

**METROBANK**  
**PAKISTAN SOVEREIGN FUND**

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## FUND'S INFORMATION

<b>Management Company</b>	Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Board of Directors of the Management Company</b>	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)
<b>Chief Financial Officer &amp; Company Secretary of the Management Company</b>	Mr. Muhammad Saqib Saleem	
<b>Audit Committee</b>	Mr. Nasim Beg Mr. Haroun Rashid Mr. Samad A. Habib Mr. Ali Munir	
<b>Trustee</b>	Central Depository Company of Pakistan Limited CDC House, 990B, Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
<b>Bankers</b>	MCB Bank Limited Habib Metropolitan Bank Limited Bank Alfalah Limited Standard Chartered Bank Limited	
<b>Auditors</b>	A.F. Ferguson & Co. - Chartered Accountants State Life Building No. 1-C, I.I. Chundrigar Road, Karachi-74000.	
<b>Legal Advisor</b>	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
<b>Transfer Agent</b>	M/s. Gangjees Registrar Services (Pvt.) Limited. Room No. 516, 5th Floor, Clifton Centre, Kehkashan, Clifton, Karachi.	
<b>Rating</b>	AM2 (Positive Outlook) Management Quality Rating assigned by PACRA	

# **REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011**

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Dear Investor,

On behalf of the Board of Directors, I am pleased to present **Metro-bank Pakistan Sovereign Fund's** accounts review for the first half ended December 31st 2011.

## **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 10.9% amid change in CPI methodology as well as high base-effect of last year. External account, however, has started deteriorating significantly with 1H FY12 current account balance posting a sizeable deficit of US\$ 2.2 billion amid higher trade deficit despite record remittances flows. On the fiscal side, the government posted a budget deficit of 1.2% of GDP during 1Q FY12 with its entire funding coming from the domestic sources. Non-realization of official flows is not only hurting the BOP position, it would continue to affect the funding profile of fiscal deficit - which would have its implications on the monetary mechanism as well as exchange rate. Citing some improvements in key macro variables, the SBP decided to ease its monetary stance by lowering its policy discount rate cumulatively by 200 bps to 12.0% during early part of the period. Significant deterioration in macroeconomic balances, however, has compelled them to keep DR unchanged during the latter part.

In the money market, short term market rates remained on the higher side amid tight liquidity scenario in the system. 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 12.3% as against its benchmark return of 11.0%, an out performance of 1.3%.

The fund remained significantly invested in Government papers throughout the period with a focus on keeping its portfolio duration at a higher level in order to capitalize on the declining interest rates scenario. At period-end, the fund was 82.4% invested in Treasury Bills, 8.2% in PIBs, 3.6% in GoP Ijarah Sukuk, 2.0% in its sub-fund 12/12, while the rest in cash and other assets.

## **FUTURE OUTLOOK**

Despite continued improvement on inflation front, 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. In our opinion, the absence of foreign flows and government's greater reliance on domestic sources for fiscal funding could result in rebound of inflation and interest rates going forward.

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,

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Yasir Qadri  
Chief Executive Officer  
Dated: January 27, 2012

## TRUSTEE REPORT TO THE UNIT HOLDERS

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### Report of the Trustee pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We Central Depository Company of Pakistan Limited, being the Trustee of Metrobank - Pakistan Sovereign Fund (the Fund) are of the opinion that Arif Habib Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2011 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

**Muhammad Hanif Jakhura**

Chief Executive Officer

Central Depository Company of Pakistan Limited

Karachi: February 24, 2012

# **INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE UNITHOLDERS**

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## ***Introduction***

We have reviewed the accompanying condensed interim statement of assets and liabilities of **MetroBank - Pakistan Sovereign Fund** as at December 31, 2011 and the related condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the half year ended December 31, 2011. The Management Company (Arif Habib Investments Limited) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement for the quarters ended December 31, 2011 and December 31, 2010 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2011.

## ***Scope of Review***

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2011 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

**A.F. Ferguson & Co.**  
**Chartered Accountants**  
**Karachi**

**Dated: January 27, 2012**

# CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2011

	Note	Un-audited December 31, 2011  ----- (Rupees) -----	Audited June 30, 2011
<b>ASSETS</b>			
Balances with banks		106,003,885	3,952,408
Investments	4	5,952,804,981	2,991,424,642
Receivable against sale of investment		99,096,606	-
Receivable against sale of units		100,000	-
Accrued income		39,728,774	7,908,117
Prepayments and other receivables		1,193	-
<b>Total Assets</b>		<u>6,197,735,439</u>	<u>3,003,285,167</u>
<b>LIABILITIES</b>			
Payable to the Management Company		6,288,572	1,855,297
Payable to the Trustee		488,464	164,456
Payable to Securities and Exchange Commission of Pakistan		1,747,060	1,300,985
Payable against redemption request		-	27,000
Accrued expenses and other liabilities		5,479,992	986,222
<b>Total liabilities</b>		<u>14,004,088</u>	<u>4,333,960</u>
<b>NET ASSETS</b>		<u><u>6,183,731,351</u></u>	<u><u>2,998,951,207</u></u>
<b>UNIT HOLDERS' FUND (as per statement attached)</b>		<u><u>6,183,731,351</u></u>	<u><u>2,998,951,207</u></u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	5		
		(Number of Units)	
<b>Number of units in issue</b>		<u><u>120,853,767</u></u>	<u><u>57,180,743</u></u>
		(Rupees)	
<b>Net Asset Value per unit</b>	3.4	<u><u>51.17</u></u>	<u><u>52.45</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  
Director

# CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

		Half year ended December 31,		Quarter ended December 31,	
	Note	2011	2010	2011	2010
		----- (Rupees) -----			
<b>INCOME</b>					
Income from investment in government securities		272,162,444	99,444,898	169,462,022	53,900,610
Capital gain / (loss) on sale of investments		30,089,728	(17,319,584)	28,021,267	(5,353,306)
Profit on bank deposits		20,229,677	845,359	19,538,642	450,105
Income from reverse repurchase transactions of government securities		436,365	172,393	80,190	-
Unrealised (diminution) / appreciation in the fair value of investments classified as 'at fair value through profit or loss' - net	4.2	(16,513,386)	(3,137,367)	(21,505,644)	2,831,832
<b>Total income</b>		<u>306,404,828</u>	<u>80,005,699</u>	<u>195,596,477</u>	<u>51,829,241</u>
<b>EXPENSES</b>					
Remuneration of the Management Company		26,936,584	9,822,996	16,556,973	5,553,413
Sindh sales tax on management remuneration	6	4,309,853	-	2,649,115	-
Remuneration of Trustee		2,124,110	998,607	1,356,887	522,805
Annual fee - Securities and Exchange Commission of Pakistan		1,747,060	622,440	1,171,239	333,764
Securities transaction costs		806,931	104,420	584,697	30,852
Bank charges		301,513	73,707	239,273	37,751
Printing and related costs		50,301	101,321	25,140	69,379
Fees and subscription		80,552	80,250	40,294	40,329
Legal and professional charges		50,301	50,156	25,140	25,206
Auditors' remuneration		395,381	223,040	277,120	133,345
<b>Total expenses</b>		<u>36,802,586</u>	<u>12,076,937</u>	<u>22,925,878</u>	<u>6,746,844</u>
<b>Net income from operating activities</b>		<u>269,602,242</u>	<u>67,928,762</u>	<u>172,670,599</u>	<u>45,082,397</u>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		70,372,731	(3,621,583)	4,777,954	(398)
<b>Net Income for the period before taxation</b>		<u>339,974,973</u>	<u>64,307,179</u>	<u>177,448,553</u>	<u>45,081,999</u>
<b>Taxation</b>	7	-	-	-	-
<b>Net income for the period after taxation</b>		<u>339,974,973</u>	<u>64,307,179</u>	<u>177,448,553</u>	<u>45,081,999</u>
<b>Other comprehensive income for the period</b>					
Unrealised appreciation in the fair value of investments classified as 'available for sale' - net		-	2,933,112	-	2,522,502
<b>Total comprehensive income for the period</b>		<u><u>339,974,973</u></u>	<u><u>67,240,291</u></u>	<u><u>177,448,553</u></u>	<u><u>47,604,501</u></u>
<b>Earnings per unit</b>	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  
Director



# CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

	Note	Half year ended December 31,		Quarter ended December 31,	
		2011	2010	2011	2010
		----- (Rupees) -----			
Undistributed income / (Accumulated loss) brought forward		140,986,975	115,389,267	(25,421,909)	(5,604,573)
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		(79,304,213)	(139,557,943)	-	-
- Cash distribution		(79,314,715)			
		<u>(17,631,953)</u>	<u>(24,168,676)</u>	<u>(25,421,909)</u>	<u>(5,604,573)</u>
Net income for the period after taxation		339,974,973	64,307,179	177,448,553	45,081,999
Interim distribution for the period from July 1, 2011 to to September 28, 2011 (2010: from July 1, 2010 to December 31, 2010) (Date of distribution :September 28, 2011)					
- Bonus units		(50,630,511)		-	
- Cash distribution		(106,484,024)	(52,706,041)	-	(52,706,041)
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - net	3.1	<u>(23,112,552)</u>	<u>(723,359)</u>	<u>(9,910,711)</u>	<u>(62,282)</u>
		159,747,886	10,877,779	167,537,842	(7,686,324)
Undistributed Income / (accumulated loss) carried forward		<u>142,115,933</u>	<u>(13,290,897)</u>	<u>142,115,933</u>	<u>(13,290,897)</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  
Director

# CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

	Half year ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
	------(Rupees)-----			
Net assets at the beginning of the period	2,998,951,207	1,506,591,376	5,151,718,040	1,722,446,759
Issue of 154,836,972 units (2010: 13,123,079 units) and 110,757,803 units (2010: 5,031,976 units) for the half year and quarter respectively	7,874,985,831	651,876,224	5,618,372,375	251,876,224
Redemption of 93,781,325 units (2010: 8,472,586 units) and 93,391,140 units (2010: 4,263,150) units for the half year and quarter respectively	(4,774,009,190)	(420,899,595)	(4,759,029,663)	(213,498,003)
	3,100,976,641	230,976,629	859,342,712	38,378,221
Issue of 2,617,377 bonus units (2010: 2,847,098 units)	129,934,724	139,557,943	-	-
	3,230,911,365	370,534,572	859,342,712	38,378,221
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	(70,372,731)	3,621,583	(4,777,954)	398
- amount representing loss that forms part of unit holders' fund - transferred to distribution statement	23,112,552	723,359	9,910,711	62,282
	(47,260,179)	4,344,942	5,132,757	62,680
Unrealised appreciation on revaluation of investments classified as 'available for sale' - net	-	2,933,112	-	2,522,502
Capital gain / (loss) on sale of investmtnets	30,089,728	(17,319,584)	28,021,267	(5,353,306)
Unrealised (diminution) / appreciation in the fair value of of investments classified as 'at fair value through profit or loss' - net	(16,513,386)	(3,137,367)	(21,505,644)	2,831,832
Other net income for the period	326,398,631	84,764,130	170,932,930	47,603,473
Total comprehensive income for the period	339,974,973	67,240,291	177,448,553	47,604,501
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	(23,112,552)	(723,359)	(9,910,711)	(62,282)
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	(79,304,213)	(139,557,943)	-	-
- Cash distribution	(79,314,715)	-	-	-
Interim distribution for the period from July 1, 2011 to to September 28, 2011 (2010: from July 1, 2010 to December 31, 2010) (Date of distribution :September 28, 2011)				
- Bonus units	(50,630,511)	-	-	-
- Cash distribution	(106,484,024)	(52,706,041)	-	(52,706,041)
	(315,733,463)	(192,263,984)	-	(52,706,041)
Net assets at the end of the period	6,183,731,351	1,755,723,838	6,183,731,351	1,755,723,838

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**  
Director

# CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

	Half year ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
	(Rupees)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income for the period	339,974,973	64,307,179	177,448,553	45,081,999
<b>Adjustments for non-cash charges and other items:</b>				
Unrealised diminution / (appreciation) in the fair value of investments classified as 'at fair value through profit or loss' - net	16,513,386	3,137,367	21,505,644	(2,831,832)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	(70,372,731)	3,621,583	(4,777,954)	398
	286,115,628	71,066,129	194,176,243	42,250,565
<b>(Increase) / Decrease in assets</b>				
Investments - net	(2,977,893,725)	(273,097,102)	(996,828,954)	(27,699,385)
Receivable against sale on investment	(99,096,606)	-	(99,096,606)	-
Accrued income	(31,820,657)	22,887,746	(26,653,641)	1,019,476
Prepayments and other receivables	(1,193)	(4,985)	(1,193)	2,521
	(3,108,812,181)	(250,214,341)	(1,122,580,394)	(26,677,388)
<b>Increase / (Decrease) in liabilities</b>				
Remuneration payable to the Management Company	4,433,275	465,289	(1,862,033)	437,478
Payable to the Trustee	324,008	20,549	(48,738)	10,568
Annual fee payable to the Securities and Exchange Commission of Pakistan	446,075	(637,788)	(183,117)	333,763
Accrued expenses and other liabilities	4,493,770	(28,520)	4,224,850	61,910
	9,697,128	(180,470)	2,130,962	843,719
<b>Net cash (used in) / generated from operating activities</b>	(2,812,999,425)	(179,328,682)	(926,273,189)	16,416,896
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Receipts against issue of units	7,874,885,831	651,876,224	5,618,272,375	251,876,224
Payments against redemption of units	(4,774,009,190)	(420,899,595)	(4,759,029,663)	(213,498,003)
	3,100,876,641	230,976,629	859,242,712	38,378,221
Dividend paid	(185,798,739)	(52,706,042)	(106,484,024)	(52,706,042)
<b>Net cash inflow from / (outflow on) financing activities</b>	2,915,077,902	178,270,587	752,758,688	(14,327,821)
<b>Net increase / (decrease) in cash and cash equivalents during the period</b>	102,078,477	(1,058,095)	(173,514,501)	2,089,075
Cash and cash equivalents at the beginning of the period	3,952,408	6,805,114	279,545,386	3,657,944
Cash and cash equivalents at the end of the period	106,030,885	5,747,019	106,030,885	5,747,019

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  
Director

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

## 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
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MetroBank - Pakistan Sovereign Fund - (December 2012) [MSF 12/12]	December 31, 2012
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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. However, a limited scope review has been performed by the external auditors in accordance with the requirements of the Code of Corporate Governance. 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 23.113 million.
- amount taken to distribution statement would have been higher by Rs 23.113 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.

