 | 1,380 | 523 |
| Habib Metropolitan Bank Limited | | | | |
| Profit on bank deposits | 4,362 | 1,071 | 2,025 | 226 |
| Bank charges | 440 | 124 | 144 | 50 |
| Issue of 13,715,132 units (2011: 23,969,303 units) | 700,000 | 1,200,000 | 400,000 | 600,000 |
| Redemption of 6,857,566 units (2011: 17,951,736 units) | 350,000 | 900,000 | 200,000 | 500,000 |
| Issue of 4,428,929 bonus units (2011: 2,787,686 bonus units) | 220,118 | 30,118 | 102,190 | - |
| Dividend paid | - | 50,884 | - | - |
| MCB Bank Limited | | | | |
| Profit on bank deposits | 28,392 | - | 10,532 | - |
| Bank charges | 4 | - | 3 | - |
| Issue of 48,868,459 units (2011: Nil) | 2,500,000 | - | - | - |
| Dividend paid | 399,703 | - | 216,893 | - |
| Key Management Personnel | | | | |
| Issue of 134,478 units (2011: Nil) | 6,800 | 51 | 3,500 | - |
| Redemption of 81,253 units (2011: Nil) | 4,105 | 21 | 3,400 | - |
| Issue of 3,358 bonus units (2011: Nil) | 167 | 100 | 158 | 100 |

| | Unaudited March 31, 2012 | Audited June 30, 2011 |
|---|--------------------------------|-----------------------------|
| | ----- (Rupees in 000) ----- | |
| 8.2 Amount outstanding as at period / year end | | |
| Management Company | | |
| Remuneration Payable at the end of the period / year | 6,010 | 1,855 |
| Sales tax payable on management fee | 961 | - |
| Units held 19,165 units (June 30, 2011: 16,500 units) | 924 | 841 |
| Central Depository Company of Pakistan - Trustee | | |
| Remuneration Payable | 466 | 164 |
| Habib Metropolitan Bank Limited | | |
| Bank deposits | 43,386 | 3,843 |
| Profit receivable | 208 | 1,200 |
| Units held 38,153,676 (June 30, 2011: 26,867,181) | 1,897,382 | 1,409,721 |
| MCB Bank Limited | | |
| Bank deposits | 171,924 | - |
| Profit receivable | 1,326 | - |
| Units held 77,461,672 (June 30, 2011: 28,593,214) | 3,852,169 | 1,500,286 |
| Key Management Personnel | | |
| Units held 58,600 (June 30, 2011: 2,018 units) | 2,911 | 103 |

9 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. No significant changes or reclassifications were made in this condensed interim financial information.

10 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.

11 GENERAL

Figures have been rounded off to the nearest Thousand rupee.

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

Yasir Qadri
Chief Executive Officer

Nasim Beg
Executive Vice Chairman

**METROBANK
PAKISTAN SOVEREIGN FUND
PERPETUAL**

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

| | Note | Un-audited MARCH 31, 2012 | Audited June 30, 2011 |
|---|------|---------------------------------|-----------------------------|
| | | ----- | ----- |
| | | (Rupees 000) | (Rupees 000) |
| ASSETS | | | |
| Balances with banks | | 212,272 | 3,065 |
| Investments | 4 | 5,763,143 | 2,943,382 |
| Accrued income | | 13,869 | 2,025 |
| Total Assets | | <u>5,989,284</u> | <u>2,948,472</u> |
| LIABILITIES | | | |
| Payable to the Management Company | | 6,601 | 1,681 |
| Payable to the Trustee | | 441 | 148 |
| Payable to Securities and Exchange Commission of Pakistan | | 2,804 | 1,213 |
| Payable against redemption of units | | - | 27 |
| Accrued expenses and other liabilities | | 1,500 | 940 |
| Total liabilities | | 11,346 | 4,009 |
| NET ASSETS | | <u>5,977,938</u> | <u>2,944,462</u> |
| UNIT HOLDERS' FUND (as per statement attached) | | <u>5,977,938</u> | <u>2,944,462</u> |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 5 | | |
| | | (Number of Units) | |
| Number of units in issue | | <u>120,202,518</u> | <u>56,112,025</u> |
| | | (Rupees) | |
| Net asset value per unit | 3.4 | <u>49.73</u> | <u>52.47</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 | | Quarter ended | |
|--|------|------------------------------|----------------|----------------|---------------|
| | | March 31, | | March 31, | |
| | | 2012 | 2011 | 2012 | 2011 |
| | | ----- (Rupees in '000) ----- | | | |
| INCOME | | | | | |
| Income from investments in government securities | | 417,348 | 146,648 | 157,515 | 53,508 |
| Capital gain / (loss) on sale of investments | | 25,128 | (17,140) | (5,010) | 179 |
| Profit on bank deposits | | 32,353 | 1,046 | 12,664 | 219 |
| Income from reverse repurchase transactions of government securities | | 5,070 | 323 | 4,634 | 151 |
| Dividend income | | - | 1,801 | - | - |
| Unrealised appreciation / (diminution) in the fair value of investments classified as 'at fair value through profit or loss' - net | 4.3 | 4,661 | 4,230 | 14,898 | 3,563 |
| Total income | | 484,560 | 136,908 | 184,700 | 57,620 |
| EXPENSES | | | | | |
| Remuneration of the Management Company | 6 | 42,490 | 14,905 | 16,723 | 5,667 |
| Sindh sales tax on management remuneration | | 6,798 | - | 2,675 | - |
| Remuneration of the Trustee | | 3,341 | 1,428 | 1,309 | 492 |
| Annual fee - Securities and Exchange Commission of Pakistan | | 2,804 | 902 | 1,132 | 318 |
| Securities transaction costs | | 1,509 | 173 | 714 | 69 |
| Auditors' remuneration | | 573 | 304 | 194 | 95 |
| Other expenses | | 650 | 434 | 212 | 143 |
| Total expenses | | 58,165 | 18,146 | 22,960 | 6,784 |
| Net income from operating activities | | 426,395 | 118,762 | 161,740 | 50,836 |
| Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net | | 78,222 | (2,969) | 10,606 | 642 |
| Net income for the period before taxation | | 504,617 | 115,793 | 172,347 | 51,478 |
| Taxation | 7 | - | - | - | - |
| Net income for the period after taxation | | 504,617 | 115,793 | 172,347 | 51,478 |
| Other comprehensive income for the period | | | | | |
| Unrealised appreciation in the fair value of investments classified as 'available for sale' - net | | - | 7,600 | - | 4,695 |
| Total comprehensive income for the period | | 504,617 | 123,393 | 172,347 | 56,173 |
| Earnings per unit | 3.5 | | | | |

