

Half Year Report
December 31, 2012
(Unaudited)



**METROBANK
PAKISTAN SOVEREIGN FUND
PERPETUAL**

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AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION



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Auditor's Report to the Unit Holders on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **MetroBank Pakistan Sovereign Fund – Perpetual** ("the Fund") as at 31 December 2012 and the related condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes to the accounts for the six months period then ended (here-in-after referred to as the "interim financial information"). Management Company is responsible for the preparation and presentation of this 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 interim financial information based on our review.

Scope of Review

We conducted our review in accordance with 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 interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

Other matters

The figures for the three months period ended 31 December 2012 and 31 December 2011 in the condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement, have not been reviewed by us and we do not express a conclusion on them.

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION



KPMG Taseer Hadi & Co.

The condensed interim financial information of the Fund for the six months period ended 31 December 2011 and financial statements of the Fund for the year ended 30 June 2012 were reviewed and audited respectively by another firm of auditors who vide their reports dated 27 January 2012 and 17 September 2012, expressed an unmodified conclusion and opinion thereon respectively.

Date: 04 February 2013

Karachi

A handwritten signature in black ink, appearing to read 'Mazhar Saleem', written over a horizontal line.

KPMG Taseer Hadi & Co.

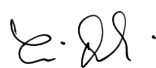
Chartered Accountants

Mazhar Saleem

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

	<i>Note</i>	31 December 2012 (Unaudited) (Rupees in '000)	30 June 2012 (Audited)
Assets			
Balance with banks	6	1,865,253	1,625,819
Investments	7	4,933,087	4,487,022
Income from investments and other receivables		31,087	22,380
Advances and prepayments		1,945	1,955
Total assets		6,831,372	6,137,176
Liabilities			
Payable to Arif Habib Investments Limited - Management Company		6,319	6,353
Payable to Central Depository Company of Pakistan Limited - Trustee		478	410
Annual fee payable to Securities and Exchange Commission of Pakistan		2,388	3,908
Accrued expenses and other liabilities		33,346	22,974
Total liabilities		42,531	33,645
Net assets		6,788,841	6,103,531
Unit holders' fund		6,788,841	6,103,531
(Number of Units)			
Number of units in issue (face value of units is Rs. 50 each)		135,401,975	121,898,751
(Rupees)			
Net asset value per unit		50.14	50.07

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.



Chief Executive Officer

For Arif Habib Investment Limited
(Management Company)



Director

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

	Note	Half year ended		Quarter ended	
		31 December 2012	31 December 2011	31 December 2012	31 December 2011
		----- (Rupees in '000) -----			
Income					
Income from government securities		308,316	259,833	145,611	162,031
Capital gain on sale of government securities - net		180,111	30,138	90,038	27,897
Income from reverse repurchase transactions in government securities		-	436	-	80
Profit on bank deposits		26,570	19,689	16,585	19,084
		514,997	310,097	252,234	209,092
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'at fair value through profit or loss'		11,196	(10,237)	(62,246)	(17,667)
Total income		526,191	299,860	189,988	191,425
Expenses					
Remuneration of Arif Habib Investments Limited - Management Company		33,692	25,767	15,774	15,906
Sindh sales tax on management fee		5,391	4,123	2,524	2,545
Remuneration of Central Depository Company of Pakistan Limited - Trustee		2,762	2,032	1,426	1,307
Annual fee to Securities and Exchange Commission of Pakistan		2,388	1,672	1,249	1,126
Brokerage expenses		1,597	795	937	575
Auditors' remuneration		588	379	413	267
Other expenses		386	439	167	290
Total operating expenses		46,804	35,206	22,490	22,016
Net operating income for the period		479,387	264,653	167,498	169,409
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		30,702	67,617	(80)	2,028
Provision for workers' welfare fund	8	(10,216)	-	(3,363)	-
Net income for the period before taxation		499,873	332,270	164,055	171,437
Taxation	9	-	-	-	-
Net income for the period after taxation		499,873	332,270	164,055	171,437
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		499,873	332,270	164,055	171,437
Earnings per unit	10				

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.



