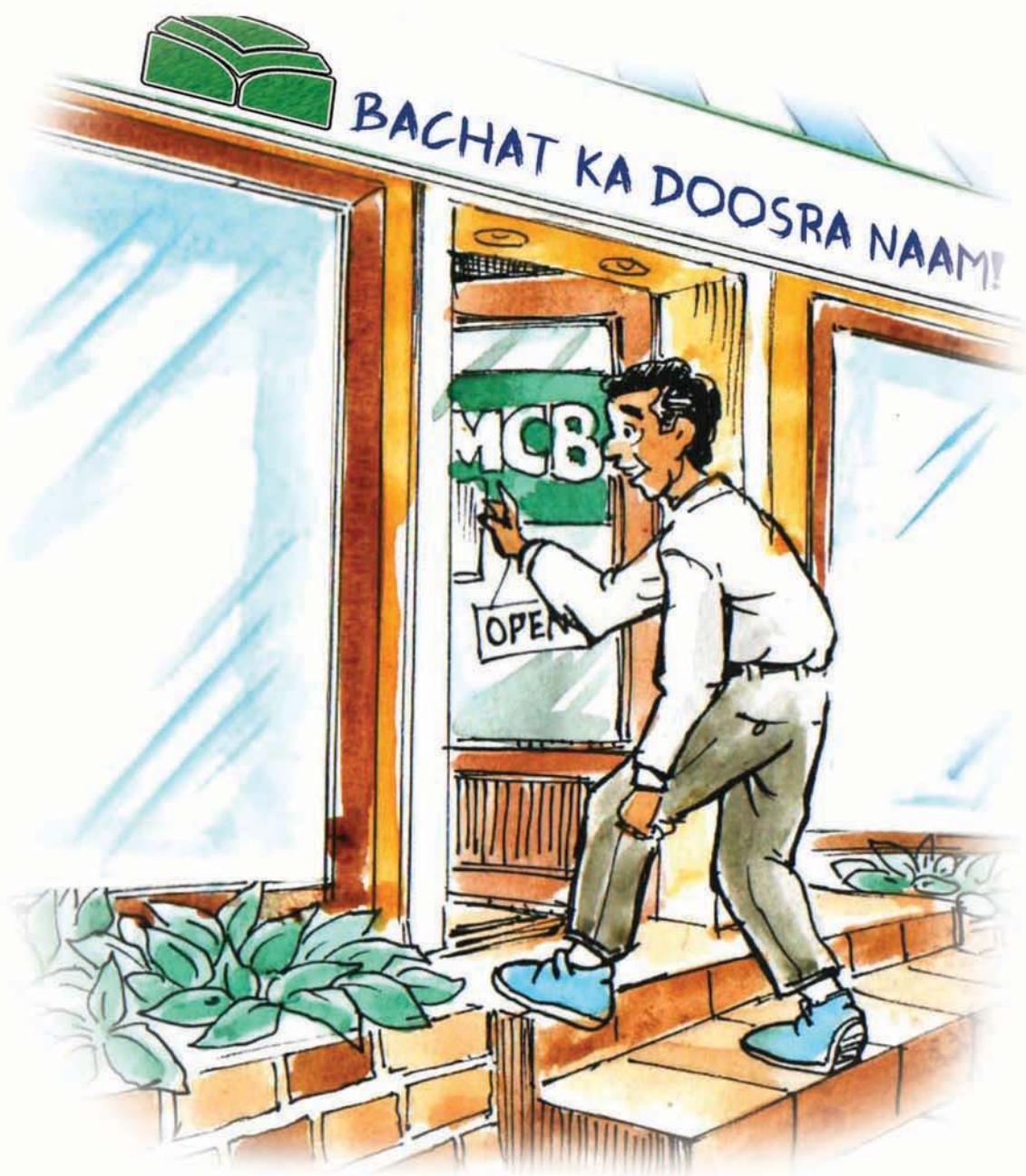




Bachat ka Doosra Naam

Quarterly Report
September 30, 2012
(Unaudited)



Funds Under Management
of
Arif Habib Investments Limited (A subsidiary of MCB Bank Limited)

**METROBANK
PAKISTAN SOVEREIGN FUND**

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FUND'S INFORMATION

Management Company	Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Board of Directors of the Management Company	Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman(subject to the approval of SECP) Executive Vice Chairman Chief Executive Officer (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)
Audit Committee	Mr. Haroun Rashid Mr. Nasim Beg Mr. Samad A. Habib Mr. Ali Munir	Chairman Member Member Member
Human Resource Committee	Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Yasir Qadri	Chairman Member Member Member Member
Company Secretary & CFO of the Management Company	Mr. Muhammad Saqib Saleem	
Trustee	Central Depository Company of Pakistan Limited CDC House, 990B, Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
Bankers	MCB Bank Limited Bank Al-Falah Limited Habib Metro Bank Limited Standard Chartered Bank Limited Faysal Bank Limited Allied Bank Limited	
Auditors	KPMG Taseer Hadi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Building No. 2 Beaumont Road, Karachi - 75530	
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
Transfer Agent	Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Rating	AM2 - Management Quality Rating assigned by PACRA	

REPORT TO THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2012

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 quarter ended September 30th 2012.

ECONOMY AND MONEY MARKET OVERVIEW

On the macroeconomic front, CPI inflation continued to maintain its downward trajectory amid lower food inflation and gas prices with 1Q FY13 CPI inflation averaging at 9.2%. Although current account balance remained comfortable during 2MFY13 with a sizeable surplus of US\$ 919 million courtesy release of coalition support fund proceeds by the US, weaker financial and capital account coupled with sizeable repayments (including IMF) continued to put pressure on the FX reserves, which eventually came down to below US\$ 14.5 billion. On the fiscal front, the government has continued to rely on domestic sources of funding with YTD GoP borrowing from banking system has risen to PKR 173 billion by Sep'28 2012. Taking comfort from benign CPI inflation and release of CSF payments by the US as well as the need to stimulate real economic engine & private investments in the country, the State Bank of Pakistan lowered its policy discount rate by 150 bps to 10.5% in its Aug'12 monetary policy statement.

In the money market, short term market rates remained largely on the higher side amid tight liquidity scenario in the system with few exceptions where the market witnessed floors also. The SBP has continued to inject significant amount of liquidity in the system through OMOs during the quarter. Given a downward trajectory in YoY CPI inflation coupled with SBP monetary easing stance, the yield curve has adjusted significantly downwards during the period. 1 year PKRV adjusted downwards by 198 bps to 10.0%, while longer tenure 10 year PKRV adjusted downwards by 182 bps to 11.5% during the quarter under review.

FUND PERFORMANCE

During the quarter under review, the fund generated an annualized return of 20.1% as against its benchmark return of 14.3%, a significant out performance of 5.8% due to well-timed accumulation of longer tenure Government papers well ahead of the downward adjustment in the yield curve.

The fund remained significantly invested in PIBs and longer tenure T-Bills 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 quarter-end, the fund was 45.8% invested in Treasury Bills, 20.8% in PIBs, 9.0% in GoP Ijarah Sukuk, 1.7% in its sub-fund 12/12, while the rest in cash and other assets.

