

## Half Year Report

December 31, 2012  
(Unaudited)



**METROBANK  
PAKISTAN SOVEREIGN FUND**

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## FUND'S INFORMATION

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

# REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 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 half year ended December 31st 2012.

## ECONOMY AND MONEY MARKET OVERVIEW

On the macroeconomic front, CPI inflation continued to maintain its downward trajectory amid lower food inflation and downward adjustments in gas prices with 1H FY13 CPI inflation averaging at 8.3%. Although current account balance remained comfortable during 1H FY13 with a decent surplus of US\$ 250 million courtesy release of two tranches of Coalition Support Fund proceeds by the US worth around US\$ 1.9 billion, weaker financial account coupled with sizeable repayments (including IMF) continued to put significant pressure on the FX reserves, which eventually came down to a level of around US\$ 13.5 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 644 billion by Dec'28 2012. Despite highlighting concerns on the external and fiscal accounts, the State Bank of Pakistan took comfort from declining inflationary trend and lowered its policy discount rate cumulatively by 250 bps to 9.5% during the period under review.

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 continued to inject significant amount of liquidity in the system through OMOs during the period. 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 267 bps to 9.3%, while longer tenure 10 year PKRV adjusted downwards by 180 bps to 11.5% during the period under review.

## FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 15.3% as against its benchmark return of 12.1%, an out performance of 3.2% due to well-timed accumulation of longer tenure Government papers well ahead of the downward adjustments in the yield curve.

The fund remained significantly invested in PIBs and longer tenure T-Bills almost 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. After realizing the capital gains, the fund gradually started to switch its exposure from PIBs to T-Bills and GoP Ijarah Sukuk. At period-end, the fund was 47.2% invested in Treasury Bills, 22.7% in GoP Ijarah Sukuk, 27.3% in cash and bank deposits, and 1.9% in its sub-fund 12/12.

The Net Asset of the Fund as at December 31, 2012 stood at Rs. 6,863.91 million as compared to Rs 6,244.82 million as at June 30 2012 registering an increase of 9.91 %

The Net Asset Value (NAV) per unit as at December 31, 2012 was Rs. 50.13 as compared to opening NAV of Rs. 50.03 per unit as at June 30, 2012 registering an increase of Re. 0.10 per unit

## Income Distribution

During the period, the Management Company has announced the following interim distribution:

### MetroBank Pakistan Sovereign Fund - Perpetual

Date of distribution	Per unit distribution
September 27, 2012	2.52
December 26, 2012	1.20

### MetroBank Pakistan Sovereign Fund - December 2012

Date of distribution	Per unit distribution
September 27, 2012	1.18

## FUTURE OUTLOOK

Despite receiving another tranche of CSF as well as continued lower range of CPI inflation, we believe that further rate cut would be difficult given deteriorating fiscal and external accounts, significant IMF repayments ahead and alarming monetary growth - while the potential return to the IMF would result in a cycle of monetary tightening by 2Q CY13 in our opinion. The Government bond market, which remained active for last few months on the back of soft inflation numbers and expected monetary easing, has started to become inactive or relatively less active with the anticipation of no rate cut and possible rate hikes in the next 4-6 months. In this backdrop, the activities are expected to be concentrated at short-end papers going forward.

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

## ACKNOWLEDGMENT

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

On behalf of Directors,

**Yasir Qadri**  
Chief Executive Officer  
February 04, 2013

# TRUSTEE REPORT TO THE UNIT HOLDERS

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## CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

### Head Office

CDC House, 99-B, Block 'B'  
S.M.C.H.S. Main Shakra-e-Faisal  
Karachi - 74400. Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: [www.cdcpakistan.com](http://www.cdcpakistan.com)  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)



ISO 27001 Certified

## TRUSTEE REPORT TO THE UNIT HOLDERS

### METROBANK - PAKISTAN SOVEREIGN FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of Metrobank – Pakistan Sovereign Fund (the Fund) are of the opinion that Arif Habib Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2012 in accordance with the provisions of the following:

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

A handwritten signature in black ink, appearing to read 'Muhammad Hanif Jakhura', is written over a horizontal line.