Chief Executive Officer

For Arif Habib Investment Limited
(Management Company)



Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

	Half year ended		Quarter ended	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	----- (Rupees in '000) -----			
Undistributed income / accumulated (losses) brought forward	8,591	138,859	13,077	(24,714)
Net income for the period	499,873	332,270	164,055	171,437
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	945	(18,321)	(190)	(4,992)
Distributions to the unit holders of the Fund:				
Final Distribution at the rate Rs. nil (30 June 2011: Rs. 2.7739) per unit for the year ended 30 June 2011 Distributed on 4 July 2011				
- Bonus units	-	(76,334)	-	-
- Cash distribution	-	(79,315)	-	-
Interim distribution at the rate of Rs. 2.51 (2011: Rs. 1.53) per unit for the quarter ended 30 September 2012 Distributed on 27 September 2012				
- Bonus distribution	(308,409)	(48,944)	-	-
- Cash distribution	(24,058)	(106,484)	-	-
Interim distribution at the rate of Rs. 1.20 (2011: Rs. nil) per unit for the period ended 31 December 2012 Distributed on 26 December 2012				
- Bonus distribution	(158,195)	-	(158,195)	-
	(490,662)	(311,077)	(158,195)	-
Undistributed income carried forward	18,747	141,731	18,747	141,731

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.



Chief Executive Officer

For Arif Habib Investment Limited
(Management Company)



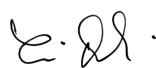
Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

	Half year ended		Quarter ended	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	(Rupees in '000)			
Net assets at beginning of the period	6,103,531	2,944,462	6,917,632	5,103,572
Issue of 25,694,923 units (2011: 151,859,300 units) and 8,954,786 units (2011: 107,910,990 units) for the half year and quarter ended respectively	1,327,694	7,728,458	453,539	5,478,338
Issue of 9,319,032 bonus units (2011: 2,520,697 bonus units) and 3,159,474 bonus units (2011: nil bonus units) for the half year and quarter ended respectively	466,604	125,279	158,195	-
Redemption of 21,510,731 units (2011: 93,781,325 units) and 12,803,067 units (2011: 93,391,140 units) for the half year and quarter ended respectively	(1,087,497)	(4,751,006)	(746,463)	(4,750,548)
	706,801	3,102,731	(134,730)	727,790
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed:				
-amount representing (income) / loss and capital (gains) / losses transferred to income statement	(30,702)	(67,617)	80	(2,028)
-amount representing (income) / loss that forms part of unit holder's fund transferred to distribution statement	(945)	18,321	190	4,992
	(31,647)	(49,296)	270	2,963
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - transferred to distribution statement	945	(18,321)	(190)	(4,992)
Net income for the period (excluding net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss' and capital gains on sale of investments - net)	308,565	312,369	136,262	161,207
Capital gain on sale of investments - net	180,111	30,138	90,038	27,897
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'at fair value through profit or loss'	11,196	(10,237)	(62,246)	(17,667)
	499,873	332,270	164,055	171,437
Final Distribution at the rate Rs. nil (30 June 2011: Rs. 2.7739) per unit for the year ended 30 June 2011				
Distributed on 4 July 2011				
- Bonus units	-	(76,334)	-	-
- Cash distribution	-	(79,315)	-	-
Interim distribution at the rate of Rs. 2.51 (2011: Rs. 1.53) per unit for the quarter ended 30 September 2012				
Distributed on 27 September 2012				
- Bonus distribution	(308,409)	(48,944)	-	-
- Cash distribution	(24,058)	(106,484)	-	-
Interim distribution at the rate of Rs. 1.20 (2011: Rs. nil) per unit for the quarter ended 31 December 2012				
Distributed on 26 December 2012				
- Bonus distribution	(158,195)	-	(158,195)	-
	(490,662)	(311,077)	(158,195)	-
Net assets at end of the period	6,788,841	6,000,770	6,788,841	6,000,770