FUTURE OUTLOOK

Taking comfort from lower CPI inflation trajectory, the Central bank has decided to lower its policy discount rate further by 50 bps to 10.0% in its Oct'12 monetary policy statement. Going forward, we believe that the sustainability of external account, in addition of lower inflation, would be a key factor in shaping up interest rate direction. The Government bond market, however, is likely to remain active going forward as single digit range of YoY CPI Inflation for at least next few months would keep market players' expectations of downward yield curve adjustment intact.

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

The Net Asset of the Fund as at September 30, 2012 stood at Rs. 7,026 million as compared to Rs 6,244 million as at June 30 2012 registering as an increase of 12.52%¹

The Net Asset Value (NAV) per unit as at September 30, 2012 was Rs. 50.07 as compared to opening NAV of Rs. 50.03 per unit as at June 30, 2012 registering an increase of Re. 0.04 per unit

Income Distribution

During the Quarter The Management Company has announced the following interim distribution

MetroBank Pakistan Sovereign Fund - Perpetual

Date of distribution	Per unit distribution
28-Sept-2012	2.52

MetroBank Pakistan Sovereign Fund - December 2012

Date of distribution	Per unit distribution
28-Sept-2012	1.18

ACKNOWLEDGMENT

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

On behalf of Directors,

Yasir Qadri
Chief Executive Officer
October 25, 2012


CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2012

	Note	September 30, 2012 ------(Rupees in '000)-----	June 30, 2012
ASSETS			
Balances with banks	3	1,645,320	1,627,171
Investments	5	5,901,784	4,623,350
Income and other receivable	6	51,113	27,817
Advances, prepayments and other receivables		1,955	1,955
Total Assets		7,600,172	6,280,293
LIABILITIES			
Payable to Management Company	7	7,067	6,643
Payable to Trustee	8	456	428
Payable to Securities and Exchange Commission of Pakistan	9	1,187	4,098
Payable against redemption requests		13,400	-
Payable against purchase of investment		495,656	-
Accrued expenses and other liabilities	10	55,924	24,307
Total liabilities		573,690	35,476
Net Assets		7,026,482	6,244,817
Unit holders' fund (as per statement attached)		7,026,482	6,244,817
(Number of Units)			
Number of units in issue		140,346,260	124,828,354
(Rupees)			
Net Asset Value per unit		50.07	50.03

CONTINGENCIES

11

The annexed notes form an integral part of these financial statements.



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2012

	Note	September 30, 2012	September 30, 2011
		------(Rupees in '000)-----	
INCOME			
Income from investment in government securities		169,443	102,700
Capital gain on sale of government securities		90,522	2,068
Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	5.2	70,299	4,992
Income from reverse repurchase transactions in government securities		-	356
Profit on bank deposits		10,137	691
Total income		340,401	110,807
OPERATING EXPENSES			
Remuneration of the Management Company		18,636	12,040
Sindh Sales Tax on Management Company's remuneration		2,982	-
Remuneration of Trustee		1,391	767
Annual Fee - Securities and Exchange Commission of Pakistan		1,187	576
Fees and subscription		41	40
Auditors' remuneration		182	118
Other expenses		846	334
Total operating expenses		25,265	13,875
Net income from operating activities		315,136	96,932
Element of income and capital gains included in the prices of units issued less those in units redeemed		32,743	65,595
Workers' Welfare Fund		6,971	-
Net income for the period before taxation		340,908	162,527
Taxation	14	-	-
Net income for the period after taxation		340,908	162,527
Other comprehensive income for the period		-	-
Total comprehensive income for the period		340,908	162,527
Earnings per unit	12		

The annexed notes form an integral part of these financial statements.



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



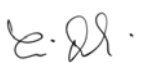
Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2012

	Note	September 30, 2012	September 30, 2011
		----- (Rupees in '000) -----	
Undistributed income brought forward		1,601	140,987
Total comprehensive income for the period		340,908	162,527
Final Distributions during the year ended June 30, 2011			
- Bonus units		-	(79,350)
- Cash Distribution		-	(79,315)
Interim Distributions during the quarter ended			
- Bonus units		(311,007)	(53,572)
- Cash Distribution		(24,058)	(103,496)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		1,598	(13,202)
Undistributed income / (accumulated losses) carried forward		<u>9,042</u>	<u>(25,421)</u>

The annexed notes form an integral part of these financial statements.



Chief Executive Officer

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

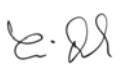


Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**


	September 30, 2012 ----- (Rupees in '000) -----	September 30, 2011 ----- (Rupees in '000) -----
Net assets at the beginning of the year	6,244,817	2,998,951
Issue of units 203,723,573 (2011: 43,948,309 units)	874,153	2,256,613
Redemption of units 143,116,784 (2011: 91,257 units)	(376,595)	(14,980)
	497,558	2,241,633
Element of (income) and capital (gains) included in prices of units sold less those in units redeemed		
- amount representing (income) and capital (gains) - transferred to the Income Statement	(32,743)	(65,595)
- amount representing (income) / loss and capital (gains) / losses that form part of the unit holders' fund - transferred to Distribution Statement	(1,598)	13,202
	(34,341)	(52,393)
Movement in unrealised surplus / deficit in value of investments classified as 'available for sale' - net	-	-
Distributions:		
Issue of 1,677,448 units bonus units during the year ended June 30, 2011	-	79,350
Issue of 6,213,434 units (2011: 1,044,919 units) bonus units during the quarter ended	311,007	53,572
Distributions:		
Final Distribution for the year ended June 30, 2011 :		
- Bonus units	-	(79,350)
- Cash Distribution	-	(79,315)
Interim Distributions for the quarter ended :		
- Bonus units	(311,007)	(53,572)
- Cash Distribution	(24,058)	(103,496)
Capital gain on sale of investments	90,522	2,068
Unrealised appreciation on re-measurement in value of investments classified as financial assets 'at fair value through profit or loss'	70,299	4,992
Other net income for the period	180,087	155,467
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised gains / (losses) - net	1,598	(13,202)
	7,441	(166,408)
Net assets at the end of the period	7,026,482	5,154,705

The annexed notes form an integral part of these financial statements.



Chief Executive Officer

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



Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2012

	Note	September 30, 2012 ------(Rupees in '000)-----	September 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period before taxation		340,908	162,527
Adjustments for:			
Element of income and capital gains included in the prices of units issued less those in units redeemed		(32,743)	(65,595)
Unrealised (appreciation) on re-measurement of investments classified as financial assets 'at fair value through profit or loss'		(70,299)	(4,992)
		<u>237,866</u>	<u>91,940</u>
(Increase) / decrease in assets			
Investments		(658,525)	(1,981,065)
Income and other receivable		(23,296)	(5,167)
		(681,821)	(1,986,232)
Increase / (decrease) in liabilities			
Payable to Management Company		424	6,295
Payable to Trustee		28	373
Payable to Securities and Exchange Commission of Pakistan		(2,911)	629
Payable against redemption request		13,400	-
Accrued expenses and other liabilities		31,617	269
		42,558	7,566
Net cash used in operating activities		<u>(401,397)</u>	<u>(1,886,726)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from issuance of units		874,153	2,256,613
Payment on redemption of units		(376,595)	(14,980)
Cash distributions		(24,058)	(79,315)
Net cash generated from financing activities		473,500	2,162,318
Net increase in cash and cash equivalents		<u>72,103</u>	<u>275,592</u>
Cash and cash equivalents at beginning of the year		4,223,083	3,952
Cash and cash equivalents at end of the period	4	<u><u>4,295,186</u></u>	<u><u>279,544</u></u>

The annexed notes form an integral part of these financial statements.