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

| Note | Nine months ended March 31, | | Quarter ended March 31, | |
|--|--------------------------------|-----------|----------------------------|----------|
| | 2012 | 2011 | 2012 | 2011 |
| | ----- (Rupees in '000) ----- | | | |
| Undistributed income / (Accumulated loss) brought forward | 138,859 | 115,217 | 141,732 | (13,259) |
| Final distribution for the year ended June 30, 2011: Rs 2.7739 (2010: Rs 5) per unit (Date of distribution : July 4, 2011) | | | | |
| - Bonus units | (76,334) | (139,377) | - | - |
| - Cash distribution | (79,315) | - | - | - |
| | (16,790) | (24,160) | 141,732 | (13,259) |
| Net income for the period after taxation | 504,617 | 115,793 | 172,347 | 51,478 |
| Interim distribution for the period from July 1, 2011 to to March 31, 2012 (2010: from July 1 2010 to December 31, 2010): Rs 1.70 (2010 : Rs 1.44) per unit | | (52,691) | | |
| Date of distribution : September 28, 2011 | | | | |
| - Bonus units | (48,944) | - | - | - |
| - Cash distribution | (106,484) | - | - | - |
| Date of distribution : Janaury 27, 2012 | | | | |
| - Bonus units | (93,261) | - | (93,261) | - |
| - Cash distribution | (162,887) | - | (162,887) | - |
| Date of distribution : March 29, 2012 | | | | |
| - Bonus units | (29,622) | - | (29,622) | - |
| - Cash distribution | (59,593) | - | (59,593) | - |
| Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - net | 3.1 (19,227) | (625) | (907) | 98 |
| | (15,400) | 62,477 | (173,922) | 51,576 |
| Undistributed income / (Accumulated loss) carried forward | (32,190) | 38,317 | (32,190) | 38,317 |

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, | | Quarter ended March 31, | |
|---|--------------------------------|-----------|----------------------------|-----------|
| | 2012 | 2011 | 2012 | 2011 |
| | ----- (Rupees in '000) ----- | | | |
| Net assets at the beginning of the period | 2,944,462 | 1,505,748 | 6,000,770 | 1,754,852 |
| Issue of 156,578,419 Units (2011: 25,017,942 units) and 4,719,119 units (2011: 11,895,175 units) for the nine months and quarter respectively | 7,976,620 | 1,252,280 | 248,162 | 600,418 |
| Redemption of 97,481,115 units (2011: 18,451,288 units) and 4,169,827 units (2011: 9,978,757 units) for the nine months and quarter respectively | (4,961,261) | (924,768) | (210,255) | (503,870) |
| | 3,015,358 | 327,512 | 37,906 | 96,548 |
| Issue of 4,993,189 bonus units (2011: 2,843,266 units) | 248,162 | 139,377 | 122,883 | - |
| | 3,263,520 | 466,889 | 160,789 | 96,548 |
| Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net | | | | |
| - amount representing (income) / loss and capital (gains) / losses - transferred to income statement | (78,222) | 2,969 | (10,606) | (642) |
| - amount representing loss that forms part of unit holders' fund - transferred to distribution statement | 19,227 | 625 | 907 | (98) |
| | (58,995) | 3,594 | (9,699) | (740) |
| Unrealised appreciation on revaluation of investments classified as 'Available for Sale' - net | - | 7,600 | - | 4,695 |
| Capital gain / (loss) on sale on investments | 25,128 | (17,140) | (5,010) | 179 |
| Unrealised (diminution) / appreciation in the fair value of investments classified as 'at fair value through profit or loss | 4,661 | 4,230 | 14,898 | 3,563 |
| Other net income for the period | 474,828 | 128,703 | 162,459 | 47,736 |
| Total comprehensive income for the period | 504,617 | 123,393 | 172,347 | 56,173 |
| Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - amount representing loss that forms part of unit holder's fund | (19,227) | (625) | (907) | 98 |
| Final distribution for the year ended June 30, 2011: Rs 2.7739 (2010: Rs 5) per unit (Date of distribution : July 4, 2011) | (76,334) | (139,377) | - | - |
| - Bonus units | (79,315) | | - | |
| - Cash distribution | | | | |
| Interim distribution for the period from July 1, 2011 to to March 31, 2012 (2010: from July 1 2010 to December 31, 2010): Rs 1.70 (2010 : Rs 1.44) per unit | | (52,691) | - | - |
| Date of distribution : September 28, 2011 | | | | |
| - Bonus units | (48,944) | - | - | - |
| - Cash distribution | (106,484) | - | - | - |
| Date of distribution : Janaury 27, 2012 | | | | |
| - Bonus units | (93,261) | - | (93,261) | - |
| - Cash distribution | (162,887) | - | (162,887) | - |
| Date of distribution : March 29, 2012 | | | | |
| - Bonus units | (29,622) | - | (29,622) | - |
| - Cash distribution | (59,593) | - | (59,593) | - |
| | (656,439) | (192,068) | (345,362) | - |
| Net assets at the end of the period | 5,977,938 | 1,906,931 | 5,977,938 | 1,906,931 |