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

**FOR THE HALF YEAR AND  
QUARTER ENDED DECEMBER 31, 2011**

**4 INVESTMENTS**

Investments 'at fair value  
through profit or loss'

Pakistan Investment Bonds	4.1	493,064,784	151,463,187	644,527,971	159,254,816
Treasury Bills	4.1	4,950,821,457	139,709,401	5,090,530,858	2,782,091,674
GOP Ijarah Sukuks	4.1 & 4.1.1	217,746,152	-	217,746,152	50,078,152
		<u>5,661,632,393</u>	<u>291,172,588</u>	<u>5,952,804,981</u>	<u>2,991,424,642</u>

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

Particulars	Face value					Balance as at December 31, 2011			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 December 31, 2011	Carrying Value	Market Value	Appreciation / (diminution)		
<hr/> <div><div>----- Rupees -----</div><div>----- Rupees -----</div></div> <hr/>										
<b>Pakistan Investment Bond - MSF perpetual</b>										
Pakistan Investment Bond 3 Years	-	275,000,000	275,000,000	-	-	-	-	-		
Pakistan Investment Bond 5 Years	-	300,000,000	93,000,000	-	207,000,000	202,190,186	199,864,303	(2,325,883)	3.23%	3.36%
Pakistan Investment Bond 7 Years	-	100,000,000	100,000,000	-	-	-	-	-		
Pakistan Investment Bond 10 Years	-	630,000,000	320,000,000	-	310,000,000	305,289,190	293,200,481	(12,088,709)	4.74%	4.93%
						507,479,376	493,064,784	(14,414,592)		
<b>Pakistan Investment Bond - MSF December 2012</b>										
Pakistan Investment Bond 3 Years	126,500,000	-	-	-	126,500,000	124,475,955	125,837,379	1,361,424	2.03%	2.11%
Pakistan Investment Bond 5 Years	31,000,000	-	12,000,000	-	19,000,000	18,497,531	18,683,781	186,250	0.30%	0.31%
Pakistan Investment Bond 10 Years	7,000,000	-	-	-	7,000,000	6,853,605	6,942,027	88,422	0.11%	0.12%
						149,827,091	151,463,187	1,636,096		
<b>Total of Pakistan Investment Bond as at December 31, 2011</b>						<b>657,306,467</b>	<b>644,527,971</b>	<b>(12,778,496)</b>		
<b>Total as at June 30, 2011</b>						<b>160,599,091</b>	<b>159,254,816</b>	<b>(1,344,275)</b>		
<b>Treasury Bills - MSF perpetual</b>										
Treasury Bill - 1 Year	690,300,000	12,092,400,000	9,604,000,000	81,800,000	3,096,900,000	2,864,579,865	2,861,470,382	(3,109,483)	46.27%	48.07%
Treasury Bill - 6 Months	2,240,000,000	10,162,000,000	6,104,000,000	4,528,000,000	1,770,000,000	1,739,311,720	1,738,806,680	(505,040)	28.12%	29.21%
Treasury Bill - 3 Months	75,000,000	1,120,800,000	715,000,000	125,800,000	355,000,000	350,652,077	350,544,395	(107,682)	5.67%	5.89%
						4,954,543,662	4,950,821,457	(3,722,205)		
<b>Treasury Bills - MSF 12/12</b>										
Treasury Bill - 1 Year	-	220,000,000	100,000,000	-	120,000,000	109,963,917	109,951,680	(12,237)	1.78%	1.85%
Treasury Bill - 6 Months	-	218,000,000	-	188,000,000	30,000,000	29,758,169	29,757,721	(448)	0.48%	0.50%
Treasury Bill - 3 Months	-	15,000,000	-	15,000,000	-	-	-	-		
						139,722,086	139,709,401	(12,685)		
<b>Total of Treasury Bills as at December 31, 2011</b>						<b>5,094,265,748</b>	<b>5,090,530,858</b>	<b>(3,734,890)</b>		
<b>Total as at June 30, 2011</b>						<b>2,782,320,107</b>	<b>2,782,091,674</b>	<b>(228,433)</b>		
<b>GOP Ijara Sukuk - MSF perpetual</b>										
GOP Ijarah sukuk 3 Year	50,000,000	-	-	-	50,000,000	50,078,152	50,078,152	-	0.81%	0.84%
GOP Ijarah sukuk 2 Year	-	167,000,000	-	-	167,000,000	167,668,000	167,668,000	-	2.71%	2.82%
<b>Total of Ijarah sukuks as at December 31, 2011</b>						<b>217,746,152</b>	<b>217,746,152</b>	<b>-</b>		
<b>Total as at June 30, 2011</b>						<b>50,078,152</b>	<b>50,078,152</b>	<b>-</b>		
<b>Total as at December 31, 2011</b>						<b>5,969,318,367</b>	<b>5,952,804,981</b>	<b>(16,513,386)</b>		
<b>Total as at June 30, 2011</b>						<b>2,992,997,350</b>	<b>2,991,424,642</b>	<b>(1,572,708)</b>		

**4.1.1** These 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.

Unaudited			Audited
December 31, 2011			June 30, 2011
MSF Perpetual	MSF 12/12	Total	Total
----- (Rupees) -----			

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

Market value of investments	5,661,632,393	291,172,588	5,952,804,981	2,991,424,642
Carrying value of investments	(5,679,769,190)	(289,549,177)	(5,969,318,367)	(2,992,997,350)
	(18,136,797)	1,623,411	(16,513,386)	(1,572,708)

**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 December 31, 2011 amounted to Rs 15.157 million ( including Rs. 8.2 million for prior years).

- 5.2** There were no other contingencies and commitments outstanding as at December 31, 2011. (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:

	Half year ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
	------(Rupees)-----		------(Rupees)-----	
<b>8.1 Transactions during the period</b>				
<b>Arif Habib Investment Limited - Management Company</b>				
Remuneration for the period	26,936,584	9,822,996	16,556,973	5,553,413
Sales tax on management fee	4,309,853	-	2,649,115	-
Issue of 1,583 bonus units (2010: 3,505 units)	76,261	165,576	-	-
<b>Central Depository Company of Pakistan - Trustee</b>				
Remuneration for the period	2,124,110	998,607	1,356,887	522,805
<b>Habib Metropolitan Bank Limited</b>				
Profit on bank deposits	2,336,736	844,160	1,731,507	450,104
Bank charges	295,791	73,707	217,016	37,751
Issue of 5,940,594 units (2010: 12,083,128 units) and 5,940,594 units (2010: 3,992,015 units) during the half year and quarter respectively	300,000,000	600,000,000	300,000,000	200,000,000
Redemption of 2,970,297 units (2010: 8,050,870 units) and 2,970,297 (2010: 3,992,015 units) during the half year and quarter respectively	150,000,000	400,000,000	150,000,000	200,000,000
Issue of 2,372,796 bonus units (2010: 2,787,686 bonus units)	117,927,948	30,118,166	-	-
Dividend paid	-	50,884,132	-	50,884,132
<b>MCB Bank Limited</b>				
Profit on bank deposits	17,860,758	-	17,860,758	-
Bank charges	1,300	-	1,300	-
Issue of 48,868,459 units (2010: Nil) and 9,817,396 units (2010: Nil) issued during the half year and quarter respectively	2,500,000,000	-	500,000,000	-
Dividend paid	182,810,459	-	103,495,744	-
<b>Key Management Personnel</b>				
Issue of 67,239 units (2010: Nil)	3,300,000	-	3,300,000	-
Redemption of 14,014 units (2010: Nil)	705,045	-	705,045	-
Issue of 193 bonus units (2010: Nil)	9,325	-	-	-