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



Director

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 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 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)].

In the year ended June 30, 2010, Habib Metropolitan Bank Limited retired as the Trustee of the Fund and Central Depository Company of Pakistan Limited (CDC) was appointed as the new Trustee with effect from November 23, 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 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 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-AMC and AHI the two companies have merged as of June 27, 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). AHI being a listed company is the surviving entity and in compliance of SBP's approval, it is a subsidiary of MCB Bank. However subsequent to the completion of the merger, the SECP issued an order postponing the effective date of the merger to July 30, 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 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 (PACRA) has asset management quality rating of 'AM2' to the Management Company as of June 30, 2012 and AA (f) as stability rating to the Fund.

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.

The Fund consists of a 'Perpetual Scheme' (the Scheme) and one sub-scheme as at June 30, 2012 with pre-determined maturity date as follows:

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

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

Name of 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

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

The Scheme and sub-scheme 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.

The Fund can directly invest in Pakistan rupee denominated bonds and debt securities issued by Government of Pakistan, invest in reverse repurchase transactions in government securities and invest 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 Fund.

2 Basis of preparation

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, 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) and directives issued by the Securities and Exchange Commission of Pakistan (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 IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

These condensed interim financial statements are unaudited.

The directors of the asset management company declare that these financial statements are the same as those applied in the preparation of the financial statements of the Fund for the year ended June 30, 2012.

3 BALANCE WITH BANKS

	September 30, 2012			June 30, 2012
	MSF Perpetual	MSF 12/12	Total	Total
	----- (Rupees in '000) -----			
In deposit accounts	1,642,005	3,306	1,645,311	1,627,162
In current accounts	5	4	9	9
	<u>1,642,010</u>	<u>3,310</u>	<u>1,645,320</u>	<u>1,627,171</u>

4 Cash and Cash equivalents

Balances with banks	1,642,010	3,310	1,645,320	1,627,171
Treasury Bills having maturity of 3 months or less	2,401,798	248,068	2,649,866	2,595,910
	<u>4,043,808</u>	<u>251,378</u>	<u>4,295,186</u>	<u>4,223,081</u>

5 INVESTMENTS IN GOVERNMENT SECURITIES

Investments 'at fair value through profit or loss'	5.1	5,653,716	248,068	5,901,784	4,623,350
		<u>5,653,716</u>	<u>248,068</u>	<u>5,901,784</u>	<u>4,623,350</u>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

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

Issue date	Tenor	Face value				Balance as at September 30, 2012			Market value as a percentage of net assets	Market value as a percentage of total investments
		Balance as at July 1, 2012	Purchases during the period	Sales / matured during the period	Balance as at Sept 30, 2012	Cost	Market Value	Appreciation / (diminution)		
----- Rupees in '000 -----						----- Rupees in '000 -----				
PAKISTAN INVESTMENT BONDS										
MSF PERPETUAL										
Pakistan Investment Bond	10 Years	25,500	1,125,000	1,125,000	25,500	24,112	25,516	1,404	0.36%	0.43%
Pakistan Investment Bond	5 Years	100,000	1,325,000	1,325,000	100,000	97,209	102,415	5,206	1.46%	1.74%
Pakistan Investment Bond	3 Years	250,000	2,353,000	1,195,500	1,407,500	1,372,717	1,432,379	59,662	20.39%	24.27%
MSF December 2012										
Pakistan Investment Bond	3 Years	126,500	-	126,500	-	-	-	-	-	-
Pakistan Investment Bond	5 years	19,000	-	19,000	-	-	-	-	-	-
Pakistan Investment Bond	10 years	7,000	-	-	7,000	6,975	7,001	26	0.10%	0.12%
Total of Pakistan Investment Bonds						1,501,013	1,567,311	66,298		
TREASURY BILLS										
MSF PERPETUAL										
Treasury Bills	3 months	2,555,000	5,657,475	6,608,075	1,604,400	1,598,561	1,598,530	(31)	22.75%	27.09%
Treasury Bills	6 months	7,500	1,660,930	1,411,730	256,700	245,299	245,486	187	3.49%	4.16%
Treasury Bills	12 months	1,261,700	6,969,450	6,578,450	1,652,700	1,576,420	1,577,120	700	22.45%	26.72%
MSF December 2012										
Treasury Bills	3 months	63,000	841,000	658,000	246,000	241,083	241,067	(16)	3.43%	4.08%
Treasury Bills	12 months	48,000	-	48,000	-	-	-	-	-	-
Total of Treasury Bills						3,661,363	3,662,203	840		
Investment in Ijara Sukuk										
GoP Ijara Sukuk	3 Years	217,000	452,000	2,000	667,000	669,109	672,270	3,161	9.57%	11.39%
Total of Investment in Ijara Sukuk						669,109	672,270	3,161		
Total as at September 30, 2012						5,831,485	5,901,784	70,299		
Total as at June 30, 2012						4,623,572	4,623,350	(222)		

Note	2012			2012
	MSF Perpetual	MSF 12/12	Total	Total
5.2 Net unrealised appreciation / (diminution) in fair value of investments classified as financial assets 'at fair value through profit or loss'				
Market value of investments				
	5,653,716	248,068	5,901,784	4,623,350
Cost of investments				
	(5,583,427)	(248,058)	(5,831,485)	(4,623,572)
	70,289	10	70,299	(222)

6 INCOME AND OTHER RECEIVABLE

Accrued profit on bank deposits	3,580	41	3,621	1,066
Income receivable on government securities	47,189	303	47,492	26,751
	50,769	344	51,113	27,817

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

	Note	September 30, 2012			June 30, 2012
		MSF Perpetu	MSF 12/12	Total	Total
7 PAYABLE TO MANAGEMENT COMPANY		(Rupees in '000)			
Management Company's remuneration		5,827	213	6,040	5,721
Sindh Sales Tax on Management Company's remuneration		932	34	966	915
Sales load payable to management company		54	7	61	7
		<u>6,813</u>	<u>254</u>	<u>7,067</u>	<u>6,643</u>
The management company has increased sales load percentage from 0.5% to 1.5% during this quarter effective from September 04, 2012.					
8 PAYABLE TO TRUSTEE					
Central Depository Company		439	17	456	428
		<u>439</u>	<u>17</u>	<u>456</u>	<u>428</u>
9 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - ANNUAL FEE					
		<u>1,139</u>	<u>48</u>	<u>1,187</u>	<u>4,098</u>
10 ACCRUED EXPENSES AND OTHER LIABILITIES					
Auditors' remuneration		732	39	771	588
Legal fee		120	6	126	101
Brokerage		674	4	678	200
Provision for Workers' Welfare Fund	12	28,712	1,397	30,109	23,137
Dividend payable		24,058	-	24,058	-
Others		172	10	182	281
		<u>54,468</u>	<u>1,456</u>	<u>55,924</u>	<u>24,307</u>

11 CONTINGENCY

Contribution to 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 Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

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

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

During 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, considering the unit holding structure of the Fund which is highly concentrated on few large ticket investors coupled with the recent changes in tax laws, the Management Company, as a matter of abundant caution and in order to protect the interests of small investors/unit holders, has decided to retain and continue to charge provision for WWF.