**Muhammad Hanif Jakhura**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: February 22, 2013



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

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KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi, 75530 Pakistan

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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** ("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 interim financial information which mentions that the Sub-scheme of the Fund, MetroBank Pakistan Sovereign Fund – December 2012, has matured on 31 December 2012 in accordance with the Trust Deed, therefore the assets of the sub – scheme have been stated at realisable values and liabilities of the sub – scheme have been stated at expected settlement amounts 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

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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 an unmodified conclusion and opinion thereon respectively.

**Date: 04 February 2013**

**Karachi**

  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Mazhar Saleem**



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

	Note	31 December 2012 (Unaudited) (Rupees in '000)	30 June 2012 (Audited)
<b>Assets</b>			
Balances with bank	6	2,072,379	1,627,171
Investments	7	4,802,581	4,623,350
Income from investments and other receivables		31,360	27,817
Advances and prepayments		1,945	1,955
<b>Total assets</b>		<b>6,908,265</b>	<b>6,280,293</b>
<b>Liabilities</b>			
Payable to Arif Habib Investments Limited - Management Company		6,524	6,636
Payable to Central Depository Company of Pakistan Limited - Trustee		494	428
Annual fee payable to Securities and Exchange Commission of Pakistan		2,480	4,098
Accrued expenses and other liabilities		34,861	24,314
<b>Total liabilities</b>		<b>44,359</b>	<b>35,476</b>
<b>Net assets</b>		<b>6,863,907</b>	<b>6,244,817</b>
<b>Unit holders' fund</b>		<b>6,863,907</b>	<b>6,244,817</b>
		(Number of Units)	
<b>Number of units in issue (face value of units is Rs. 50 each)</b>		<b>136,924,213</b>	<b>124,828,354</b>
		(Rupees)	
<b>Net asset value per unit</b>		<b>50.13</b>	<b>50.03</b>

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) -----					
<b>Income</b>					
Income from government securities		320,383	272,162	150,940	169,462
Capital gain on sale of government securities - net		180,591	30,090	90,069	28,021
Income from reverse repurchase transactions in government securities		98	436	98	80
Profit on bank deposits		27,085	20,230	16,948	19,539
		<b>528,157</b>	<b>322,918</b>	<b>258,055</b>	<b>217,102</b>
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'at fair value through profit or loss'		5,237	(16,513)	(65,062)	(21,506)
<b>Total income</b>		<b>533,394</b>	<b>306,405</b>	<b>192,993</b>	<b>195,596</b>
<b>Expenses</b>					
Remuneration of Arif Habib Investments Limited					
- Management Company		34,969	26,937	16,333	16,557
Sindh Sales Tax on Management Company's remuneration		5,595	4,310	2,613	2,649
Remuneration of Central Depository Company of Pakistan Limited - Trustee		2,869	2,124	1,478	1,357
Annual Fee - Securities and Exchange Commission of Pakistan		2,480	1,747	1,293	1,171
Auditors' remuneration		585	395	403	277
Other expenses		1,988	1,290	1,101	915
<b>Total operating expenses</b>		<b>48,486</b>	<b>36,803</b>	<b>23,221</b>	<b>22,926</b>
<b>Net operating income for the period before taxation</b>		<b>484,908</b>	<b>269,602</b>	<b>169,772</b>	<b>172,671</b>
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		29,627	70,373	(3,116)	4,778
Provision for workers' welfare fund	8	(10,424)	-	(3,453)	-
<b>Net income for the period before taxation</b>		<b>504,111</b>	<b>339,975</b>	<b>163,203</b>	<b>177,449</b>
Taxation	9	-	-	-	-
<b>Net income for the period after taxation</b>		<b>504,111</b>	<b>339,975</b>	<b>163,203</b>	<b>177,449</b>
Other comprehensive income for the period		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>504,111</b>	<b>339,975</b>	<b>163,203</b>	<b>177,449</b>
<b>Earnings per unit</b>	10				

