

Half Year Report

December 31, 2012
(Unaudited)



**METROBANK
PAKISTAN SOVEREIGN FUND
DECEMBER 2012**

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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 – December 2012** ("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.

Emphasis of matter

We draw attention to note 1.6 to the financial information which states that the Fund has matured on 31 December 2012 in accordance with the Trust Deed therefore this interim financial information has been prepared on realisable value basis as stated in note 2.2 to the interim financial information. Our conclusion is not qualified in respect of this matter.

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.

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.

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 unmodified conclusion and opinion thereon respectively.

Date: 04 February 2013

Karachi

KPMG Taseer Hadi & Co.
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	207,126	1,352
Income from investments and other receivables		273	5,437
Investments	7	-	260,876
Total assets		207,399	267,665
Liabilities			
Payable to Arif Habib Investments Limited - Management Company		205	283
Payable to Central Depository Company of Pakistan Limited - Trustee		17	18
Annual fee payable to Securities and Exchange Commission of Pakistan		92	190
Accrued expenses and other liabilities		1,515	1,340
Total liabilities		1,829	1,831
Net assets		205,570	265,834
Unit holders' fund		205,570	265,834
(Number of Units)			
Number of units in issue (face value of units is Rs. 50 each)		4,168,348	5,512,506
(Rupees)			
Net asset value per unit		49.32	48.22

The annexed notes from 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		12,067	12,329	5,329	7,431
Capital gain / (loss) on sale of government securities - net		480	(48)	21	124
Income from reverse repurchase transactions in government securities		98	-	98	-
Profit on bank deposits		515	541	363	455
		13,160	12,822	5,811	8,010
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'at fair value through profit or loss'		-	1,623	-	(37)
Total income		13,160	14,445	5,811	7,973
Expenses					
Remuneration of Arif Habib Investments Limited - Management Company		1,277	1,170	559	651
Sindh sales tax on management fee		204	187	89	104
Remuneration of Central Depository Company of Pakistan Limited - Trustee		107	92	52	50
Annual Fee - Securities and Exchange Commission of Pakistan		92	75	44	45
Auditors' remuneration		(3)	17	(10)	10
Other expenses		5	56	(3)	50
Total operating expenses		1,682	1,598	731	910
Net income from operating activities		11,478	12,848	5,080	7,064
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed		(1,075)	2,757	(3,036)	2,750
Provision for workers' welfare fund	8	(208)	-	(90)	-
Net income for the period before taxation		10,195	15,604	1,954	9,813
Taxation	9	-	-	-	-
Net income for the period after taxation		10,195	15,604	1,954	9,813
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		10,195	15,604	1,954	9,813
Earnings per unit	10				

The annexed notes from 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 DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012**

	Period ended		Quarter ended	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	----- (Rupees in '000) -----			
Accumulated (losses) / undistributed income brought forward	(11,187)	3,191	(8,014)	(6,015)
Net income for the period	10,195	15,604	1,954	9,813
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	2,393	(5,177)	1,815	(4,919)
Distributions to the unit holders of the Fund:				
Final distribution at the rate Rs. nil (2011: Rs. 2.8224) per unit for the year ended 30 June 2011 Distributed on 4 July 2011				
- Bonus units	-	(9,127)	-	-
- Cash distribution	-	-	-	-
Interim distribution at the rate Rs. 1.18 (2011: Rs. 1.7) per unit for the quarter ended 30 September 2012 Distributed on 27 September 2012				
- Bonus units	(5,646)	(5,612)	-	-
- Cash distribution	-	-	-	-
	(5,646)	(14,739)	-	-
Accumulated (losses) / undistributed income carried forward	(4,245)	(1,121)	(4,245)	(1,121)