During the quarter the Fund charged Rs.6.971 million on account of WWF. The aggregate amount of WWF charged as on September 30, 2012 is Rs. 30.109 million. If the same were not made the NAV of the fund would have been higher by Rs. 0.21 per unit.

12 Earnings per unit

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

13 TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES

13.1 Connected persons of the Fund include the Management Company, other collective investment, schemes being managed by the Management Company, MCB Bank Limited being the parent company of the Management Company, the Trustee, directors and key management personnel, other associated undertaking and investors holding 10% or more units of the Fund.

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

13.3 Remuneration payable to the Management Company and the fee payable to the Trustee are determined in accordance with the provisions of the NBFC Rules 2003, the NBFC Regulations 2008 and Trust Deed respectively.

13.4 Details of transactions and balances at period end with related parties / connected persons, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2012	2011
	----- (Rupees in '000) -----	
Transactions and balances with connected persons		
Arif Habib Investments Limited - Management Company		
Balance at the beginning of the year	6,636	1,856
Remuneration for the year inclusive of Sindh Sales Tax	21,618	72,155
Amounts paid during the period	(21,248)	(67,375)
Balance at the end of the period	<u>7,006</u>	<u>6,636</u>
Units 552,470 issued units (2011: Nil units)	<u>27,955</u>	-
Issue of 28,284 bonus units (2011: 3,505 units)	<u>1,415</u>	76
Units held 580,276 units (June 30, 2012 : 19,536 units)	<u>30,019</u>	952
Key Management Personnel		
Units issued 66,264 units (2011: nil units)	<u>3,444</u>	-
Units redeemed 19,798 units (2011: nil units)	<u>1,026</u>	-
Bonus units Issued 5,268 units (2011: nil units)	<u>264</u>	-
Investment held 111,579 units (June 30, 2012 : 59,445 units)	<u>5,562</u>	2,971

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

	2012	2011
	------(Rupees in '000)-----	
Habib Metropolitan Bank Limited		
Units redeemed 5,593,719 units (2011: nil units)	285,000	-
Bonus units 1,665,995 units (2011: 2,372,793 units)	83,416	117,928
Units held 34,767,734 units (June 30, 2012: 38,695,458 units)	1,740,820	1,937,095
Deposits		
Balance at the end of the period / year	<u>30,758</u>	<u>23,605</u>
Profit receivable	<u>863</u>	<u>258</u>
Profit on bank deposits	<u>1,366</u>	<u>606</u>
MCB Bank Limited		
Investments: nil units (2011: 39,051,063 units)	-	2,000,000
Bonus units: 3,953,971 units (2011: nil units)	197,975	-
Units Held: 82,515,599 units (June 30, 2012: 78,561,629 units)	4,131,556	3,933,620
Deposits		
Deposits at the end of the period	<u>9,358</u>	<u>3,394</u>
Profit Receivable	<u>1,852</u>	<u>808</u>
Profit on bank deposits	<u>1,327</u>	<u>-</u>
Other Receivables	<u>1,955</u>	<u>1,955</u>
Dividend Payable	<u>-</u>	<u>103,496</u>
Dividend Paid	<u>-</u>	<u>79,315</u>
Central Depository Company of Pakistan Limited - Trustee		
Balance at the beginning of the year	428	164
Remuneration for the period	<u>1,391</u>	<u>4,850</u>
	1,819	5,014
Amounts paid during the period	<u>(1,363)</u>	<u>(4,586)</u>
Balance at end of the period	<u>456</u>	<u>428</u>

14 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 ninety 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 has distributed more than ninety percent of the Fund's accounting income for the current year to its unit holders.

15 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on **October 25, 2012** by the Board of Directors of the Management Company.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

16 CORRESPONDING FIGURES

No reclassifications of corresponding figures have been made during the current year.

17 GENERAL AND CORRESPONDING FIGURES

Figures have been rounded off to the nearest thousand rupees.



Chief Executive Officer

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



Director

**METROBANK
PAKISTAN SOVEREIGN FUND
PERPETUAL**

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CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2012

		September 30, 2012	June 30, 2012
	Note	----- (Rupees in '000) -----	
Assets			
Balances with banks	3	1,642,010	1,625,819
Investments	5	5,781,414	4,487,022
Income and other receivables	6	50,769	22,380
Advances, prepayments and other receivables		1,954	1,955
Total Assets		7,476,147	6,137,176
Liabilities			
Payable to Management Company	8	6,813	6,353
Payable to Trustee		439	410
Payable to Securities and Exchange Commission of Pakistan		1,139	3,908
Accrued expenses and other liabilities	7	54,468	22,974
Payable against purchase of investment		495,656	-
Total Liabilities		558,515	33,645
Net Assets		6,917,632	6,103,531
Unit holders' fund (as per statement attached)		6,917,632	6,103,531
----- (Number of Units) -----			
Number of units in issue		138,090,783	121,898,751
----- (Rupees) -----			
Net asset value per unit		50.09	50.07
Contingency	9		

The annexed notes form an integral part of these financial statements.



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2012

	Note	September 30, 2012	September 30, 2011
		----- (Rupees in '000) -----	
INCOME			
Income from investments in government securities		162,705	97,802
Capital gain on sale of government securities		90,073	2,241
Unrealised appreciation in value of investments classified as 'financial assets at fair value through profit or loss'	5.3	73,442	7,431
Income from reverse repurchase transactions in government securities		-	356
Profit on bank deposits		9,985	605
Total income		336,205	108,435
OPERATING EXPENSES			
Remuneration of the Management Company		17,918	11,438
Sindh Sales Tax on Management Company's remuneration		2,867	-
Remuneration of Trustee		1,336	725
Annual Fee - Securities and Exchange Commission of Pakistan		1,139	546
Fees and subscriptions		39	38
Auditors' remuneration		175	112
Other expenses		840	330
Total operating expenses		24,314	13,189
Net income from operating activities		311,891	95,246
Element of income and capital gains included in the prices of units issued less those in units redeemed		30,782	65,588
Workers' Welfare Fund	9	6,853	-
Net income for the period before taxation		335,820	160,834
Taxation	12	-	-
Net income for the period after taxation		335,820	160,834
Other comprehensive income for the period		-	-
Total comprehensive income for the period		335,820	160,834
Earnings per unit	10		

The annexed notes form an integral part of these financial statements.



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



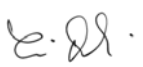
Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2012

Note	September 30, 2012	September 30, 2011
	------(Rupees in '000)-----	
Undistributed income brought forward	8,591	138,859
Total comprehensive income for the period	335,820	160,834
Final distribution for the year ended June 30, 2011 : Rs. 2.7739 (Date of distribution : July 04, 2011)		
- Bonus units	-	(76,334)
- Cash distribution	-	(79,315)
Interim Distribution for the quarter ended Rs.2.52 per unit (2011 : Rs. 1.53 per unit)		
- Bonus units	(308,409)	(48,944)
- Cash distribution	(24,058)	(106,484)
Element of loss and capital gain / (loss) included in the prices of units issued less those in units redeemed	1,133	(13,329)
Undistributed income / (accumulated losses) carried forward	<u>13,077</u>	<u>(24,713)</u>

The annexed notes form an integral part of these financial statements.