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, | | Quarter ended March 31, | |
|---|--------------------------------|-----------|----------------------------|-----------|
| | 2012 | 2011 | 2012 | 2011 |
| | (Rupees in '000) | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net income for the period before taxation | 504,617 | 115,793 | 172,347 | 51,478 |
| Adjustments for non-cash charges and other items: | | | | |
| Unrealised diminution / (appreciation) in the fair value of investments classified as fair value through profit or loss - net | (4,661) | (4,230) | (14,898) | (3,563) |
| Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net | (78,222) | 2,969 | (10,606) | (642) |
| | 421,734 | 114,532 | 146,843 | 47,273 |
| (Increase) / Decrease in assets | | | | |
| Investments - net | (2,815,099) | (409,675) | 32,500 | (139,760) |
| Receivable against sale on investments | - | - | 99,097 | - |
| Receivable against sale of units | - | - | 100 | - |
| Accrued income | (11,844) | 16,897 | 20,158 | (5,994) |
| Prepayments and other receivables | - | (21) | 1 | (16) |
| | (2,826,943) | (392,799) | 151,856 | (145,770) |
| Increase / (Decrease) in liabilities | | | | |
| Remuneration payable to the Management Company | 4,920 | 703 | 610 | 242 |
| Payable to the Trustee | 293 | 28 | (27) | 8 |
| Annual fee payable to the Securities and Exchange Commission of Pakistan | 1,591 | (295) | 1,132 | 318 |
| Payable against redemption of units | (27) | - | - | - |
| Accrued expenses and other liabilities | 560 | (134) | (904) | (92) |
| | 7,337 | 302 | 811 | 476 |
| Net cash (used in) / generated from operating activities | (2,397,872) | (277,965) | 299,510 | (98,021) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Receipts against issue of units | 7,976,620 | 1,252,280 | 248,162 | 600,418 |
| Payment against redemption of units | (4,961,261) | (924,768) | (210,255) | (503,870) |
| | 3,015,358 | 327,512 | 37,906 | 96,548 |
| Dividend paid | (408,279) | (52,691) | (222,480) | - |
| Net cash inflow from / (outflow) on financing activities | 2,607,079 | 274,821 | (184,574) | 96,548 |
| Net increase / (decrease) in cash and cash equivalents during the period | 209,207 | (3,144) | 114,936 | (1,473) |
| Cash and cash equivalents at the beginning of the period | 3,065 | 6,683 | 97,337 | 5,012 |
| Cash and cash equivalents at the end of the period | 212,272 | 3,539 | 212,272 | 3,539 |

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

MetroBank - Pakistan Sovereign Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (AHIL), as Management Company and Habib Metropolitan Bank Limited as Trustee. The Trust Deed was executed on December 24, 2002 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 7, 2003 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules), [repealed by the Non - Banking Finance Companies (Establishment and Regulations) Rules, 2003 (NBFC Rules)].

Central Depository Company of Pakistan Limited (CDC) was appointed as the new Trustee with effect from November 23, 2009 on retirement of Habib Metropolitan Bank Limited. The SECP approved the appointment of CDC as the Trustee in place of Habib Metropolitan Bank Limited and further approved the amendments to the Trust Deed vide its letter number SCD/NBFC-11/MF-RS/MSPF/981/2009 dated November 3, 2009. Accordingly, the Trust Deed of the Fund was revised through a supplemental Deed executed between the Management Company, Habib Metropolitan Bank Limited and the CDC.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.

Based on shareholders' resolutions of MCB Asset Management Limited (MCB-AMC) and AHIL 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). AHIL being a listed company is the surviving entity and 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 30th July 2011 (through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AHI/348/2011 dated June 27, 2011). Since the merger had already taken place and the subsequent order of the SECP could not be complied with, the Company has sought a ruling by the honourable Sindh High Court (SHC). The honourable 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 Metro Bank - Pakistan Sovereign Fund is an open-ended mutual fund listed on the Islamabad 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.

Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM2' (positive outlook) to the Management Company and a stability rating of 'AA(f)' to the Fund.

The Fund consists of a 'Perpetual' (the scheme) and one sub-scheme as at December 31, 2010 with pre-determined maturity date as follows.

| Name of sub-fund | Maturity date of sub-fund |
|-------------------------|----------------------------------|
|-------------------------|----------------------------------|

| | |
|---|-------------------|
| MetroBank - Pakistan Sovereign Fund - (December 2012) [MSF 12/12] | December 31, 2012 |
|---|-------------------|

In addition to the above sub-fund, the Fund had also issued other sub-funds which had matured as follows;

| Name of sub-scheme | Matured on |
|---------------------------|-------------------|
|---------------------------|-------------------|

| | |
|---|-------------------|
| MetroBank - Pakistan Sovereign Fund - (December 2003) [MSF 12/03] | December 31, 2003 |
|---|-------------------|

| | |
|---|-------------------|
| MetroBank - Pakistan Sovereign Fund - (December 2005) [MSF 12/05] | December 31, 2005 |
|---|-------------------|

| | |
|---|-------------------|
| MetroBank - Pakistan Sovereign Fund - (December 2007) [MSF 12/07] | December 31, 2007 |
|---|-------------------|

The Fund and Sub-Fund of MSF are open-end schemes which offer units for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the scheme.

This condensed interim financial information is the financial information of the "Perpetual" scheme. The Fund can directly invest in Pakistan rupee denominated bonds and debt securities issued by Government of Pakistan, reverse repurchase transactions in government securities and any otherwise un-invested funds in deposits with banks and financial institutions. In addition, the scheme can also invest in sub-schemes of the Fund.

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

2 BASIS OF PREPARATION

- 2.1** 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 International Accounting Standard (IAS) 34: 'Interim Financial Reporting', 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 does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2011.
- 2.3** This condensed interim financial information is unaudited. Accordingly, 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.

3 SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

- income for the period would have been lower by Rs 19.227 million.
- amount taken to distribution statement would have been higher by Rs 19.227 million.

3.2 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 periods beginning July 1, 2011:

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

IFRS 7 (amendment) 'Financial instruments: Disclosures'. This amendment was part of the IASB's annual improvement project published in May 2010. The amendment emphasises the interaction between quantitative 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 this condensed interim financial information.