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

For Arif Habib Investment Limited
(Management Company)


Chief Executive Officer


Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

	Half year ended		Quarter ended	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period before taxation	499,873	332,270	164,055	171,437
Adjustments for non cash and other items:				
Net unrealised (appreciation) / diminution on re-measurement of investments classified as 'at fair value through profit or loss'	(11,196)	10,237	62,246	17,667
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(30,702)	(67,616)	80	(2,028)
	(41,898)	(57,379)	62,326	15,639
	457,974	274,891	226,380	187,076
(Increase) / decrease in assets				
Receivable against sale of investments	-	(99,097)	-	(99,097)
Receivable against sale units	-	(100)	-	(100)
Investments	(434,869)	(2,847,599)	290,425	(855,520)
Income from investments and other receivables	(8,707)	(32,002)	19,681	(22,651)
Advances and prepayments	10	(1)	10	(1)
	(443,565)	(2,978,799)	310,117	(977,369)
Increase / (decrease) in liabilities				
Payable to Arif Habib Investments Limited - Management Company	(34)	4,310	(494)	(1,972)
Payable to the Central Depository Company of Pakistan Limited - Trustee	68	320	39	(11)
Annual fee payable to Securities and Exchange Commission of Pakistan	(1,520)	459	1,249	(138)
Payable against redemption of units	-	(27)	-	(27)
Accrued expenses and other liabilities	10,372	1,465	(21,124)	1,224
	8,886	6,527	(20,330)	(924)
Net cash (used in) / generated from operating activities	23,295	(2,697,381)	516,167	(791,217)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from issuance of units	1,327,694	7,728,458	453,539	5,478,338
Payments against redemption of units	(1,087,497)	(4,751,006)	(746,463)	(4,750,548)
Cash distribution	(24,058)	(185,799)	-	(106,484)
Net cash generated / (used in) from financing activities	216,139	2,791,653	(292,924)	621,306
Net increase / (decrease) in cash and cash equivalents	239,434	94,272	223,243	(169,911)
Cash and cash equivalents at beginning of the period	1,625,819	3,065	1,642,010	267,248
Cash and cash equivalents at end of the period	1,865,253	97,337	1,865,253	97,337

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.



Chief Executive Officer

For Arif Habib Investment Limited
(Management Company)



Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

MetroBank - Pakistan Sovereign 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 24 December 2002 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 7 January 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)].

The Board of Directors have approved that the Fund should be categorised as "Income Scheme" as per the categories defined by the Securities and Exchange Commission of Pakistan Circular 7 of 2009 dated 6 March 2009.

In the year ended 30 June 2010, Habib Metropolitan Bank Limited retired as the Trustee of the Scheme and Central Depository Company of Pakistan Limited (CDC) was appointed as the new Trustee with effect from 23 November 2009. 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 3 November 2009. Accordingly, the Trust Deed of the Scheme was revised through a supplemental Deed executed between the Management Company, Habib Metropolitan Bank Limited and CDC.

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

- 1.1 The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through 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.
- 1.2 MetroBank Pakistan Sovereign Fund has a policy of investing in Pakistani rupee denominated debt securities issued by the government of Pakistan, reverse repurchase transaction 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-scheme of the Fund.
- 1.3 The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units of the fund can be transferred to / from the funds managed by the Management Company and can also be redeemed by surrendering to the Fund. The Fund is listed on the Islamabad Stock Exchange.
- 1.4 The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of 'AM2' to the Arif Habib Investments Limited, the Asset Management Company and has assigned stability rating of "AA (f)" (Double A ; fund rating) to the Fund.
- 1.5 The Fund consists of a 'Perpetual' (the scheme) and one sub-scheme as at 31 December 2012 with pre-determined maturity date as follows:

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012**

Name of sub-scheme	Maturity date of sub-scheme
MetroBank - Pakistan Sovereign Fund - (December 2012)	31 December 2012

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

Name of sub-scheme	Maturity date of sub-scheme
MetroBank - Pakistan Sovereign Fund - (December 2003)	31 December 2003
MetroBank - Pakistan Sovereign Fund - (December 2005)	31 December 2005
MetroBank - Pakistan Sovereign Fund - (December 2007)	31 December 2007

1.6 This condensed interim financial information is the financial information of the scheme (Perpetual).

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the requirement of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). In case where requirements differ, the provisions of / or directives issued under the Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations have been followed.

2.2 This condensed interim financial information does not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the financial statements for the year ended 30 June 2012.

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

2.4 This condensed interim financial information is unaudited, however, a limited scope review has been performed by the external auditors of the Fund. The Board of Directors of the Management Company declare that this condensed interim financial information give a true and fair view of state of affairs of the Fund.

2.5 The comparatives in the condensed interim statement of assets and liabilities presented in the condensed interim financial information as at 31 December 2012 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2012, where as the comparatives in the condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' funds and condensed interim cash flow statement are extracted from unaudited condensed interim financial information for the half year ended 31 December 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of financial statements for the year ended 30 June 2012.

3.1 Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Fund's operations and did not result in change to the Fund's operation or change in accounting policies of the Fund.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012**

4. ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to financial statements as at and for the year ended 30 June 2012.

5. FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2012.

6. BALANCE WITH BANKS

		31 December 2012 (Unaudited) (Rupees in '000)	30 June 2012 (Audited)
Saving accounts	6.1 & 6.2	1,865,248	1,625,814
Current account		<u>5</u>	<u>5</u>
		<u>1,865,253</u>	<u>1,625,819</u>

6.1 These carry mark-up at rates ranging between 6% to 12.25% per annum (30 June 2012: 6% to 11% per annum).

6.2 These include Rs. 1,207 million (30 June 2012: Rs. 25.73 million) with related parties on which return is earned at 6% to 11% per annum (30 June 2012: 6.5 % to 11% per annum).

7. INVESTMENTS

'at fair value through profit or loss' - held for trading

Pakistan Investment Bonds	7.1	32,393	369,478
Market Treasury Bills	7.1	3,221,555	3,775,888
Government of Pakistan Ijara Sukuks	7.1	1,548,633	217,108
Investment in sub scheme	7.2	130,506	124,548
		<u>4,933,087</u>	<u>4,487,022</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