The annexed notes from 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

	Period 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	265,834	165,701	236,553	163,457
Issue of nil units (2011: 2,977,672 units) and nil units (2011: 2,846,821 units) for the half year and quarter ended respectively	-	146,528	-	140,034
Issue of 117,082 bonus units for the quarter period ended 30 September 2012 (2011: 115,565 units)	5,646	14,739	-	-
Redemption of 1,461,240 units (2011: 470,073 units) and 733,238 units (2011: 171,109 units) for the half year and quarter ended respectively	(71,535)	(23,003)	(35,974)	(8,482)
	(65,888)	138,264	(35,974)	131,553
Net element of loss /(income) and capital losses / (gains) included in prices of units issued less those in units redeemed:				
- amount representing loss / (income) and capital losses / (gains) transferred to income statement	1,075	(2,757)	3,036	(2,750)
- amount representing (income) / loss that forms part of unit holder's fund transferred to distribution statement	(2,393)	(5,177)	(1,815)	4,919
	(1,318)	(7,934)	1,221	2,169
Net element of income / (loss) and capital losses / (gains) included in prices of units issued less those in units redeemed - transferred to distribution statement	2,393	5,177	1,815	(4,919)
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 / (loss) on sale of investments)	9,715	14,029	1,934	9,726
Capital gain on sale of investments - net	480	(48)	21	124
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'at fair value through profit or loss'	-	1,623	-	(37)
	10,195	15,604	1,954	9,813
Final distribution at the rate Rs. nil (2011: Rs. 2.8224) per unit for the year ended 30 June 2011				
Distributed on 4 July 2011				
- Bonus units	-	(9,127)	-	-
- Cash distribution	-	-	-	-
Interim distribution at the rate of Rs. 1.8 (2011: Rs. 1.7) per unit for the quarter ended 30 September 2012				
Distributed on 27 September 2012				
- Bonus units	(5,646)	(5,612)	-	-
- Cash distribution	-	-	-	-
	(5,646)	(14,739)	-	-
Net assets at end of the period	205,570	302,073	205,570	302,073

The annexed notes from 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	10,195	15,604	1,954	9,813
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'	-	(1,623)	10	37
Net element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed	1,075	(2,757)	3,036	(2,750)
	1,075	(4,380)	3,046	(2,713)
	11,270	11,224	5,000	7,100
Decrease / (Increase) in assets				
Investments	260,873	(130,294)	248,055	(141,309)
Income from investments and other receivables	5,164	182	71	(4,003)
	266,037	(130,112)	248,126	(145,312)
Increase / (decrease) in liabilities				
Payable to Arif Habib Investments Limited - Management Company	78	123	113	110
Payable to the Central Depository Company of Pakistan Limited - Trustee	1	4	2	(38)
Annual fee payable to Securities and Exchange Commission of Pakistan	98	(13)	240	(45)
Payable against redemption of units	-	-	(13,400)	-
Accrued expenses and other liabilities	(175)	3,028	(291)	3,001
	2	3,143	(13,336)	3,028
Net cash generated / (used in) from operating activities	277,309	(115,745)	239,790	(135,183)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from issuance of units	-	146,528	-	140,034
Payments against redemption of units	(71,535)	(23,003)	(35,974)	(8,482)
Net cash (used in) / generated from financing activities	(71,535)	123,525	(35,974)	131,553
Net increase / (decrease) in cash and cash equivalents	205,774	7,780	203,816	(3,631)
Cash and cash equivalents at beginning of the period	1,352	888	3,310	12,299
Cash and cash equivalents at end of the period	207,126	8,668	207,126	8,668

The annexed notes from 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.

During 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 & AHIL/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 (SHC). The honourable Sindh High Court (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.

- 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 8 Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.
- 1.2 The 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.
- 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
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MetroBank - Pakistan Sovereign Fund - (December 2012)	31 December 2012
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In addition to the above sub-scheme, the Fund had also issued other sub-schemes which 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 sub-scheme. The sub-scheme of the Fund 'MetroBank Pakistan Sovereign Fund - December 2012' had a pre-determined maturity date as per section 4.5.1 of the offering document. Consequently, the sub-scheme has matured on 31 December 2012 and subsequent to the period end the unit holders have redeemed the unit holding from the sub-scheme and liabilities of the fund have been settled.

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 has not been prepared on going concern basis and assets have been stated at realisable values and liabilities at their expected settlement amounts as the sub-scheme matured on 31 December 2012 as stated in note 1.6.

2.3 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.

2.4 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.

2.5 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 gives a true and fair view of the state of affairs of the Fund.

2.6 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' fund and condensed interim cash flow statement are extracted from unaudited condensed interim financial information for the half year ended 31 December 2011.

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

3. SIGNIFICANT ACCOUNTING POLICIES

- 3.1** 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.
- 3.2** 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 a change in accounting policies of the Fund.

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.

		31 December 2012 (Unaudited)	30 June 2012 (Audited)
		(Rupees in '000)	
6. BALANCE WITH BANKS			
Saving accounts	6.1	207,117	1,348
Current account		9	4
		<u>207,126</u>	<u>1,352</u>

- 6.1** These carry mark-up at rates ranging between 6% to 9.5% per annum (30 June 2012: 6% to 10.5% per annum).
- 6.2** These include Rs. 206 million (30 June 2012: Rs. 1.271 million) a with related party on which return is earned at 6% to 9.5% per annum (30 June 2012: 6.5% to 10.5% per annum).