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

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

3.4 Net Asset Value per unit

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

3.5 Earnings per unit

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

| Note | Un-audited MARCH 31, 2012 | Audited June 30, 2011 |
|------|---------------------------------|-----------------------------|
| | ------(Rupees 000)----- | |

4 INVESTMENTS

Investments - 'at fair value through profit or loss'

| | | | |
|---------------------------|-----|------------------|------------------|
| Pakistan Investment Bonds | 4.1 | 120,822 | - |
| Treasury Bills | 4.1 | 5,302,439 | 2,782,092 |
| GOP Ijarah Sukuks | 4.1 | 217,746 | 50,078 |
| Investment in Sub-Scheme | 4.2 | 122,137 | 111,212 |
| | | <u>5,763,144</u> | <u>2,943,382</u> |

4.1 Investments in Government Securities - 'at fair value through profit or loss'

| Particulars | 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 | Purchases during the period | Sales during the period | Matured during the period | As at March 31, 2012 | Carrying Value | Market Value | | |
| | | | | | | | | | |
| Pakistan Investment Bonds | | | | | | | | | |
| Pakistan Investment Bond 3 Years | - | 650,000 | 650,000 | - | - | - | - | 0.00% | 0.00% |
| Pakistan Investment Bond 5 Years | - | 1,200,000 | 1,100,000 | - | 100,000 | 97,849 | 96,871 | 1.62% | 1.68% |
| Pakistan Investment Bond 7 Years | - | 100,000 | 100,000 | - | - | - | - | 0.00% | 0.00% |
| Pakistan Investment Bond 10 Years | - | 516,000 | 490,500 | - | 25,500 | 23,880 | 23,951 | 0.40% | 0.42% |
| Total as at March 31, 2012 | | | | | | 121,729 | 120,822 | | (907) |
| Total as at June 30, 2011 | | | | | | - | - | | - |
| Treasury Bills | | | | | | | | | |
| Treasury Bill - 1 Year | 690,300 | 25,671,600 | 20,524,500 | 1,686,800 | 4,150,600 | 3,931,143 | 3,925,835 | 65.67% | 68.12% |
| Treasury Bill - 6 Months | 2,240,000 | 11,799,500 | 8,154,000 | 5,378,000 | 507,500 | 506,606 | 506,575 | 8.47% | 8.79% |
| Treasury Bill - 3 Months | 75,000 | 3,660,800 | 1,502,500 | 1,345,800 | 887,500 | 870,047 | 870,029 | 14.55% | 15.10% |
| Total as at March 31, 2012 | | | | | | 5,307,796 | 5,302,439 | | (5,357) |
| Total as at June 30, 2011 | | | | | | 2,782,398 | 2,782,092 | | (306) |
| Investment in GOP Ijarah Sukuks | | | | | | | | | |
| GOP Ijarah sukuk 3 Year | 50,078 | - | - | - | 50,078 | 50,078 | 50,078 | 0.84% | 0.87% |
| GOP Ijarah sukuk 2 Year | - | 167,668 | - | - | 167,668 | 167,668 | 167,668 | 2.80% | 2.91% |
| Total as at March 31, 2012 | | | | | | 217,746 | 217,746 | | - |
| Total as at June 30, 2011 | | | | | | 50,000 | 50,078 | | 78 |

4.1.1 The above sukuk have been carried at cost by the Fund as in the opinion of the management, there is no external source available for their accurate valuation. Financial Markets Association of Pakistan (FMAP) is currently developing a mechanism for revaluation of these sukuk. 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 sukuk is currently being studied by MUFAP and has requested SECP to allow status quo to the Funds in valuation of these securities.

4.2 Investment in Sub Scheme - 'at fair value through profit or loss'

| Particulars | Number of Units | | | | 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 | Bonus / Reinvest-ment | Sales during the period | Matured during the period | As at March 31, 2012 | Carrying Value | Market Value | | |
| | | | | | | | | | |
| MSF December 2012 | 2,181,486 | 352,484 | - | - | 2,533,970 | 111,212 | 122,137 | 2.04% | 0.19% |
| Total as at March 31, 2012 | | | | | | 111,212 | 122,137 | | 10,925 |
| Total as at June 30, 2011 | | | | | | 94,910 | 111,212 | | 16,302 |

| | Un-audited March 31, 2012 | Audited June 30, 2011 |
|---|--|--------------------------------------|
| | ------(Rupees in 000)----- | |
| 4.3 Net unrealised (diminution) / appreciation in fair value of investments classified as - 'at fair value through profit or loss' | | |
| Market value of investments | 5,763,144 | 2,943,382 |
| Carrying value of investments | <u>(5,758,483)</u> | <u>(2,927,308)</u> |
| | 4,661 | 16,074 |
| Realised on disposal of investments during the period | 16,074 | (5,473) |
| Net unrealised (appreciation) in the value of investments at fair value through profit or loss at the beginning of the period | <u>(16,074)</u> | <u>(2,694)</u> |
| | <u>4,661</u> | <u>7,907</u> |

5 CONTINGENCIES AND COMMITMENTS

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

Subsequent to the year ended June 30, 2010, 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.

Subsequent to the year ended June 30, 2011, 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 MetroBank - Pakistan Sovereign Fund - Perpetual is not liable to contribute to WWF and hence no provision has been recognised by the Management Company. The aggregate unrecognized amount of WWF as at March 31, 2012 amounted to Rs 17.63 million (including Rs. 7.54 million for prior years).

5.2 There were no other contingencies and commitments outstanding as at March 31, 2012 (June 30, 2011: Nil).

6 SINDH SALES TAX ON MANAGEMENT REMUNERATION

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

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

Connected persons 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 undertakings.

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

Fee payable to the Management Company and the Trustee is determined in accordance with the provisions of the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulation, 2008 and the Trust Deed respectively.