7.1 Government securities - 'at fair value through profit or loss'

	Tenor	Face value				As at 31 December 2012			Market value	
		As at 1 July 2012	Purchases during the period	Sales / matured during the period	As at 31 December 2012	Carrying value	Market value	Appreciation/ (diminution)	As a percentage of net assets	As a percentage of total investments
------(Rupees in '000)-----										
Pakistan Investment Bond										
6 October 2003	10 years	15,500	17,200	-	32,700	31,718	32,393	675	0.48	0.66
18 August 2011	10 years	10,000	100,000	110,000	-	-	-	-	0.00	0.00
19 July 2012	10 years	-	1,200,000	1,200,000	-	-	-	-	0.00	0.00
22 July 2010	5 years	100,000	-	100,000	-	-	-	-	0.00	0.00
18 August 2011	5 years	-	1,350,000	1,350,000	-	-	-	-	0.00	0.00
19 July 2012	5 years	-	525,000	525,000	-	-	-	-	0.00	0.00
22 July 2010	3 years	250,000	-	250,000	-	-	-	-	0.00	0.00
18 August 2011	3 years	-	500,000	500,000	-	-	-	-	0.00	0.00
19 July 2012	3 years	-	2,378,000	2,378,000	-	-	-	-	0.00	0.00
Total - 31 December 2012						31,718	32,393	675		
Total - 30 June 2012						369,222	369,478	256		
Market Treasury Bills										
Treasury Bills - 3 months		2,555,000	8,981,175	11,171,175	365,000	363,363	363,444	81	5.35	7.37
Treasury Bills - 6 months		7,500	4,302,780	3,669,280	641,000	629,932	630,097	165	9.28	12.77
Treasury Bills - 1 year		1,261,700	17,811,450	16,804,050	2,269,100	2,227,209	2,228,014	805	32.82	45.16
Total - 31 December 2012						3,220,504	3,221,555	1,051		
Total - 30 June 2012						3,777,208	3,775,888	(1,320)		
Government of Pakistan Ijara Sukuk										
15 November 2010	3 years	50,000	25,000	55,000	20,000	20,077	20,146	69	0.30	0.41
16 May 2011	3 years	167,000	-	-	167,000	167,084	168,637	1,553	2.48	3.42
26 December 2011	3 years	-	200,000	-	200,000	202,000	201,660	(340)	2.97	4.09
28 June 2012	3 years	-	400,000	-	400,000	404,560	403,840	(720)	5.95	8.19
18-Sep-12	3 years	-	1,750,000	1,000,000	750,000	751,400	754,350	2,950	11.11	15.29
Total - 31 December 2012						1,545,121	1,548,633	3,512		
Total - 30 June 2012						217,746	217,108	(638)		
Total of investments in Government Securities - 31 December 2012						4,797,343	4,802,581	5,238		
Total of investments in Government Securities - 30 June 2012						4,364,176	4,362,474	(1,702)		

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

Investment in Sub Scheme - at fair value through profit or loss	Number of units				As at 31 December 2012			Market value	
	As at 1 July 2012	Bonus / Purchases	Sales during the period	As at 31 December 2012	Carrying value	Market value	Appreciation/ (diminution)	As a percentage of net assets	As a percentage of total investments
MetroBank Pakistan Sovereign Fund - December 2012	2,582,903	63,207	-	2,646,110	124,548	130,506	5,958	1.92	2.65
Total as at 30 June 2012					111,212	124,548	13,336		
Total of investments - 31 December 2012					4,921,891	4,933,087	11,196		
Total of investments - 30 June 2012					4,475,388	4,487,022	11,634		

8. PROVISION FOR WORKERS' WELFARE FUND

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, challenging the applicability of WWF to the CISs, which is pending for adjudication.

Subsequent to the year ended 30 June 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 14 December 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 30 June 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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

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 Honourable High Court of Sindh. The Management company as a matter of abundant caution has decided to continue to charge the provision for WWF amounting to Rs. 32.075 million (including Rs. 10.216 million for the period ended 31 December 2012) in this condensed interim financial information in order to protect the interest of small investors / units holders.

9. TAXATION

The Fund's income is exempt from Income Tax as per clause 99 of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 the Fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders. The management of the Fund intends to distribute at least 90% of the income earned by the Fund by the year end to the unit holders. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Accordingly, no provision for taxation has been made in this condensed interim financial information.

10. EARNINGS PER UNIT

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

11. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provision of the NBFC Regulations 2008 and Constitutive documents of the Fund.

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

11.1 Details of transactions with the connected persons / related parties during the period are as follows:

	Unaudited			
	Half year ended 31 December		Quarter ended 31 December	
	2012	2011	2012	2011
	(Rupees in '000)			
Arif Habib Investments Limited				
Remuneration to Management Company	33,692	25,767	15,774	15,906
Sindh sales tax paid on remuneration	5,391	4,123	2,524	2,545
Central Depository Company of Pakistan Limited				
Remuneration for the period	2,762	2,032	1,426	1,307
Habib MetroBank Limited				
Profit received	3,355	2,177	2,100	1,309
Bank charges	234	264	102	202
MCB Bank Limited				
Profit received	3,346	-	2,019	-
Bank charges	4	1	-	1