	Unaudited December 31, 2011	Audited June 30, 2011
	------(Rupees)-----	
<b>8.2 Amount outstanding as at period / year end</b>		
<b>Management Company</b>		
Remuneration Payable at the end of the period / year	5,421,182	1,855,297
Sales tax payable on management fee	867,390	-
Units held 18,083 units (June 30, 2011: 16,500 units)	900,895	841,145
<b>Central Depository Company of Pakistan - Trustee</b>		
Remuneration Payable	488,464	164,456
<b>Habib Metropolitan Bank Limited</b>		
Bank deposits	8,645,476	3,843,204
Profit receivable	996,274	1,199,612
Units held 32,210,274 (June 30, 2011: 26,867,181)	1,649,166,009	1,409,720,979
<b>MCB Bank Limited</b>		
Bank deposits	92,563,946	-
Profit receivable	5,731,342	-
Units held 77,461,673 (June 30, 2011: 28,593,214 units)	3,966,812,274	1,500,285,932
<b>Key Management Personnel</b>		
Units held 55,436 (June 30, 2011: 2,018 units)	2,733,179	102,858

**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 January 27, 2012 by the Board of Directors of the Management Company.

**11 GENERAL**

**11.1** Figures have been rounded off to the nearest rupee.

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

Yasir Qadri  
Chief Executive Officer

Nasim Beg  
Director

**METROBANK  
PAKISTAN SOVEREIGN FUND  
PERPETUAL**

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# INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE UNITHOLDERS

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## *Introduction*

We have reviewed the accompanying condensed interim statement of assets and liabilities of **MetroBank - Pakistan Sovereign Fund - Perpetual** as at December 31, 2011 and the related condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the half year ended December 31, 2011. The Management Company (Arif Habib Investments Limited) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement for the quarters ended December 31, 2011 and December 31, 2010 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2011.

## *Scope of Review*

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2011 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

**A.F. Ferguson & Co.**  
**Chartered Accountants**  
**Karachi**

**Dated: January 27, 2012**

# CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2011

	Note	Un-audited December 31, 2011  ------(Rupees)-----	Audited June 30, 2011
<b>ASSETS</b>			
Balances with banks		97,336,515	3,064,757
Investments	4	5,780,744,441	2,943,381,974
Receivable against sale on investments		99,096,606	-
Receivable against sale of units		100,000	-
Accrued income		34,026,726	2,024,970
Prepayments and other receivables		1,193	-
<b>Total Assets</b>		<u>6,011,305,481</u>	<u>2,948,471,701</u>
<b>LIABILITIES</b>			
Payable to the Management Company		5,991,183	1,681,098
Payable to the Trustee		467,653	148,142
Payable to Securities and Exchange Commission of Pakistan		1,671,847	1,213,158
Payable against redemption of units		-	27,000
Accrued expenses and other liabilities		2,404,480	939,871
<b>Total liabilities</b>		10,535,163	4,009,269
<b>NET ASSETS</b>		<u>6,000,770,318</u>	<u>2,944,462,432</u>
<b>UNIT HOLDERS' FUND (as per statement attached)</b>		<u>6,000,770,318</u>	<u>2,944,462,432</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	5		
		(Number of Units)	
<b>Number of units in issue</b>		<u>117,180,734</u>	<u>56,112,025</u>
		(Rupees)	
<b>Net asset value per unit</b>	3.4	<u>51.21</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  
Director

# CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

	Note	Half year ended		Quarter ended	
		December 31,		December 31,	
		2011	2010	2011	2010
		(Rupees)			
<b>INCOME</b>					
Income from investments in government securities		259,833,031	93,139,652	162,030,682	50,700,133
Capital gain / (loss) on sale of investments		30,138,181	(17,319,584)	27,897,157	(5,353,306)
Profit on bank deposits		19,688,985	826,819	19,083,920	439,026
Income from reverse repurchase transactions of government securities		436,365	172,393	80,190	-
Dividend income		-	1,800,835	-	1,800,834
Unrealised appreciation / (diminution) in the fair value of investments classified as 'at fair value through profit or loss' - net	4.3	(10,236,897)	666,207	(17,667,446)	3,873,219
<b>Total income</b>		<b>299,859,665</b>	<b>79,286,321</b>	<b>191,424,503</b>	<b>51,459,906</b>
<b>EXPENSES</b>					
Remuneration of the Management Company	6	25,766,879	9,238,215	15,906,301	5,245,900
Sindh sales tax on management remuneration		4,122,701	-	2,545,008	-
Remuneration of the Trustee		2,031,688	935,579	1,306,951	491,782
Annual fee - Securities and Exchange Commission of Pakistan		1,671,847	583,235	1,126,041	313,960
Securities transaction costs		794,835	104,420	574,601	30,852
Bank charges		265,566	71,387	203,326	36,591
Printing and related costs		48,005	96,181	24,192	66,391
Fees and subscription		76,807	75,167	38,706	37,935
Legal and professional charges		48,005	46,979	24,192	23,710
Auditors' remuneration		378,746	209,019	266,822	126,243
<b>Total expenses</b>		<b>35,205,079</b>	<b>11,360,182</b>	<b>22,016,140</b>	<b>6,373,364</b>
<b>Net income from operating activities</b>		<b>264,654,586</b>	<b>67,926,139</b>	<b>169,408,363</b>	<b>45,086,542</b>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		67,615,846	(3,610,491)	2,028,165	154
<b>Net income for the period before taxation</b>		<b>332,270,432</b>	<b>64,315,648</b>	<b>171,436,528</b>	<b>45,086,696</b>
<b>Taxation</b>	7	-	-	-	-
<b>Net income for the period after taxation</b>		<b>332,270,432</b>	<b>64,315,648</b>	<b>171,436,528</b>	<b>45,086,696</b>
<b>Other comprehensive income for the period</b>					
Unrealised appreciation in the fair value of investments classified as 'available for sale' - net		-	2,904,604	-	2,500,561
<b>Total comprehensive income for the period</b>		<b>332,270,432</b>	<b>67,220,252</b>	<b>171,436,528</b>	<b>47,587,257</b>
<b>Earnings per unit</b>	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  
Director

# CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

	Note	Half year ended December 31,		Quarter ended December 31,	
		2011	2010	2011	2010
		(Rupees)			
Undistributed income / (Accumulated loss) brought forward		138,859,188	115,217,044	(24,713,244)	(5,591,929)
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		(76,334,431)	(139,376,887)	-	-
- Cash distribution		(79,314,715)	-	-	-
		(16,789,958)	(24,159,843)	(24,713,244)	(5,591,929)
Net income for the period after taxation		332,270,432	64,315,648	171,436,528	45,086,696
Interim distribution for the period from July 1, 2011 to to September 28, 2011 (2010: from July 1, 2010 to December 31, 2010): Rs 1.53 (2010: Rs 1.76 ) per unit (Date of distribution :September 28, 2011)					
- Bonus units		(48,944,210)	-	-	-
- Cash distribution		(106,484,024)	(52,691,123)	-	(52,691,123)
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - net	3.1	(18,320,613)	(723,320)	(4,991,657)	(62,282)
		158,521,585	10,901,205	166,444,871	(7,666,709)
Undistributed income / (Accumulated loss) carried forward		141,731,627	(13,258,638)	141,731,627	(13,258,638)

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  
Director

# CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

	Half year ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
	------(Rupees)-----			
Net assets at the beginning of the period	2,944,462,432	1,505,748,195	5,103,571,766	1,721,590,244
Issue of 151,859,300 Units (2010: 13,122,767 units) and 107,910,990 units (2010: 5,031,656 units) for the half year and quarter respectively	7,728,458,145	651,861,307	5,478,338,145	251,861,307
Redemption of 93,311,288 units (2010: 8,472,531 units) and 93,220,031 units (2010: 4,263,093 units) for the half year and quarter respectively	(4,751,006,106)	(420,896,957)	(4,750,547,956)	(213,495,366)
	2,977,452,039	230,964,350	727,790,189	38,365,941
Issue of 2,520,697 bonus units (2010: 2,843,266 units)	125,278,641	139,376,887	-	-
	3,102,730,680	370,341,237	727,790,189	38,365,941
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	(67,615,846)	3,610,491	(2,028,165)	(154)
- amount representing loss that forms part of unit holders' fund - transferred to distribution statement	18,320,613	723,320	4,991,657	62,282
	(49,295,233)	4,333,811	2,963,492	62,128
Unrealised appreciation on revaluation of investments classified as 'Available for Sale' - net	-	2,904,604	-	2,500,561
Capital gain / (loss) on sale on investments	30,138,181	(17,319,584)	27,897,157	(5,353,306)
Unrealised (diminution) / appreciation in the fair value of investments classified as 'at fair value through profit or loss	(10,236,897)	666,207	(17,667,446)	3,873,219
Other net income for the period	312,369,148	80,969,025	161,206,817	46,566,783
Total comprehensive income for the period	332,270,432	67,220,252	171,436,528	47,587,257
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	(18,320,613)	(723,320)	(4,991,657)	(62,282)
Final distribution for the year ended June 30, 2011: Rs 2.7739 (2010: Rs 5) per unit (Date of distribution : July 4, 2011)	(76,334,431)	(139,376,887)	-	-
- Bonus units	(79,314,715)		-	
- Cash distribution				
Interim distribution for the period from July 1, 2011 to to September 28, 2011 (2010 : from July 1, 2010 to December 31, 2010): Rs 1.53 (2010 : Rs 1.76 ) per unit (Date of distribution :September 28, 2011)	(48,944,210)	-	-	-
- Bonus units	(106,484,024)	(52,691,123)	-	(52,691,123)
- Cash distribution				
	(311,077,380)	(192,068,010)	-	(52,691,123)
Net assets at the end of the period	6,000,770,318	1,754,852,165	6,000,770,318	1,754,852,165

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**  
Director



# CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

	Half year ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
	----- (Rupees) -----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income for the period before taxation	332,270,432	64,315,648	171,436,528	45,086,696
<b>Adjustments for non-cash charges and other items:</b>				
Unrealised diminution / (appreciation) in the fair value of investments classified as fair value through profit or loss - net	10,236,897	(666,207)	17,667,446	(3,873,219)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	(67,615,846)	3,610,491	(2,028,165)	(154)
	274,891,483	67,259,932	187,075,809	41,213,323
<b>(Increase) / Decrease in assets</b>				
Investments - net	(2,847,599,364)	(269,917,680)	(855,519,982)	(29,299,507)
Receivable against sale on investments	(99,096,606)	-	(99,096,606)	-
Receivable against sale of units	(100,000)	-	(100,000)	-
Accrued income	(32,001,756)	22,891,228	(22,650,913)	3,834,696
Prepayments and other receivables	(1,193)	(4,626)	(1,193)	2,371
	(2,978,798,919)	(247,031,078)	(977,368,694)	(25,462,440)
<b>Increase / (Decrease) in liabilities</b>				
Remuneration payable to the Management Company	4,310,085	460,777	(1,972,099)	426,619
Payable to the Trustee	319,511	20,593	(10,749)	10,597
Annual fee payable to the Securities and Exchange Commission of Pakistan	458,689	(613,381)	(138,465)	313,959
Payable against redemption of units	(27,000)	-	(27,000)	-
Accrued expenses and other liabilities	1,464,609	(41,855)	1,224,110	56,814
	6,525,894	(173,866)	(924,203)	807,989
<b>Net cash (used in) / generated from operating activities</b>	(2,697,381,542)	(179,945,012)	(791,217,088)	16,558,872
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Receipts against issue of units	7,728,458,145	651,861,307	5,478,338,145	251,861,307
Payment against redemption of units	(4,751,006,106)	(420,896,957)	(4,750,547,956)	(213,495,366)
	2,977,452,039	230,964,350	727,790,189	38,365,941
Dividend paid	(185,798,739)	(52,691,123)	(106,484,024)	(52,691,123)
<b>Net cash inflow from / (outflow) on financing activities</b>	2,791,653,300	178,273,227	621,306,165	(14,325,182)
<b>Net increase / (decrease) in cash and cash equivalents during the period</b>	94,271,758	(1,671,785)	(169,910,923)	2,233,690
Cash and cash equivalents at the beginning of the period	3,064,757	6,683,309	267,247,438	2,777,834
<b>Cash and cash equivalents at the end of the period</b>	97,336,515	5,011,524	97,336,515	5,011,524

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  
Director

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

## 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.

<b>Name of sub-fund</b>	<b>Maturity date of sub-fund</b>
-------------------------	----------------------------------

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;

<b>Name of sub-scheme</b>	<b>Matured on</b>
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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. However, a limited scope review has been performed by the external auditors in accordance with the requirements of the Code of Corporate Governance. 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 18.321 million.
- amount taken to distribution statement would have been higher by Rs 18.321 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.