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

| | Nine months ended March 31, | | Quarter ended March 31, | |
|--|------------------------------------|-----------|----------------------------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| 8.1 Transactions during the period | ------(Rupees in '000)----- | | | |
| Arif Habib Investment Limited - Management Company | | | | |
| Remuneration for the period | 42,490 | 14,905 | 16,723 | 5,667 |
| Sales tax on management fee | 6,798 | - | 2,675 | - |
| Central Depository Company of Pakistan - Trustee | | | | |
| Remuneration for the period | 3,341 | 1,428 | 1,309 | 492 |
| Habib Metropolitan Bank Limited | | | | |
| Profit on bank deposits | 3,667 | 1,045 | 1,839 | 219 |
| Bank charges | 395 | 118 | 131 | 46 |
| Issue of 13,715,132 units (2011: 23,969,303 units) | 700,000 | 1,200,000 | 400,000 | 600,000 |
| Redemption of 6,857,566 units (2011: 17,951,736 units) | 350,000 | 900,000 | 200,000 | 500,000 |
| Issue of 4,428,929 bonus units (2011: 2,787,686 bonus units) | 220,118 | 30,118 | 102,190 | - |
| Dividend paid | - | 50,884 | - | - |
| MCB Bank Limited | | | | |
| Profit on bank deposits | 28,392 | - | 10,532 | - |
| Bank charges | 4 | - | 3 | - |
| Issue of 48,868,459 units (2011: Nil) | 2,500,000 | - | - | - |
| Dividend paid | 399,703 | - | 216,893 | - |
| Investment in Sub-Scheme - MSF December 2012 | | | | |
| Investment made in the Fund: Nil units (2011: 6,348 units) | - | 300 | - | - |
| 352,484 bonus units received (2011: 37,637 units) | 16,976 | 1,801 | 6,893 | - |
| Key Management Personnel | | | | |
| Issue of 134,478 units (2011: Nil) | 6,800 | 51 | 3,500 | - |
| Redemption of 81,253 units (2011: Nil) | 4,105 | 21 | 3,400 | - |
| Issue of 3,032 bonus units (2011: nil bonus units) | 151 | - | 151 | - |

| | Un-audited March 31, 2012 | Audited June 30, 2011 |
|---|---------------------------------|-----------------------------|
| | ------(Rupees in '000)----- | |
| 8.2 Amounts outstanding as at period / year end | | |
| Arif Habib Investment Limited - Management Company | | |
| Remuneration Payable at the end of the period / year | 5,691 | 1,681 |
| Sales tax payable on management fee | 910 | - |
| Central Depository Company of Pakistan - Trustee | | |
| Remuneration Payable | 441 | 148 |
| Habib Metropolitan Bank Limited | | |
| Bank deposits | 40,272 | 2,997 |
| Profit receivable | 121 | 1,158 |
| Units held 38,153,676 (June 30, 2011: 26,867,181) | 1,897,382 | 1,409,721 |
| MCB Bank Limited | | |
| Bank deposits | 171,924 | - |
| Profit receivable | 1,326 | - |
| Units held 77,461,672 (June 30, 2011: 28,593,214) | 3,852,169 | 1,500,286 |
| Investment in Sub-Scheme - MSF December 2012 | | |
| Units held 2,390,848 (June 30, 2011: 2,181,486) | 122,137 | 111,212 |
| Key Management Personnel | | |
| Units held 56,256 (June 30, 2011: Nil) | 2,798 | - |

9 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. No significant changes or reclassifications were made in this condensed interim financial information.

10 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.

11 GENERAL

Figures have been rounded off to the nearest thousand rupee.

For Arif Habib Investments Limited
(Management Company)

Yasir Qadri
Chief Executive Officer

Nasim Beg
Executive Vice Chairman

**METROBANK
PAKISTAN SOVEREIGN FUND
(DECEMBER 2012)**

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

| | Note | Un-audited March 31, 2012 | Audited June 30, 2011 |
|---|------|---------------------------------|-----------------------------|
| ----- (Rupees in '000) ----- | | | |
| ASSETS | | | |
| Balances with banks | | 3,411 | 888 |
| Investments | 4 | 331,227 | 159,255 |
| Accrued income | | 1,802 | 5,884 |
| Total Assets | | 336,440 | 166,027 |
| LIABILITIES | | | |
| Payable to the Management Company | | 370 | 174 |
| Payable to the Trustee | | 25 | 16 |
| Payable to Securities and Exchange Commission of Pakistan | | 135 | 88 |
| Accrued expenses and other liabilities | | 834 | 48 |
| Total liabilities | | 1,364 | 326 |
| NET ASSETS | | <u>335,076</u> | <u>165,701</u> |
| UNIT HOLDERS' FUND (as per statement attached) | | <u>335,076</u> | <u>165,701</u> |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 5 | | |
| (Number of Units) | | | |
| Number of units in issue | | <u>6,951,739</u> | <u>3,250,204</u> |
| (Rupees) | | | |
| Net asset value per unit | 3.4 | <u>48.20</u> | <u>50.98</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, | | Quarter ended March 31, | |
|--|------|--------------------------------|--------------|----------------------------|--------------|
| | | 2012 | 2011 | 2012 | 2011 |
| | | ----- (Rupees in '000) ----- | | | |
| INCOME | | | | | |
| Income from investment in government securities | | 21,794 | 9,505 | 9,465 | 3,200 |
| Capital (loss) / gain on sale of investments | | 152 | - | 200 | - |
| Profit on bank deposits | | 816 | 26 | 275 | 7 |
| Unrealised appreciation / (diminution) in the fair value of investments classified as 'at fair value through profit or loss' - net | 4.2 | 1,169 | (1,517) | (454) | 368 |
| Total income | | 23,931 | 8,014 | 9,486 | 3,575 |
| EXPENSES | | | | | |
| Remuneration of the Management Company | | 2,090 | 928 | 920 | 343 |
| Sindh sales tax on management remuneration | 6 | 334 | - | 147 | - |
| Remuneration of the Trustee | | 163 | 94 | 71 | 31 |
| Annual fee - Securities and Exchange Commission of Pakistan | | 136 | 59 | 61 | 20 |
| Securities transaction costs | | 18 | - | 6 | - |
| Auditors' remuneration | | 27 | 20 | 10 | 6 |
| Other expenses | | 67 | 18 | 22 | 3 |
| Total expenses | | 2,835 | 1,119 | 1,237 | 403 |
| Net income from operating activities | | 21,096 | 6,895 | 8,249 | 3,172 |
| Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net | | 3,649 | (1,378) | 892 | - |
| Net Income for the period before taxation | | 24,745 | 5,517 | 9,141 | 3,172 |
| Taxation | 7 | - | - | - | - |
| Net Income for the period after taxation | | 24,745 | 5,517 | 9,141 | 3,172 |
| Other comprehensive income for the period | | | | | |
| Unrealised appreciation in the fair value of investments classified as 'available for sale' - net | | - | 55 | - | 26 |
| Total comprehensive income for the period | | 24,745 | 5,572 | 9,141 | 3,199 |
| Earnings per unit | 3.5 | | | | |