Chief Executive Officer

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

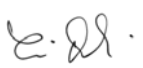


Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**


Note	September 30, 2012	September 30, 2011
	----- (Rupees in '000) -----	
Net assets at the beginning of the year	6,103,531	2,944,462
Issue of 16,740,137 units (2011: 43,948,309 units)	874,155	2,250,120
Redemption of 6,707,664 units (2011: 9,1257 units)	(341,034)	(458)
	533,121	2,249,662
Element of (income) / loss and capital (gains) / losses included in prices of units sold less those in units redeemed		
- amount representing (income) and (capital gains) - transferred to the Income Statement	(30,782)	(65,588)
- amount representing (gain) / loss and capital (gains) / losses that form part of the unit holders' fund - transferred to Distribution Statement	(1,133)	13,329
	(31,915)	(52,259)
Distribution:		
Issue of 1,535,904 bonus units for the year ended June 30, 2011	-	76,334
Issue of 6,159,559 bonus units (2011 : 1,044,919 bonus units) for the quarter ended	308,409	51,932
Final Distribution for the year ended June 30, 2011 : Rs. 2.7739 per unit		
- Bonus units	-	(76,334)
- Cash distribution	-	(79,315)
Interim Distributions for the quarter ended :		
- Bonus units	(308,409)	(51,932)
- Cash distribution	(24,058)	(103,495)
Capital gain on sale of investments	90,073	2,241
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	73,442	7,431
Total comprehensive income for the period	172,305	151,162
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised losses - net	1,133	(13,329)
	4,486	(163,571)
Net assets at the end of the period	6,917,632	5,106,560

The annexed notes form an integral part of these financial statements.



Chief Executive Officer

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



Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2012

	September 30, 2012	September 30, 2011
Note	-----	-----
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	335,820	160,834
Adjustments for:		
Element of income and capital gains included in the prices of units issued less those in units redeemed	(30,782)	(65,588)
Unrealised (appreciation) in investments 'at fair value through profit or loss'	5.3 (73,442)	(7,431)
	<u>231,596</u>	<u>87,815</u>
(Increase) / decrease in assets		
Investments	(857,551)	(1,992,079)
Income and other receivables	(28,388)	(9,351)
	(885,939)	(2,001,430)
Increase / (decrease) in liabilities		
Payable to Management Company	460	6,282
Payable to Trustee	29	330
Payable to Securities and Exchange Commission of Pakistan	(2,769)	597
Accrued expenses and other liabilities	31,494	240
	<u>29,214</u>	<u>7,449</u>
Net cash used in operating activities	<u>(625,129)</u>	<u>(1,906,166)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issuance of units	874,155	2,250,120
Payment on redemption of units	(341,034)	(458)
Interim distribution	(24,058)	(79,315)
Net cash generated from financing activities	<u>509,063</u>	<u>2,170,347</u>
Net (decrease) / increase in cash and cash equivalents	<u>(116,066)</u>	<u>264,181</u>
Cash and cash equivalents at beginning of the year	4 4,159,874	3,065
Cash and cash equivalents at end of the period	<u><u>4,043,808</u></u>	<u><u>267,246</u></u>

The annexed notes form an integral part of these financial statements.



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



Director

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 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 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)].

In the year ended June 30, 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 November 23, 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 November 3, 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.

The Management Company of the Scheme 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-AMC and AHI the two companies have merged as of June 27, 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). AHI being a listed company is the surviving entity and in compliance of SBP's approval, it is a subsidiary of MCB Bank. However subsequent to the completion of the merger, the SECP issued an order postponing the effective date of the merger to July 30, 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 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 Scheme's assets and NAV remain unaffected.

The Metro Bank - Pakistan Sovereign Fund is an open-ended 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 (PACRA) has asset management quality rating of 'AM2' to the Management Company as of September 30, 2012 and AA (f) as stability rating to the Fund.

The Fund consists of a 'Perpetual Scheme' (the Scheme) and one sub-scheme as at September 30, 2012 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]	December 31, 2012

In addition to the above sub-scheme, the Scheme had also issued other sub-schemes which were 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 scheme and sub-scheme 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.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

These financial statements are the financial statements of the 'Perpetual' scheme. The Scheme can directly invest in Pakistan rupee denominated bonds and debt securities issued by the Government of Pakistan, enter into reverse repurchase transactions in Government Securities and invest any otherwise un-invested funds in deposits with banks and financial institutions. In addition, the Scheme can also invest in sub-schemes of the Scheme.

Title to the assets of the scheme 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 Statement of compliance

These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, 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) and directives issued by the Securities and Exchange Commission of Pakistan (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 IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.2 These condensed interim financial statements are unaudited.

2.3 The directors of the asset management company declare that these financial statements are the same as those applied in the preparation of the financial statements of the Fund for the year ended June 30, 2012.

	Note	September 30, 2012	June 30, 2012
		------(Rupees in '000)-----	
3 BALANCES WITH BANKS			
In deposit accounts	4.1	1,642,005	1,625,814
In current accounts		5	5
		1,642,010	1,625,819
4 Cash and Cash equivalents			
Balances with banks		1,642,010	1,625,819
Government Securities having maturity of 3 months or less	5.1	2,401,798	2,534,055
		4,043,808	4,159,874
5 INVESTMENTS			
Investments 'at fair value through profit or loss'			
Pakistan Investment Bonds	5.1	1,560,309	369,478
Treasury Bills	5.1	3,421,134	3,775,888
Ijara Sukuks	5.1	672,270	217,108
Investment in sub scheme	5.2	127,701	124,548
		5,781,414	4,487,022

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

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

Issue date	Tenor	Face value				Balance as at September 30, 2012			Market value as a percentage of net assets	Market value as a percentage of total investments
		Balance as at July 1, 2012	Purchases during the period	Sales / matured during the period	Balance as at Sept 30, 2012	Carrying Value	Market Value	Apprecia-tion / (diminution)		
----- Rupees in '000 -----						----- Rupees in '000 -----				
Pakistan Investment Bond										
Pakistan Investment Bond	10 Years	25,500	1,125,000	1,125,000	25,500	24,112	25,516	1,404	0.37%	0.44%
Pakistan Investment Bond	5 Years	100,000	1,325,000	1,325,000	100,000	97,209	102,415	5,206	1.48%	1.77%
Pakistan Investment Bond	3 Years	250,000	2,353,000	1,195,500	1,407,500	1,372,717	1,432,379	59,662	20.71%	24.78%
Total of Pakistan Investment Bond						1,494,038	1,560,310	66,272	22.56%	26.99%
Total as at September 30, 2012						1,494,038	1,560,310	66,272		
Total as at June 30, 2012						369,222	369,478	256		
Treasury Bills										
Treasury Bills	3 months	2,555,000	5,657,475	6,608,075	1,604,400	1,598,561	1,598,530	(31)	23.11%	27.65%
Treasury Bills	6 months	7,500	1,660,930	1,411,730	256,700	245,299	245,486	187	3.55%	4.25%
Treasury Bills	12 months	1,261,700	6,969,450	6,578,450	1,652,700	1,576,420	1,577,120	700	22.80%	27.28%
Total of Treasury Bills						3,420,280	3,421,136	856	49.46%	59.17%
Total as at September 30, 2012						3,420,280	3,421,136	856		
Total as at June 30, 2012						3,777,208	3,775,888	(1,320)		
Investment in GoP Ijara Sukuk										
GoP Ijara Sukkuk	3 Years	217,000	452,000	2,000	667,000	669,109	672,270	3,161	9.72%	11.63%
Total of Ijara Sukuks						669,109	672,270	3,161	9.72%	11.63%
Total as at September 30, 2012						669,109	672,270	3,161		
Total as at June 30, 2012						217,746	217,108	(638)		
Total of investment in Government Securities - 'at fair value through profit or loss'										
Total as at September 30, 2012						5,583,427	5,653,716	70,289		
Total as at June 30, 2012						4,364,176	4,362,474	(1,702)		