4 INVESTMENTS

Investments - 'at fair value through profit or loss'

	Note	Un-audited December 31, 2011	Audited June 30, 2011
------(Rupees)-----			
Pakistan Investment Bonds	4.1	493,064,784	-
Treasury Bills	4.1	4,950,821,457	2,782,091,674
GOP Ijarah Sukuks	4.1	217,746,152	50,078,152
Investment in Sub-Scheme	4.2	119,112,048	111,212,148
		<u>5,780,744,441</u>	<u>2,943,381,974</u>

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

Particulars	Face value					Balance as at December 31, 2011			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 December 31, 2011	Carrying Value	Market Value	Appreciation / (diminution)		
------(Rupees)-----						------(Rupees)-----				
<b>Pakistan Investment Bonds</b>										
Pakistan Investment Bond 3 Years	-	275,000,000	275,000,000	-	-	-	-	-	0.00%	0.00%
Pakistan Investment Bond 5 Years	-	300,000,000	93,000,000	-	207,000,000	202,190,186	199,864,303	(2,325,883)	3.33%	3.46%
Pakistan Investment Bond 7 Years	-	100,000,000	100,000,000	-	-	-	-	-	0.00%	0.00%
Pakistan Investment Bond 10 Years	-	630,000,000	320,000,000	-	310,000,000	305,289,190	293,200,481	(12,088,709)	4.89%	5.07%
<b>Total as at December 31, 2011</b>						<b>507,479,376</b>	<b>493,064,784</b>	<b>(14,414,592)</b>		
<b>Total as at June 30, 2011</b>						<b>-</b>	<b>-</b>	<b>-</b>		
<b>Treasury Bills</b>										
Treasury Bill - 1 Year	690,300,000	12,092,400,000	9,604,000,000	81,800,000	3,096,900,000	2,864,579,865	2,861,470,382	(3,109,483)	47.69%	49.50%
Treasury Bill - 6 Months	2,240,000,000	10,162,000,000	6,104,000,000	4,528,000,000	1,770,000,000	1,739,311,720	1,738,806,680	(505,040)	28.98%	30.08%
Treasury Bill - 3 Months	75,000,000	1,120,800,000	715,000,000	125,800,000	355,000,000	350,652,077	350,544,395	(107,682)	5.84%	6.06%
<b>Total as at December 31, 2011</b>						<b>4,954,543,662</b>	<b>4,950,821,457</b>	<b>(3,722,205)</b>		
<b>Total as at June 30, 2011</b>						<b>2,782,398,259</b>	<b>2,782,091,674</b>	<b>(306,585)</b>		
<b>Investment in GOP Ijarah Sukuks</b>										
GOP Ijarah sukuk 3 Year	50,078,150	-	-	-	50,078,150	50,078,152	50,078,152	-	0.83%	0.87%
GOP Ijarah sukuk 2 Year	-	167,668,000	-	-	167,668,000	167,668,000	167,668,000	-	2.79%	2.90%
<b>Total as at December 31, 2011</b>						<b>217,746,152</b>	<b>217,746,152</b>	<b>-</b>		
<b>Total as at June 30, 2011</b>						<b>50,000,000</b>	<b>50,078,152</b>	<b>78,152</b>		

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

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

Particulars	Number of Units					Balance as at December 31, 2011			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 December 31, 2011	Carrying Value	Market Value	Appreciation / (diminution)		
MSF December 2012	2,181,486	209,362	-	-	2,390,848	111,212,148	119,112,048	7,899,900	1.98%	0.14%
<b>Total as at December 31, 2011</b>						<u>111,212,148</u>	<u>119,112,048</u>	<u>7,899,900</u>		
<b>Total as at June 30, 2011</b>						<u>94,909,955</u>	<u>111,212,148</u>	<u>16,302,193</u>		

	Un-audited December 31, 2011	Audited June 30, 2011
	------(Rupees)-----	
<b>4.3 Net unrealised (diminution) / appreciation in fair value of investments classified as - 'at fair value through profit or loss'</b>		
Market value of investments	5,780,744,441	2,943,381,974
Carrying value of investments	<u>(5,790,981,338)</u>	<u>(2,927,308,214)</u>
	(10,236,897)	16,073,760
Realised on disposal of investments during the period the period	16,073,760	(5,472,725)
Net unrealised (appreciation) in the value of investments at fair value through profit or loss at the beginning of the period	<u>(16,073,760)</u>	<u>(2,693,795)</u>
	<u>(10,236,897)</u>	<u>7,907,240</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 December 31, 2011 amounted to Rs 14.185 million ( including Rs. 7.54 million for prior years).

**5.2** There were no other contingencies and commitments outstanding as at December 31, 2011 (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:

	Half year ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
	------(Rupees)-----		------(Rupees)-----	
<b>8.1 Transactions during the period</b>				
<b>Arif Habib Investment Limited - Management Company</b>				
Remuneration for the period	25,766,879	9,238,215	15,906,301	5,245,900
Sales tax on management fee	4,122,701	-	2,545,008	-
<b>Central Depository Company of Pakistan - Trustee</b>				
Remuneration for the period	2,031,688	935,579	1,306,951	491,782
<b>Habib Metropolitan Bank Limited</b>				
Profit on bank deposits	1,828,227	825,620	1,308,641	439,025
Bank charges	264,266	71,387	202,026	36,592
Issue of 5,940,594 units (2010: 12,083,128 units) and 5,940,594 units (2010: 3,992,015 units) during the half year and quarter respectively	300,000,000	600,000,000	300,000,000	200,000,000
Redemption of 2,970,297 units (2010: 8,050,870 units) and 2,970,297 (2010: 3,992,015 units) during the half year and quarter respectively	150,000,000	400,000,000	150,000,000	200,000,000
Issue of 2,372,796 bonus units (2010: 2,787,686 bonus units)	117,927,948	30,118,166	-	-
Dividend paid	-	50,884,132	-	50,884,132
<b>MCB Bank Limited</b>				
Profit on bank deposits	17,860,758	-	17,860,758	-
Bank charges	1,300	-	1,300	-
Issue of 48,868,459 units (2010: Nil) and 9,817,396 units (2010: Nil) issued during the half year and quarter respectively	2,500,000,000	-	500,000,000	-
Dividend paid	182,810,459	-	103,495,744	-
<b>Investment in Sub-Scheme - MSF December 2012</b>				
Investment made in the Fund: Nil units (2010: 6,348 units)	-	300,000	-	-
209,362 bonus units received (2010: 37,635 units)	10,082,888	1,800,835	-	-
<b>Key Management Personnel</b>				
Issue of 67,234 units (2010: Nil)	3,300,000	-	3,300,000	-
Redemption of 14,014 units (2010: Nil)	(705,045)	-	(705,045)	-

	Un-audited December 31, 2011	Audited June 30, 2011
	-----	-----
8.2 Amounts outstanding as at period / year end	(Rupees)	(Rupees)
<b>Arif Habib Investment Limited - Management Company</b>		
Remuneration Payable at the end of the period / year	5,164,812	1,681,098
Sales tax payable on management fee	826,371	-
<b>Central Depository Company of Pakistan - Trustee</b>		
Remuneration Payable	467,653	148,142
<b>Habib Metropolitan Bank Limited</b>		
Bank deposits	4,699,746	2,996,935
Profit receivable	808,758	1,157,644
Units held 32,210,274 (June 30, 2011: 26,867,181)	1,649,488,132	1,409,720,979
<b>MCB Bank Limited</b>		
Bank deposits	92,563,946	-
Profit receivable	5,731,342	-
Units held 77,461,673 (June 30, 2011: 28,593,214)	3,966,812,274	1,500,285,932
<b>Investment in Sub-Scheme - MSF December 2012</b>		
Units held 2,390,848 (June 30, 2011: 2,181,486)	119,112,048	111,212,148
<b>Key Management Personnel</b>		
Units held 53,225 (June 30, 2011: Nil)	2,623,027	-

**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 January 27, 2012 by the Board of Directors of the Management Company.

**11 GENERAL**

Figures have been rounded off to the nearest rupee.