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

| Note | Nine months ended March 31, | | Quarter ended March 31, | |
|--|--------------------------------|----------|----------------------------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| | ----- (Rupees in '000) ----- | | | |
| Undistributed income / (Accumulated loss) brought forward | 3,191 | 17,337 | (1,121) | (4,112) |
| Final distribution for the year ended June 30, 2011: Rs. 2.8224 (2010: Rs:13) per unit (Date of distribution July 4, 2011) | | | | |
| - Bonus units | (9,127) | (21,972) | - | - |
| | (5,936) | (4,635) | (1,121) | (4,112) |
| Net income for the period after taxation | 24,745 | 5,517 | 9,141 | 3,172 |
| Interim distribution for the period from July 1, 2011 to to March 31, 2012 (2010: from July 1 2010 to December 31, 2010): Rs 1.70 (2010 : Rs 1.44) per unit | | (1,816) | | - |
| Date of distribution : September 28, 2011 | | | | |
| - Bonus units | (5,612) | - | - | - |
| - Cash distribution | - | - | - | - |
| Date of distribution : Janaury 27, 2012 | | | | |
| - Bonus units | (11,546) | - | (11,546) | - |
| - Cash distribution | (2,128) | - | (2,128) | - |
| Date of distribution : March 29, 2012 | | | | |
| - Bonus units | (4,440) | - | (4,440) | - |
| - Cash distribution | (774) | - | (774) | - |
| Element of (loss) / income and capital losses / (gains) included in prices of units issued less those in units redeemed - net | 3.1 | (6,811) | (5) | (1,634) |
| | (6,565) | 3,696 | (11,380) | 3,172 |
| Accumulated loss carried forward | (12,501) | (939) | (12,501) | (940) |

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, | | Quarter ended March 31, | |
|--|--------------------------------|----------|----------------------------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| | (Rupees in '000) | | | |
| Net assets at the beginning of the period | 165,701 | 101,819 | 302,073 | 105,867 |
| Issue of 4,711,541 units (2011: 38,956 units) and 1,733,869 units (2011: 1,099 Units) for the nine months and quarter respectively | 233,212 | 2,166 | 86,685 | 50 |
| Redemption of 1,647,977 units (2011: 55 Units) 1,117,940 units (2011: Nil units) for the nine months and quarter respectively | (82,031) | (3) | (59,029) | - |
| | 151,181 | 2,163 | 27,655 | 50 |
| Issue of 637,970 and 331,928 bonus units for nine months and quarter respectively (2011 : 465,113 units) | 30,725 | 21,972 | 15,986 | - |
| | 181,905 | 24,135 | 43,641 | 50 |
| Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net | | | | |
| - amount representing (income) / loss and capital (gains) / losses - transferred to income statement | (3,649) | 1,378 | (892) | - |
| - amount representing loss / (income) that forms part of unit holders' fund - transferred to distribution statement | 6,811 | 5 | 1,634 | - |
| | 3,162 | 1,383 | 742 | - |
| Unrealised appreciation on revaluation of the investments classified as 'available for sale' - net | - | 55 | - | 26 |
| Capital gain / (loss) on sale on investments | 152 | - | 200 | - |
| Net unrealised appreciation / (diminution) in fair value of investments classified as ' financial assets at fair value' through profit or loss | 1,169 | (1,517) | (454) | 368 |
| Other net income for the period | 23,424 | 7,034 | 9,394 | 2,804 |
| Total comprehensive income for the period | 24,745 | 5,572 | 9,141 | 3,199 |
| Element of (loss) / income and capital (losses) /gains included in prices of units issued less those in units redeemed | | | | |
| - amount representing (loss) / income that forms part of unit holders' fund - transferred to distribution statement | (6,811) | (5) | (1,634) | - |
| Distributions: | | | | |
| Final distribution for the year ended June 30, 2011 : of Rs. 2.8224 (2010: Rs:13) per unit (Date of distribution July 4, 2011) | | | | |
| - Bonus units | (9,127) | (21,972) | - | - |
| Interim distribution for the period from July 1, 2011 to to March 31, 2012 (2010: from July 1 2010 to December 31, 2010): Rs 1.70 (2010 : Rs 1.44) per unit | | | | |
| Date of distribution : September 28, 2011 | | | | |
| - Bonus units | (5,612) | - | - | - |
| - Cash distribution | - | (1,816) | - | - |
| Date of distribution : Janaury 27, 2012 | | | | |
| - Bonus units | (11,546) | - | (11,546) | - |
| - Cash distribution | (2,128) | - | (2,128) | - |
| Date of distribution : March 29, 2012 | | | | |
| - Bonus units | (4,440) | - | (4,440) | - |
| - Cash distribution | (774) | - | (774) | - |
| | (33,626) | (23,788) | (18,887) | - |
| Net assets at the end of the period | 335,076 | 109,116 | 335,076 | 109,116 |