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

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

Name	Units					Balance as at September 30, 2012			Market value as a percentage of net assets	Market value as a percentage of total investments
	Balance as at July 1, 2012	Purchases during the period	Bonus / Reinvest- ment	Sales during the period	Balance as at Sep 30, 2012	Carrying value	Market Value	Appreciation / (diminution)		
----- Rupees in '000 -----										
MSF December 2012	2,582,903	-	63,207	-	2,646,110	124,548	127,701	3,153	1.85%	2.21%
Total as at September 30, 2012						124,548	127,701	3,153		
Total as at June 30, 2012						111,212	124,548	13,336		

5.3 Net unrealised appreciation in fair value of investments classified as 'financial assets at fair value through profit or loss'

	September 30, 2012	June 30, 2012
	----- (Rupees in '000) -----	
Market value of investments	5.1&5.2 5,781,417	4,487,022
Carrying value of investments	5.1&5.2 (5,707,975)	(4,475,388)
	<u>73,442</u>	<u>11,634</u>

6 INCOME AND OTHER RECEIVABLES

Accrued profit on bank deposits	3,580	1,044
Income accrued on government securities	47,189	21,336
	<u>50,769</u>	<u>22,380</u>

7 ACCRUED EXPENSES AND OTHER LIABILITIES

Auditors' remuneration	732	557
Legal fee payable	120	96
Brokerage payable	674	196
Printing and publication charges payable	135	111
Provision for Workers' Welfare Fund	28,712	21,858
Dividend payable	24,058	-
Others	37	156
	<u>54,468</u>	<u>22,974</u>

8 PAYABLE TO ARIF HABIB INVESTMENTS LIMITED - MANAGEMENT COMPANY

Management Company's remuneration	5,827	5,477
Sindh Sales Tax on Management Company's remuneration	932	876
Sales load payable to management company	54	-
	<u>6,813</u>	<u>6,353</u>

The management company has increased sales load percentage from 0.5% to 1.5% during this quarter effective from September 04, 2012.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

9 CONTINGENCY

Contribution to 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 Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

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

During the 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, considering the unit holding structure of the Fund which is highly concentrated on few large ticket investors coupled with the recent changes in tax laws, the Management Company, as a matter of abundant caution and in order to protect the interests of small investors/unit holders, has decided to retain and continue to charge provision for WWF.

During the quarter the Fund charged Rs.6.853 million on account of WWF. The aggregate amount of WWF charged as on September 30, 2012 is Rs. 28.712 million. If the same were not made the NAV of the fund would have been higher by Rs. 0.21 per unit.

10 Earnings per unit

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

11 TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES

- 11.1** Connected persons of the Fund include the Management Company, other collective investment, schemes being managed by the Management Company, MCB Bank Limited being the parent company of the Management Company, the Trustee, directors and key management personnel, other associated undertaking and investors holding 10% or more units of the Fund.
- 11.2** The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 11.3** Remuneration payable to the Management Company and the fee payable to the Trustee are determined in accordance with the the provisions of the NBFC Rules 2003, the NBFC Regulations 2008 and Trust Deed respectively.
- 11.4** Details of transactions and balances at period end with related parties / connected persons, other than those which have been disclosed elsewhere in these financial statements, are as follows:

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

	2012	2011
	------(Rupees in '000)-----	
Details of the transactions and balances with connected persons are as follows		
Arif Habib Investments Limited - Management Company		
Balance at the beginning of the year	6,353	1,681
Remuneration for the year inclusive of Sindh Sales Tax	20,785	68,752
	27,138	70,433
Amounts paid during the period	20,378	64,080
Balance at the end of the period	6,760	6,353
Units 552,470 issued units (2011: Nil units)	27,955	-
Units redeemed nil units (2011: Nil units)	-	-
Bonus units 27,806 units (2011: Nil units)	1,392	-
Units held 580,276 units (June 30, 2012 : Nil units)	29,054	-
Habib Metropolitan Bank Limited		
Units redeemed 5,593,719 units (2011: Nil units)	285,000	-
Bonus units 1,665,995 units (2011: 2,372,793 units)	83,416	117,928
Units held 34,767,734 units (June 30, 2012 : 38,695,458 units)	1,740,820	1,937,095
Deposits		
- Balance at the end of the period / year	27,694	22,334
Profit receivable	822	236
Profit on bank deposits	1,255	520
Central Depository Company of Pakistan Limited - Trustee		
Balance at the beginning of the period / year	410	148
Remuneration for the year	1,336	4,623
	1,746	4,771
Amounts paid during the period	1,307	4,361
Balance at end of the period / year	439	410
Transactions and balances with connected persons		
- Scheme and Sub Schemes		
Investment in Sub-Schemes - MSF Dec 2012		
Investment : nil units (2011: nil units)	-	-
Bonus Units Issued 63,207 units (2011: 209,362 units)	3,048	10,083
Units redeemed nil units (2011: Nil)	-	-
Investment held 2,646,110 units (June 30, 2012 : 2,582,903 units)	127,701	124,548
MCB Bank Limited		
Investments: nil units (2011: 39,051,063 units)	-	2,000,000
Bonus Units: 3,953,971 units (2011: Nil)	197,975	-
Units Held: 82,515,599 units (June 30, 2012 : 78,561,629 units)	4,131,556	3,933,620
Deposits		
- Balance at the end of the period / year	9,358	3,394
Profit receivable	1,852	808
Profit on bank deposits	1,327	-
Other Receivables	1,955	1,955

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

	2012	2011
	----- (Rupees in '000) -----	
Key Management Personnel		
Units issued 66,264 units (2011: Nil)	<u>3,444</u>	<u>-</u>
Units redeemed 19,798 units (2011: Nil)	<u>1,026</u>	<u>-</u>
Bonus Units Issued 5,210 units (2011: Nil)	<u>261</u>	<u>-</u>
Investment held 108,732 units (June 30, 2012 : 57,056 units)	<u>5,444</u>	<u>2,856</u>

12 TAXATION

The income of the Scheme 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 ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Scheme has not recorded provision for taxation as the Management Company has distributed more than ninety percent of the Fund's accounting income for the current year to its unit holders.

13 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on **October 25, 2012** by the Board of Directors of the Management Company.

14 CORRESPONDING FIGURES

No reclassifications of corresponding figures have been made during the current year.


15 GENERAL

Figures have been rounded off to the nearest thousand rupees.