For Arif Habib Investments Limited  
(Management Company)

Yasir Qadri  
Chief Executive Officer

Nasim Beg  
Director

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



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# INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE UNITHOLDERS

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## *Introduction*

We have reviewed the accompanying condensed interim statement of assets and liabilities of **MetroBank - Pakistan Sovereign Fund (December 2012)** as at December 31, 2011 and the related condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the half year ended December 31, 2011. The Management Company (Arif Habib Investments Limited) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement for the quarters ended December 31, 2011 and December 31, 2010 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2011.

## *Scope of Review*

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2011 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

**A.F. Ferguson & Co.**  
**Chartered Accountants**  
**Karachi**

**Dated: January 27, 2012**

# CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2011

	Note	Un-audited December 31, 2011	Audited June 30, 2011
		----- (Rupees) -----	
<b>ASSETS</b>			
Balances with banks		8,667,370	887,651
Investments	4	291,172,588	159,254,816
Accrued income		5,702,048	5,884,317
<b>Total Assets</b>		305,542,006	166,026,784
<b>LIABILITIES</b>			
Payable to the Management Company		297,389	174,199
Payable to the Trustee		20,811	16,314
Payable to Securities and Exchange Commission of Pakistan		75,213	87,827
Accrued expenses and other liabilities		3,075,513	47,522
<b>Total liabilities</b>		3,468,926	325,862
<b>NET ASSETS</b>		<u>302,073,080</u>	<u>165,700,922</u>
<b>UNIT HOLDERS' FUND (as per statement attached)</b>		<u>302,073,080</u>	<u>165,700,922</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	5		
		(Number of Units)	
<b>Number of units in issue</b>		<u>6,063,881</u>	<u>3,250,204</u>
		(Rupees)	
<b>Net asset value per unit</b>	3.4	<u>49.82</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  
Director

# CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

	Note	Half year ended December 31,		Quarter ended December 31,	
		2011	2010	2011	2010
		(Rupees)			
<b>INCOME</b>					
Income from investment in government securities		12,329,413	6,305,247	7,431,340	3,200,476
Capital (loss) / gain on sale of investments		(48,453)	-	124,110	-
Profit on bank deposits		540,692	18,541	454,722	11,080
Unrealised appreciation / (diminution) in the fair value of investments classified as 'at fair value through profit or loss' - net	4.2	1,623,411	(1,885,136)	(36,756)	(606,388)
<b>Total income</b>		14,445,063	4,438,651	7,973,416	2,605,168
<b>EXPENSES</b>					
Remuneration of the Management Company	6	1,169,705	584,781	650,672	307,513
Sindh sales tax on management remuneration		187,152	-	104,107	-
Remuneration of the Trustee		92,422	63,028	49,936	31,023
Annual fee - Securities and Exchange Commission of Pakistan		75,213	39,205	45,198	19,804
Securities transaction costs		12,096	-	10,096	-
Bank charges		35,947	2,320	35,947	1,160
Printing and related costs		2,296	5,140	948	2,988
Fees and subscriptions		3,745	5,083	1,588	2,394
Legal and professional charges		2,296	3,177	948	1,496
Auditors' remuneration		16,635	14,021	10,298	7,102
<b>Total expenses</b>		1,597,507	716,755	909,738	373,480
<b>Net income from operating activities</b>		12,847,556	3,721,896	7,063,678	2,231,688
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		2,756,885	(1,377,858)	2,749,789	(81,467)
<b>Net Income for the period before taxation</b>		15,604,441	2,344,038	9,813,467	2,150,221
<b>Taxation</b>	7	-	-	-	-
<b>Net Income for the period after taxation</b>		15,604,441	2,344,038	9,813,467	2,150,221
<b>Other comprehensive income for the period</b>					
Unrealised appreciation in the fair value of investments classified as 'available for sale' - net		-	28,508	-	21,942
<b>Total comprehensive income for the period</b>		15,604,441	2,372,546	9,813,467	2,172,163
<b>Earnings per unit</b>	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  
Director

# CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

	Note	Half year ended December 31,		Quarter ended December 31,	
		2011	2010	2011	2010
----- (Rupees) -----					
Undistributed income / (Accumulated loss) brought forward		3,190,714	17,336,510	(6,015,397)	(4,446,336)
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		(9,126,808)	(21,971,948)	-	-
		(5,936,094)	(4,635,438)	(6,015,397)	(4,446,336)
Net income for the period after taxation		15,604,441	2,344,038	9,813,467	2,150,221
Interim distribution for the period from July 1, 2011 to September 28, 2011 (2010: from July 1, 2010 to December 31, 2010): Rs 1.7 (2010: Rs 1.44) per unit (Date of distribution : September 28, 2011)					
- Bonus units		(5,612,165)	-	-	-
- Cash distribution		-	(1,815,753)	-	(1,815,753)
Element of (loss) / income and capital losses / (gains) included in prices of units issued less those in units redeemed - net	3.1	(5,177,166)	(4,714)	(4,919,054)	1
		4,815,110	523,571	4,894,413	334,469
Accumulated loss carried forward		(1,120,984)	(4,111,867)	(1,120,984)	(4,111,867)

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  
Director

# CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

	Half year ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
	(Rupees)			
Net assets at the beginning of the period	165,700,922	101,818,821	163,456,879	103,615,594
Issue of 2,977,672 units (2010: 44,295 units) and 2,846,812 units (2010: 37,947 Units) for the half year and quarter respectively	146,527,686	2,115,753	140,034,230	1,815,753
Redemption of 470,037 units (2010: 55 Units) 171,109 units (2010: 55 units) for the half year and quarter respectively	(23,003,084)	(2,638)	(8,481,707)	(2,638)
	123,524,602	2,113,115	131,552,523	1,813,115
Issue of 306,042 bonus units (2010 : 465,113 units)	14,738,973	21,971,948	-	-
	138,263,575	24,085,063	131,552,523	1,813,115
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	(2,756,885)	1,377,857	(2,749,789)	81,467
- amount representing loss / (income) that forms part of unit holders' fund - transferred to distribution statement	5,177,166	4,714	4,919,054	(1)
	2,420,281	1,382,571	2,169,265	81,466
Unrealised appreciation on revaluation of the investments classified as 'available for sale' - net	-	28,508	-	21,942
Capital gain / (loss) on sale on investments	(48,453)	-	124,110	-
Net unrealised appreciation / (diminution) in fair value of investments classified as ' financial assets at fair value' through profit or loss	1,623,411	(1,885,136)	(36,756)	(606,388)
Other net income for the period	14,029,483	4,229,174	9,726,113	2,756,609
Total comprehensive income for the period	15,604,441	2,372,546	9,813,467	2,172,163
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	(5,177,166)	(4,714)	(4,919,054)	1
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)	(9,126,808)	(21,971,948)	-	-
- Bonus units				
Interim distribution for the period from July 1, 2011 to to September 28, 2011 (2010: from July 1 2010 to December 31, 2010): Rs 1.70 ( 2010 : Rs 1.44) per unit (Date of distribution : September 28, 2011 )	(5,612,165)	-	-	-
- Bonus units				
- Cash distribution	-	(1,815,753)	-	(1,815,753)
	(14,738,973)	(23,787,701)	-	(1,815,753)
Net assets at the end of the period	302,073,080	105,866,586	302,073,080	105,866,586