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, | | Quarter ended March 31, | |
|--|--------------------------------|----------|----------------------------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| | (Rupees in '000) | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net income for the period before taxation | 24,745 | 5,517 | 9,141 | 3,172 |
| Adjustments for non-cash charges and other items: | | | | |
| Unrealised (appreciation) / diminution in the fair value of investments classified as fair value through profit or loss' - net | (1,169) | 1,517 | 454 | (368) |
| Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net | (3,649) | 1,378 | (892) | - |
| | 19,927 | 8,412 | 8,703 | 2,804 |
| (Increase) / Decrease in assets | | | | |
| Investments - net | (170,803) | (11,347) | (40,509) | (6,067) |
| Accrued income | 4,082 | 2,785 | 3,900 | 2,789 |
| Prepayments and other receivables | - | 7 | - | (1) |
| | (166,721) | (8,555) | (36,609) | (3,280) |
| Increase / (Decrease) in liabilities | | | | |
| Remuneration payable to the Management Company | 196 | 30 | 73 | 26 |
| Payable to the Trustee | 9 | 0 | 4 | - |
| Annual fee payable to the Securities and Exchange Commission of Pakistan | 47 | (5) | 60 | 20 |
| Accrued expenses and other liabilities | 12 | (8) | (3,016) | (11) |
| | 264 | 18 | (2,879) | 35 |
| Net cash (used in) / generated from operating activities | (146,530) | (125) | (30,784) | (441) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Receipts against issue of units | 233,212 | 2,166 | 86,685 | 50 |
| Payments against redemption of units | (82,031) | (3) | (59,028) | - |
| | 151,181 | 2,163 | 27,656 | 50 |
| Dividend paid | (2,128) | (1,816) | (2,128) | - |
| Net cash inflow from / (outflow on) financing activities | 149,053 | 347 | 25,528 | 50 |
| Net increase / (decrease) in cash and cash equivalents during the period | 2,523 | 222 | (5,256) | (391) |
| Cash and cash equivalents at the beginning of the period | 888 | 122 | 8,667 | 735 |
| Cash and cash equivalents at the end of the period | 3,411 | 344 | 3,411 | 344 |

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

MetroBank - Pakistan Sovereign Fund (the Sub-Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (AHIL), as Management Company and Habib Metropolitan Bank Limited as Trustee. The Trust Deed was executed on December 24, 2002 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 7, 2003 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules), [repealed by the Non - Banking Finance Companies (Establishment and Regulations) Rules, 2003 (NBFC Rules)].

Central Depository Company of Pakistan Limited (CDC) was appointed as the new Trustee with effect from November 23, 2009 on retirement of Habib Metropolitan Bank Limited. The SECP approved the appointment of CDC as the Trustee in place of Habib Metropolitan Bank Limited and further approved the amendments to the Trust Deed vide its letter number SCD/NBFC-11/MF-RS/MSPF/981/2009 dated November 3, 2009. Accordingly, the Trust Deed of the Sub-Fund was revised through a supplemental Deed executed between the Management Company, Habib Metropolitan Bank Limited and the CDC.

The Management Company of the Sub-Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.

Based on shareholders' resolutions of MCB Asset Management Limited (MCB-AMC) and AHIL 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). AHIL being a listed company is the surviving entity and 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 30th July 2011 (through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AHI/348/2011 dated June 27, 2011). Since the merger had already taken place and the subsequent order of the SECP could not be complied with, the Company has sought a ruling by the honourable Sindh High Court (SHC). The honourable 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 Metro Bank - Pakistan Sovereign Fund is an open-end mutual fund listed on the Islamabad 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.

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

The Fund consists of a 'Perpetual' (the Fund) and one sub-Fund as at December 31, 2011 with pre-determined maturity date as follows:

| Name of sub-scheme | Maturity date of sub-scheme |
|--------------------|-----------------------------|
|--------------------|-----------------------------|

| | |
|---|-----------|
| MetroBank - Pakistan Sovereign Fund - (December 2012) [MSF 12/12] | 31-Dec-12 |
|---|-----------|

In addition to the above sub-Fund, the Fund had also issued other sub-Funds which had matured as follows;

| Name of sub-scheme | Matured on |
|--------------------|------------|
|--------------------|------------|

| | |
|---|-------------------|
| MetroBank - Pakistan Sovereign Fund - (December 2003) [MSF 12/03] | December 31, 2003 |
|---|-------------------|

| | |
|---|-------------------|
| MetroBank - Pakistan Sovereign Fund - (December 2005) [MSF 12/05] | December 31, 2005 |
|---|-------------------|

| | |
|---|-------------------|
| MetroBank - Pakistan Sovereign Fund - (December 2007) [MSF 12/07] | December 31, 2007 |
|---|-------------------|

The Fund and Sub-Fund of MSF are open-end schemes which offer units for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the scheme.

This condensed interim financial information is the financial information of the "MSF 12/12" Sub-Fund. The Sub-Fund can directly invest in Pakistan rupee denominated bonds and debt securities issued by the Government of Pakistan, reverse repurchase transactions in government securities and any otherwise un-invested funds in deposits with banks and financial institutions.

Title to the assets of the Sub-Fund is held in the name of Central Depository Company of Pakistan Limited as a trustee of the Metrobank Pakistan Sovereign Fund.

2 BASIS OF PREPARATION

- 2.1** 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 International Accounting Standard (IAS) 34: 'Interim Financial Reporting', 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 does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual published financial statements of the Sub-Fund for the year ended June 30, 2011.
- 2.3** This condensed interim financial information is unaudited. Accordingly, 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 Sub-Fund.

3 SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

- income for the period would have been lower by Rs 6.811 million.
- amount taken to distribution statement would have been higher by Rs 6.811 million.

3.2 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 period 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 Sub-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. Adoption of this amendment did not have any impact on the Sub-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 Sub-Fund's operations and are, therefore, not disclosed in this condensed interim financial information.