Chief Executive Officer

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



Director

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

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CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2012

	Note	September 30, 2012	June 30, 2012
		----- Rupees in '000-----	
ASSETS			
Balances with banks	3	3,310	1,352
Investments	5	248,068	260,876
Income and other receivables	6	344	5,437
Total assets		251,722	267,665
LIABILITIES			
Payable to Management Company	8	254	290
Payable to Trustee		17	18
Payable to Securities and Exchange Commission of Pakistan		48	190
Payable against redemption of units		13,400	-
Accrued expenses and other liabilities	7	1,456	1,340
Total liabilities		15,169	1,831
Net Assets		236,553	265,834
Unit holders' fund (as per statement attached)		236,553	265,834
Number of units in issue			
		4,901,586	5,512,506
(Rupees)			
Net asset value per unit		48.26	48.22
CONTINGENCY			

9

The annexed notes form an integral part of these financial statements.



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2012

	Note	September 30, 2012	September 30, 2011
		----- Rupees in '000-----	
INCOME			
Income from investments in government securities		6,738	4,898
Profit on bank deposits		152	86
Capital gain / (loss) on sale of government securities		449	(173)
Unrealised appreciation in value of investments' classified as 'at fair value through profit or loss'	5.3	<u>10</u>	<u>1,660</u>
Total Income		7,349	6,471
OPERATING EXPENSES			
Remuneration of the Management Company		718	602
Sindh Sales Tax on Management Company's remuneration		115	-
Remuneration of Trustees		55	42
Annual Fee - Securities and Exchange Commission of Pakistan		48	30
Fees and subscriptions		2	2
Auditors' remuneration		7	6
Other expenses		6	4
Total expenses		951	686
Net income from operating activities		6,398	5,785
Element of income and capital gains included in the prices of units issued less those in units redeemed		1,961	7
Workers' Welfare Fund	9	118	-
Net income for the period before taxation		8,241	5,792
Taxation	12	-	-
Net income for the period after taxation		8,241	5,792
Other comprehensive income for the period		-	-
Total comprehensive income for the period		8,241	5,792
Earnings per unit	10		

The annexed notes form an integral part of these financial statements.



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



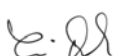
Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2012

Note	September 30, 2012	September 30, 2011
	----- Rupees in '000-----	
Undistributed (Loss) / income brought forward	(11,187)	3,191
Total comprehensive income for the period	8,241	5,792
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	-	(9,173)
Interim distribution for the quarter ended 1.18 per unit (2011 : Rs. 1.70 per unit)		
- Bonus units	(5,646)	(5,566)
- Cash distribution	-	-
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed	578	(258)
Undistributed loss carried forward	<u>(8,014)</u>	<u>(6,014)</u>

The annexed notes form an integral part of these financial statements.



Chief Executive Officer

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



Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

Note	September 30, 2012	September 30, 2011
	----- Rupees in '000-----	
Net assets at the beginning of the year	265,834	165,701
Issue of nil units (2011: 130,860 units)	-	6,493
Redemption of 728,002 units (2011: 297,661 units)	(35,561)	(14,521)
	(35,561)	(8,028)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		
- amount representing (income) and capital (gains) - transferred to the Income Statement	(1,961)	(7)
- amount representing unrealised capital (gain) / loss that form part of the unit holders' fund - transferred to Distribution Statement	(578)	258
	(2,539)	251
Movement in unrealised deficit in value of investments classified as 'available for sale' - net	-	-
Distributions:		
Issue of 190,477 bonus units for the year ended June 30, 2011	-	9,173
Issue of 117,082 bonus units for the period ended September 30, 2012 (2011 : 115,565 bonus units)	5,646	5,566
Final distribution for the year ended June 30, 2011 : Rs. 2.8224 per unit (Date of distribution : July 4, 2011)	-	(9,173)
- Bonus units		
Interim distributions for the quarter ended : Rs. 1.18 per unit (2011 : Rs. 1.70 per unit)	(5,646)	(5,566)
- Bonus units	-	-
- Cash distribution		
Capital gain / (loss) on sale of investments	449	(173)
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	10	1,660
Other net income for the year	7,782	4,305
Element of income and capital gains included in prices of units issued less those in units redeemed - amount representing unrealised (gain) / losses - net	578	(258)
	3,173	(9,205)
Net assets at the end of the period	236,553	163,458

The annexed notes form an integral part of these financial statements.



Chief Executive Officer

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



Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2012

	Note	September 30, 2012	September 30, 2011
		----- Rupees in '000-----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period before taxation		8,241	5,791
Adjustments for :			
Element of (income) and capital (gains) included in the prices of units issued less those in units redeemed		(1,961)	(7)
Unrealised (appreciation) in value of investments classified as 'at fair value through profit or loss'		(10)	(1,660)
		<u>6,270</u>	<u>4,124</u>
(Increase) / decrease in assets			
Investments		199,031	11,015
Receivable from MSF Perpetual		-	-
Income and other receivables		5,093	4,184
		<u>204,124</u>	<u>15,199</u>
Increase in liabilities			
Payable to Management Company		(35)	13
Payable to Trustee		(1)	42
Payable to Securities and Exchange Commission of Pakistan - Annual fee		(142)	32
Payable against redemption of units		13,400	-
Accrued expense and other liabilities		116	27
		<u>13,338</u>	<u>114</u>
Net cash generated from operating activities		<u>223,732</u>	<u>19,437</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from issuance of units		-	6,493
Payment against redemption of units		(35,561)	(14,521)
Interim Distribution		-	-
Net cash used in from financing activities		<u>(35,561)</u>	<u>(8,028)</u>
Net increase in cash and cash equivalents		<u>188,171</u>	<u>11,409</u>
Cash and cash equivalents at beginning of the year	4	63,207	888
Cash and cash equivalents at end of the period		<u><u>251,378</u></u>	<u><u>12,297</u></u>


 Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)


 Director

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 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 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)].

In the year ended June 30, 2010, Habib Metropolitan Bank Limited retired as the Trustee of the Fund and Central Depository Company of Pakistan Limited (CDC) was appointed as the new Trustee with effect from November 23, 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 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 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-AMC and AHI the two companies have merged as of June 27, 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). AHI being a listed company is the surviving entity and in compliance of SBP's approval, it is a subsidiary of MCB Bank. However, subsequent to the completion of the merger, the SECP issued an order postponing the effective date of the merger to July 30, 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 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 sub-scheme'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 (PACRA) has asset management quality rating of 'AM2' to the Management Company as of September 30, 2012 and AA (f) as stability rating to the sub-scheme.

The Fund consists of a 'perpetual' (Scheme) and one sub-scheme as at September 30, 2012 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]	December 31, 2012

In addition to the above sub-scheme, the Fund had also issued other sub-schemes which were 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 Scheme and sub-scheme 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 sub-scheme.

These financial statements are the financial statements of the sub-scheme. The sub-scheme can directly invest in Pakistan rupee denominated bonds and debt securities issued by the Government of Pakistan, enter into reverse repurchase transactions in Government Securities and invest any otherwise un-invested funds in deposits with banks and financial institutions.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

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

2 Basis of preparation

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, 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) and directives issued by the Securities and Exchange Commission of Pakistan (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 IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

These condensed interim financial statements are unaudited.

The directors of the asset management company declare that these financial statements are the same as those applied in the preparation of the financial statements of the Fund for the year ended June 30, 2012.