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  
Director

# CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

	Half year ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
	----- (Rupees) -----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income for the period before taxation	15,604,441	2,344,038	9,813,467	2,150,221
<b>Adjustments for non-cash charges and other items:</b>				
Unrealised (appreciation) / diminution in the fair value of investments classified as fair value through profit or loss' - net	(1,623,411)	1,885,136	36,756	606,388
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	(2,756,885)	1,377,858	(2,749,789)	81,467
	11,224,145	5,607,032	7,100,434	2,838,077
<b>(Increase) / Decrease in assets</b>				
Investments - net	(130,294,361)	(5,280,259)	(141,308,972)	(200,708)
Accrued income	182,269	(3,482)	(4,002,727)	(2,815,220)
Prepayments and other receivables	-	8,138		150
	(130,112,092)	(5,275,603)	(145,311,699)	(3,015,779)
<b>Increase / (Decrease) in liabilities</b>				
Remuneration payable to the Management Company	123,190	4,512	110,066	10,859
Payable to the Trustee	4,497	(44)	(37,989)	(29)
Annual fee payable to the Securities and Exchange Commission of Pakistan	(12,614)	(24,406)	(44,652)	19,805
Accrued expenses and other liabilities	3,027,991	4,837	3,000,718	5,090
	3,143,064	(15,101)	3,028,143	35,725
<b>Net cash (used in) / generated from operating activities</b>	(115,744,883)	316,328	(135,183,122)	(141,977)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Receipts against issue of units	146,527,686	2,115,753	140,034,230	1,815,753
Payments against redemption of units	(23,003,084)	(2,638)	(8,481,707)	(2,638)
	123,524,602	2,113,115	131,552,523	1,813,115
Dividend paid	-	(1,815,753)	-	(1,815,753)
<b>Net cash inflow from / (outflow on) financing activities</b>	123,524,602	297,362	131,552,523	(2,638)
<b>Net increase / (decrease) in cash and cash equivalents during the period</b>	7,779,719	613,690	(3,630,599)	(144,615)
Cash and cash equivalents at the beginning of the period	887,651	121,805	12,297,969	880,110
<b>Cash and cash equivalents at the end of the period</b>	8,667,370	735,495	8,667,370	735,495

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  
Director

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

## 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. However, a limited scope review has been performed by the external auditors in accordance with the requirements of the Code of Corporate Governance. 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 5.177 million.
- amount taken to distribution statement would have been higher by Rs 5.177 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.

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

**FOR THE HALF YEAR AND  
QUARTER ENDED DECEMBER 31, 2011**

**4 INVESTMENTS**

**Investments - 'at fair value through profit or loss'**

	Note	Un-audited December 31, 2011	Audited June 30, 2011
		------(Rupees)-----	
Pakistan Investment Bonds	4.1	151,463,187	159,254,816
Treasury Bills	4.1	139,709,401	-
		<u>291,172,588</u>	<u>159,254,816</u>

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

Particular	Face value					Balance as at December 31, 2011			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 December 31, 2011	Carrying Value	Market Value	Appreciation / (diminution)		
------(Rupees)-----										
<b>Pakistan Investment Bonds</b>										
Pakistan Investment Bond 3 Years	126,500,000	-	-	-	126,500,000	124,475,955	125,837,379	1,361,424	41.21%	42.75%
Pakistan Investment Bond 5 Years	31,000,000	-	12,000,000	-	19,000,000	18,497,531	18,683,781	186,250	6.12%	6.35%
Pakistan Investment Bond 10 Years	7,000,000	-	-	-	7,000,000	6,853,605	6,942,027	88,422	2.27%	2.35%
<b>Total as at December 31, 2011</b>						<b>149,827,091</b>	<b>151,463,187</b>	<b>1,636,096</b>		
<b>Total as at June 30, 2011</b>						<b>160,599,091</b>	<b>159,254,816</b>	<b>(1,344,275)</b>		
<b>Treasury Bills</b>										
Treasury Bill - 1 Year	- 220,000,000	100,000,000	-	-	120,000,000	109,963,917	109,951,680	(12,237)	36.40%	37.77%
Treasury Bill - 6 Months	- 218,000,000	-	-	188,000,000	30,000,000	29,758,169	29,757,721	(448)	9.85%	10.22%
Treasury Bill - 3 Months	- 15,000,000	-	-	15,000,000	-	-	-	-	0.00%	0.00%
<b>Total as at December 31, 2011</b>						<b>139,722,086</b>	<b>139,709,401</b>	<b>(12,685)</b>		
<b>Total as at June 30, 2011</b>						-	-	-		

**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	291,172,588	159,254,816
Carrying value of investments	<u>289,549,177</u>	<u>160,599,091</u>
	<u>1,623,411</u>	<u>(1,344,275)</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 December 31, 2011 amounted to Rs 0.972 million ( including Rs. 0.66 million for prior years).

5.2 There were no other contingencies and commitments outstanding as at December 31, 2011. (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:

	Half year ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
	------(Rupees)-----		------(Rupees)-----	
<b>8.1 Transactions during the period</b>				
<b>Arif Habib Investment Limited - Management Company</b>				
Remuneration for the period	1,169,705	584,781	650,672	307,513
Sales tax on management remuneration	187,152	-	104,107	-
Issue of 1,583 bonus units (2010: 3,505 units)	76,261	165,576	-	-
Dividend paid and reinvested: Nil units (2010: 257 units)	-	13,644	-	13,644
<b>Central Depository Company of Pakistan - Trustee</b>				
Remuneration for the period	92,422	63,028	49,936	31,023
<b>Habib Metropolitan Bank Limited</b>				
Profit on bank deposits	508,509	18,541	422,866	11,080
Bank Charges	31,525	2,320	14,990	1,160
<b>MSF Perpetual</b>				
Issue of Nil units (2010: 6,348)	-	285,082	-	-
Issue of 209,362 bonus units (2010: 37,635 units)	10,082,888	1,815,753	-	1,815,753
<b>Key Management Personnel</b>				
Issue of 193 bonus units (2010: Nil units)	9,325	-	-	-

	Un-audited December 31, 2011	Audited June 30, 2011
	----- (Rupees) -----	
<b>8.2 Amount Outstanding as at period / year end</b>		
<b>Arif Habib Investment Limited - Management Company</b>		
Remuneration Payable at the end of the period / year	256,370	174,199
Sales tax payable on management fee	41,019	-
Units held 18,083 units (June 30, 2011: 16,500 units)	900,895	841,145
<b>Central Depository Company of Pakistan - Trustee</b>		
Remuneration payable	20,811	16,314
<b>MSF Perpetual</b>		
Units held 2,390,848 (June 30, 2011: 2,181,486 units)	119,112,048	111,212,148
<b>Habib Metropolitan Bank Limited</b>		
Bank deposits	3,945,729	846,269
Profit receivable	187,515	41,968
<b>Key Management Personnel</b>		
Units held 2,211 units (June 30, 2011: 2,018 units)	110,152	102,858

**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 January 27, 2012 by the Board of Directors of the Management Company.

**11 GENERAL**

Figures have been rounded off to the nearest rupee.

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

Yasir Qadri  
Chief Executive Officer

Nasim Beg  
Director