7. INVESTMENTS

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

Pakistan Investment Bonds	7.1	-	152,151
Market Treasury Bills	7.1	-	108,725
		<u>-</u>	<u>260,876</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	Balance as at 31 December 2012			Market value	
		As at 1 July 2012	Purchases during the period	Matured during the period		Carrying value	Market value	Appreciation/ (diminution)	As a percentage of net assets	As a percentage of total investments
----- (Rupees in '000) -----										
Pakistan Investment Bond										
3 September 2009	3 years	126,500	-	126,500	-	-	-	-	-	-
27 August 2007	5 years	31,000	-	31,000	-	-	-	-	-	-
24 October 2002	10 years	7,000	-	7,000	-	-	-	-	-	-
Total - 31 December 2012						-	-	-		
Total - 30 June 2012						150,607	152,151	1,544		
Market Treasury Bills										
Treasury bills - 3 months		63,000	1,021,000	1,084,000	-	-	-	-	-	-
Treasury bills - 6 months		-	20,000	20,000	-	-	-	-	-	-
Treasury bills - 1 year		48,000	-	48,000	-	-	-	-	-	-
Total - 31 December 2012						-	-	-		
Total - 30 June 2012						108,789	108,725	(64)		
Total of investments in Government Securities - 31 December 2012						-	-	-		
Total of investments in Government Securities - 30 June 2012						259,396	260,876	1,480		

7.2 The investments have been disposed as the sub-scheme matured on 31 December 2012 as more fully explained in the note.1.6 and 2.2.

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 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. However, as a matter of abundant caution the Management Company has decided to continue to charge the provision for WWF amounting to Rs. 1.487 million (including Rs. 0.208 million for the period ended 31 December 2012) in this condensed interim financial statement in order to protect the interest of small investors/units holders.

As fully explained in note 1.5 of this condensed interim financial information the sub-scheme MetroBank Pakistan Sovereign Fund - December 2012 has matured. Due to the above uncertainty the Management Company of the Fund has retained WWF liability of 1.4871 million as at 31 December 2012 as per the section 17.2 of the offering document.

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

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 Regulation, 2008, the fund is required to distribute 90% of the net accounting income other than unrealised capital gains 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. No provision for taxation has been made in this condensed interim financial information as the sub-scheme has matured on 31 December 2012 and the net assets have been distributed to the unit holders subsequent to the year end, as mentioned in note 1.6 and 2.2.

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 Trustees, directors and key management personnel and other associated undertakings.

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 Transactions during the period with connected persons / related parties 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	1,277	1,170	559	651
Sindh sales tax paid on remuneration	204	187	89	104
Central Depository Company of Pakistan Limited				
Remuneration for the period	107	92	52	50
Habib Metropolitan Bank Limited				
Profit received	220	509	109	423
Bank charges	13	32	5	15

**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)	30 June 2012 (Audited)
	(Rupees in '000)	
Arif Habib Investments Limited		
Remuneration to Management Company payable	<u>177</u>	<u>244</u>
Sindh sales tax paid on remuneration payable	<u>28</u>	<u>39</u>
Central Depository Company of Pakistan Limited		
Remuneration payable	<u>17</u>	<u>18</u>
Habib Metropolitan Bank Limited		
Bank deposits	<u>206,980</u>	<u>1,271</u>
Profit receivable	<u>273</u>	<u>22</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)
Bonus units issued to:				
Arif Habib Investments Limited	<u>478</u>	<u>23</u>	<u>1,583</u>	<u>76</u>
MetroBank Pakistan Sovereign Fund - Perpetual	<u>63,207</u>	<u>3,048</u>	<u>209,362</u>	<u>10,083</u>
Key management personnel	<u>58</u>	<u>3</u>	<u>193</u>	<u>9</u>
	31 December 2012 (Unaudited)	30 June 2012 (Audited)	31 December 2012 (Unaudited)	30 June 2012 (Audited)
	Units		(Rupees in '000)	
Units held by:				
Arif Habib Investments Limited	<u>20,014</u>	<u>19,536</u>	<u>987</u>	<u>952</u>
MetroBank Pakistan Sovereign Fund - Perpetual	<u>2,646,110</u>	<u>2,582,903</u>	<u>130,506</u>	<u>124,548</u>
Key management personnel	<u>2,447</u>	<u>2,389</u>	<u>121</u>	<u>115</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



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

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