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012**

11.2 Balance outstanding as at the period / year end are as follows:

	31 December 2012 (Unaudited) (Rupees in '000)	30 June 2012 (Audited)
Arif Habib Investments Limited		
Remuneration to Management Company payable	<u>5,448</u>	<u>5,477</u>
Sindh sales tax payable on remuneration	<u>871</u>	<u>876</u>
Central Depository Company of Pakistan Limited		
Remuneration payable	<u>478</u>	<u>410</u>
Habib MetroBank Limited		
Bank deposits	<u>1,205,314</u>	<u>22,334</u>
Profit receivable	<u>1,732</u>	<u>236</u>
MCB Bank Limited		
Bank deposits	<u>1,806</u>	<u>3,394</u>
Profit receivable	<u>22</u>	<u>808</u>

11.3 Transactions during the period with connected persons / related parties in the units of the Fund:

	Unaudited			
	Half year ended 31 December 2012		Half ended 31 December 2011	
	Units	(Rupees in '000)	Units	(Rupees in '000)
Units sold to:				
Arif Habib Investments Limited	<u>642,005</u>	<u>32,522</u>	<u>-</u>	<u>-</u>
Habib Metropolitan Bank Limited	<u>-</u>	<u>-</u>	<u>5,940,594</u>	<u>300,000</u>
MCB Bank Limited	<u>-</u>	<u>-</u>	<u>48,868,459</u>	<u>2,500,000</u>
Key management personnel	<u>66,264</u>	<u>3,444</u>	<u>67,234</u>	<u>3,300</u>
Bonus units issued to:				
Arif Habib Investments Limited	<u>27,806</u>	<u>1,392</u>	<u>-</u>	<u>-</u>
Habib Metropolitan Bank Limited	<u>2,499,254</u>	<u>125,138</u>	<u>2,372,796</u>	<u>117,928</u>
MCB Bank Limited	<u>5,931,576</u>	<u>296,994</u>	<u>-</u>	<u>-</u>
Key management personnel	<u>7,434</u>	<u>372</u>	<u>-</u>	<u>-</u>
Units redeemed by:				
Arif Habib Investments Limited	<u>669,811</u>	<u>33,792</u>	<u>-</u>	<u>-</u>
Habib Metropolitan Bank Limited	<u>5,593,719</u>	<u>285,000</u>	<u>2,970,297</u>	<u>150,000</u>
MCB Bank Limited	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Key management personnel	<u>35,728</u>	<u>1,826</u>	<u>14,014</u>	<u>705</u>
Bonus units received from investment:				
Sub-scheme - MetroBank Pakistan				
Sovereign Fund - December 2012	<u>63,207</u>	<u>3,048</u>	<u>209,362</u>	<u>10,083</u>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
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	31 December 2012	30 June 2012	31 December 2012	30 June 2012
	(Unaudited) Units	(Audited)	(Unaudited) (Rupees in '000)	(Audited)
Units held by:				
Habib Metropolitan Bank Limited	<u>35,600,993</u>	<u>38,695,458</u>	<u>1,785,034</u>	<u>1,937,095</u>
MCB Bank Limited	<u>84,493,205</u>	<u>78,561,629</u>	<u>4,236,489</u>	<u>3,933,620</u>
Key management personnel	<u>95,026</u>	<u>57,056</u>	<u>4,765</u>	<u>2,856</u>
Investment in units:				
Sub-scheme - MetroBank Pakistan				
Sovereign Fund - December 2012	<u>2,646,110</u>	<u>2,582,903</u>	<u>130,506</u>	<u>124,548</u>

12. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on February 04, 2013 by the Board of Directors of the Management Company.



Chief Executive Officer

For Arif Habib Investment Limited
(Management Company)



Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

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