3 BALANCES WITH BANKS	Note	September 30, 2012	June 30, 2012
		----- Rupees in '000-----	
In deposit accounts	4.1	3,306	1,348
In current accounts		4	4
		<u>3,310</u>	<u>1,352</u>
4 Cash and cash equivalents			
Balances with banks		3,310	1,352
Government Securities having maturity of 3 months or less		248,068	61,855
		<u>251,378</u>	<u>63,207</u>
5 INVESTMENTS			
Investments 'at fair value through profit or loss'			
Treasury Bills	5.1	241,067	108,725
Pakistan Investment Bonds	5.2	7,001	152,151
		<u>248,068</u>	<u>260,876</u>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

5.1 Investment in government securities - at fair value through profit or loss' - Treasury Bills

Issue date	Tenor	Face value				September 30, 2012			Percentage of net assets	Percentage of total investment
		As at July 1, 2012	Purchases during the period	Sales / Matured during the period	As at Sept 30, 2012	Carrying Value	Market Value	Appreciation / (Diminution)		
----- (Rupees in '000) -----										
Treasury Bills										
Treasury Bills	3 months	63,000	841,000	658,000	246,000	241,083	241,067	(16)	101.91%	97.18%
Treasury Bills	12 months	48,000	-	48,000	-	-	-	-	0.00%	0.00%
						241,083	241,067	(16)	101.91%	97.18%
Total as at September 30, 2012						241,083	241,067	(16)		
Total as at June 30, 2012						108,789	108,725	(64)		

5.2 Investment in government securities - at fair value through profit or loss' - Pakistan Investment Bond

Issue date	Tenor	Face value				September 30, 2012			Percentage of net assets	Percentage of total investment
		As at July 1, 2012	Purchases during the period	Sales / Matured during the period	As at Sept 30, 2012	Carrying Value	Market Value	Appreciation / (Diminution)		
------(Rupees in '000)-----										
Pakistan Investment Bond										
Pakistan Investment Bond	3 Years	126,500	-	126,500	-	-	-	-	0.00%	0.00%
Pakistan Investment Bond	5 years	19,000	-	19,000	-	-	-	-	0.00%	0.00%
Pakistan Investment Bond	10 years	7,000	-	-	7,000	6,975	7,001	26	2.96%	2.82%
						6,975	7,001	26	2.96%	2.82%
Total as at September 30, 2012						6,975	7,001	26		
Total as at June 30, 2012						150,607	152,151	1,544		

5.3 Net unrealised Appreciation / (Diminution) in value of investments classified as - 'at fair value through profit or loss'	Note	September 30, 2012	June 30, 2011
		----- Rupees in '000-----	
Market value of investments	5.1 & 5.2	248,068	260,876
Carrying value of investments	5.1 & 5.2	(248,058)	(259,396)
		<u>10</u>	<u>1,480</u>
6 INCOME AND OTHER RECEIVABLES			
Profit on bank deposits		41	22
Income receivable on government securities		303	5,415
		<u>344</u>	<u>5,437</u>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

	Note	September 30, 2012	June 30, 2011
7		----- Rupees in '000-----	
ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		39	31
Legal fee payable		6	5
Brokerage payable		4	4
Provision for Workers' Welfare Fund	10	1,397	1,279
Others		10	21
		<u>1,456</u>	<u>1,340</u>
8			
PAYABLE TO ARIF HABIB INVESTMENTS LIMITED - MANAGEMENT COMPANY			
Management Company's remuneration		213	244
Sindh Sales Tax on Management Company's remuneration		34	39
Sales load payable to management company		7	7
		<u>254</u>	<u>290</u>

The management company has increased sales load percentage from 0.5% to 1.5% during this quarter effective from September 04, 2012.

9 CONTINGENCY

Contribution to 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 Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

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

During the 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, considering the unit holding structure of the Fund which is highly concentrated on few large ticket investors coupled with the recent changes in tax laws, the Management Company, as a matter of abundant caution and in order to protect the interests of small investors/unit holders, has decided to retain and continue to charge provision for WWF.

During the quarter the Fund charged Rs.0.1180 million on account of WWF. The aggregate amount of WWF charged as on September 30, 2012 is Rs. 1.397 million. If the same were not made the NAV of the fund would have been higher by Rs. 0.29 per unit.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

10 Earnings 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-scheme by the number of units in circulation at the year end.

11 TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES

- 11.1** Connected persons of the Fund include the Management Company, other collective investment, schemes being managed by the Management Company, MCB Bank Limited being the parent company of the Management Company, the Trustee, directors and key management personnel, other associated undertaking and investors holding 10% or more units of the Fund.
- 11.2** The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 11.3** Remuneration payable to the Management Company and the fee payable to the Trustee are determined in accordance with the the provisions of the NBFC Rules 2003, the NBFC Regulations 2008 and Trust Deed respectively.
- 11.4** Details of transactions and balances at period end with related parties / connected persons, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2012	2011
	----- Rupees in '000-----	
Transactions and balances with connected persons		
Arif Habib Investments Limited - Management Company		
Balance at beginning of the year	283	174
Remuneration for the period inclusive of Sindh Sales Tax	833	3,403
	<u>1,116</u>	<u>3,577</u>
Amounts paid during the period	868	3,294
Balance at the end of the period	<u>248</u>	<u>283</u>
 Issue of 478 bonus units (2011: 3,505 units)	 23	 76
Redemption of nil units (2011: 29 units)	-	-
Units held 20,014 units (June 30, 2012 : 19,536 units)	<u>965</u>	<u>952</u>
 Central Depository Company of Pakistan Limited - Trustee		
Balance at beginning of the year	18	16
Remuneration for the period	55	227
	<u>73</u>	<u>243</u>
Amounts paid during the period	56	225
Balance at the end of the period	<u>17</u>	<u>18</u>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

Habib Metropolitan Bank Limited	2012	2011
	----- Rupees in '000-----	
Deposits		
Balance at end of the period	<u>3,064</u>	<u>1,271</u>
Profit Receivable	<u>41</u>	<u>22</u>
Profit on bank deposits	<u>111</u>	<u>86</u>
MSF Perpetual		
Units issued nil units (2011: nil units)	<u>-</u>	<u>-</u>
Bonus units issued 63,207 units (2011: 209,362 units)	<u>3,048</u>	<u>10,083</u>
Units held 2,646,110 units (June 30, 2012: 2,582,903 units)	<u>127,701</u>	<u>124,548</u>
Key Management Personnel		
Units issued nil units (2011: nil units)	<u>-</u>	<u>-</u>
Units redeemed nil units (2011: nil units)	<u>-</u>	<u>-</u>
Bonus units issued 58 units (2011: Nil)	<u>3</u>	<u>-</u>
Investment held 2,447 units (June 30, 2012 : 2,389 units)	<u>118</u>	<u>115</u>

12 TAXATION

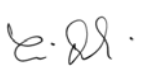
The income of the sub-scheme is exempt from income tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The sub-scheme has not recorded provision for taxation as the Management Company has distributed more than ninety percent of the sub-scheme's accounting income for the current year to its unit holders.

13 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on **October 25, 2012** by the Board of Directors of the Management Company.


14 GENERAL

Figures have been rounded off to the nearest thousand rupees.



Chief Executive Officer

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



Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

Arif Habib Investments Limited (A subsidiary of MCB Bank Limited)

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