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

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

3.4 Net Asset Value per unit

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

3.5 Earnings per unit

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

| | | Un-audited March 31, 2012 | Audited June 30, 2011 |
|---|-------------|--|--------------------------------------|
| | Note | ------(Rupees in 000)----- | |
| 4 INVESTMENTS | | | |
| Investments - 'at fair value through profit or loss' | | | |
| Pakistan Investment Bonds | 4.1 | 151,880 | 159,255 |
| Treasury Bills | 4.1 | 179,346 | - |
| | | <u>331,226</u> | <u>159,255</u> |

4.1 Investments in government securities - 'at fair value through profit or loss'

| Particular | 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 | Purchases during the period | Sales during the period | Matured during the period | As at March 31, 2012 | Carrying Value | | |
| (Rupees in '000') | | | | | | | | |
| Pakistan Investment Bonds | | | | | | | | |
| Pakistan Investment Bond 3 Years | 126,500 | - | - | - | 126,500 | 125,067 | 37.32% | 37.76% |
| Pakistan Investment Bond 5 Years | 31,000 | - | 12,000 | - | 19,000 | 18,652 | 5.57% | 5.63% |
| Pakistan Investment Bond 10 Years | 7,000 | - | - | - | 7,000 | 6,888 | 2.06% | 2.08% |
| Total as at March 31, 2012 | | | | | | 150,607 | | |
| | | | | | | 151,880 | | |
| Total as at June 30, 2011 | | | | | | 160,599 | | |
| | | | | | | 159,255 | | |
| Treasury Bills | | | | | | | | |
| Treasury Bill - 1 Year | - | 245,800 | 170,000 | - | 75,800 | 72,020 | 21.49% | 21.74% |
| Treasury Bill - 6 Months | - | 454,000 | 59,000 | 395,000 | - | - | 0.00% | 0.00% |
| Treasury Bill - 3 Months | - | 133,000 | - | 24,000 | 109,000 | 107,431 | 32.06% | 32.43% |
| Total as at March 31, 2012 | | | | | | 179,450 | | |
| | | | | | | 179,346 | | |
| Total as at June 30, 2011 | | | | | | - | | |
| | | | | | | - | | |

Un-audited
March 31,
2012

Audited
June 30,
2011

----- (Rupees in 000) -----

4.2 Net unrealised appreciation / (diminution) in the fair value of investments classified as - 'at fair value through profit or loss'

| | | |
|-------------------------------|--------------|----------------|
| Market value of investments | 331,226 | 159,255 |
| Carrying value of investments | 330,057 | 160,599 |
| | <u>1,169</u> | <u>(1,344)</u> |

5 CONTINGENCIES AND COMMITMENTS

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

Subsequent to the year ended June 30, 2010, 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.

Subsequent to the year ended June 30, 2011, 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 Metrobank - Pakistan Sovereign Fund (December 2012) is not liable to contribute to WWF and hence no provision has been recognised by the Management Company. The aggregate unrecognized amount of WWF as at March 31, 2012 amounted to Rs 1.1549 million (including Rs. 0.66 million for prior years).

5.2 There were no other contingencies and commitments outstanding as at March 31, 2012. (June 30, 2011: Nil).

6 SINDH SALES TAX ON MANAGEMENT REMUNERATION

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

7 TAXATION

The income of the Sub-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 Sub-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 Sub-Fund's accounting income for the current year as reduced by capital gains (whether realised or unrealised) to its unit holders.

The Sub-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

Connected persons 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 undertakings.

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

Fee payable to the Management Company and the Trustee is determined in accordance with the provisions of the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulation, 2008 and the Trust Deed respectively.

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

| | Nine months ended March 31, | | Quarter ended March 31, | |
|---|--------------------------------|-------|----------------------------|------|
| | 2012 | 2011 | 2012 | 2011 |
| | ----- (Rupees in 000) ----- | | | |
| 8.1 Transactions during the period | | | | |
| Arif Habib Investment Limited - Management Company | | | | |
| Remuneration for the period | 2,090 | 928 | 920 | 343 |
| Sales tax on management remuneration | 334 | - | 147 | - |
| Issue of 2,666 bonus units (2011: 3,505 units) | 128.00 | 166 | 52 | - |
| Central Depository Company of Pakistan - Trustee | | | | |
| Remuneration for the period | 163 | 94 | 71 | 31 |
| Habib Metropolitan Bank Limited | | | | |
| Profit on bank deposits | 695 | 26 | 186 | 7 |
| Bank Charges | 45 | 6 | 13 | 4 |
| MSF Perpetual | | | | |
| Issue of 352,485 bonus units (2011: 43,983 units) | 16,976 | 2,101 | 6,894 | - |
| Key Management Personnel | | | | |
| Issue of 326 bonus units (2011: 2,018 units) | 16 | 100 | 7 | 100 |

| | Un-audited March 31, 2012 | Audited June 30, 2011 |
|---|---------------------------------|-----------------------------|
| | ----- (Rupees in 000) ----- | |
| 8.2 Amount Outstanding as at period / year end | | |
| Arif Habib Investment Limited - Management Company | | |
| Remuneration Payable at the end of the period / year | 319 | 174 |
| Sales tax payable on management fee | 51 | - |
| Units held 19,165 units (June 30, 2011: 16,500 units) | 924 | 841 |
| Central Depository Company of Pakistan - Trustee | | |
| Remuneration payable | 25 | 16 |
| MSF Perpetual | | |
| Units held 2,533,970 (June 30, 2011: 2,181,486 units) | 122,137 | 111,212 |
| Habib Metropolitan Bank Limited | | |
| Bank deposits | 3,114 | 846 |
| Profit receivable | 87 | 42 |
| Key Management Personnel | | |
| Units held 2,344 units (June 30, 2011: 2,018 units) | 113 | 103 |

9 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. No significant changes or reclassifications were made in this condensed interim financial information.

10 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.

11 GENERAL

Figures have been rounded off to the nearest thousand rupee.

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

Yasir Qadri
Chief Executive Officer

Nasim Beg
Executive Vice Chairman