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

	<b>Half year ended</b>		<b>Quarter ended</b>	
	<b>31 December 2012</b>	<b>31 December 2011</b>	<b>31 December 2012</b>	<b>31 December 2011</b>
	<b>----- (Rupees in '000) -----</b>			
Undistributed income carried forward	<b>1,601</b>	140,987	<b>9,042</b>	(25,422)
Net income for the period	<b>504,111</b>	339,975	<b>163,203</b>	177,449
Net element of income / (loss) and capital (losses) / gains included in prices of units issued less those in units redeemed	<b>3,338</b>	(23,113)	<b>1,740</b>	(9,911)
<b>Distributions to the unit holders of the Fund:</b>				
Final Distribution at the rate Rs nil (2011: Rs. 2.7739) per unit for the year ended 30 June 2011 Distributed on 4 July 2011				
- Bonus units	-	(79,304)	-	-
- Cash distribution	-	(79,315)	-	-
Interim distribution for the quarter ended 30 September 2012 Distributed on 27 September 2012				
- Bonus units	(311,007)	(50,631)	-	-
- Cash distribution	(24,058)	(106,484)	-	-
Interim distribution for the period ended 31 December 2012 Distributed on 26 December 2012				
- Bonus units	(158,195)	-	(158,195)	-
	(493,260)	(315,733)	(158,195)	-
Undistributed income carried forward	<b>15,790</b>	142,116	<b>15,790</b>	142,116

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)			
<b>Net assets at beginning of the period</b>	<b>6,244,817</b>	<b>2,998,951</b>	<b>7,026,482</b>	<b>5,151,718</b>
Issue of 25,694,923 units (2011: 151,859,300 units) and 8,954,786 units (2011: 107,910,990 units) for the half year and quarter ended respectively	1,327,694	7,874,986	453,541	5,618,372
Issue of 9,372,908 bonus units (2011: 1,160,484 bonus units) and 3,159,474 units (2011: nil bonus units) for the half year and quarter ended respectively.	469,202	129,935	158,195	-
Redemption of 22,971,972 units (2011: 94,251,398 units) and 13,536,305 units (2011: 93,562,249 units) for the half year and quarter ended respectively	(1,159,031)	(4,774,009)	(782,436)	(4,759,030)
Net element of (income) / loss and capital gains / (losses) included in prices of units issued less those in units redeemed	637,865	3,230,911	(170,700)	859,343
-amount representing (income) / loss and capital (gains) / losses transferred to income statement	(29,627)	(70,373)	3,116	(4,778)
-amount representing (income) / loss that forms part of unit holder's fund transferred to distribution statement	(3,338)	23,113	(1,740)	9,911
	(32,965)	(47,260)	1,376	5,133
Net element of (loss) / income that forms part of unit holder's fund transferred to distribution statement	3,338	(23,113)	1,740	(9,911)
Net income for the period (excluding net unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss' and capital gains / (loss) on sale of investments)	318,283	326,399	138,196	170,933
Capital gain on sale of investments - net	180,591	30,090	90,069	28,021
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'at fair value through profit or loss'	5,237	(16,513)	(65,062)	(21,506)
	504,111	339,975	163,203	177,449
<b>Distributions to the unit holders of the Fund:</b>				
Final Distribution for the year ended 30 June 2011 Distributed on 4 July 2012	-	(79,304)	-	-
- Bonus units	-	(79,315)	-	-
- Cash distribution				
Interim distribution for the quarter ended 30 September 2012 Distributed on 27 September 2012	(311,007)	(50,631)	-	-
- Bonus units	(24,058)	(106,484)	-	-
- Cash distribution				
Interim distribution for the period ended 31 December 2012 Distributed on 26 December 2012	(158,195)	-	(158,195)	-
- Bonus units	-	-	-	-
- Cash distribution				
	(493,260)	(315,733)	(158,195)	-
<b>Net assets at end of the period</b>	<b>6,863,907</b>	<b>6,183,731</b>	<b>6,863,907</b>	<b>6,183,731</b>

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 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)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income for the period before taxation	504,111	339,975	163,203	177,449
<b>Adjustments for non cash and other items:</b>				
Net unrealised (appreciation) / diminution on re-measurement of investments classified as 'at fair value through profit or loss'	(5,237)	16,513	65,062	21,506
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(29,627)	(70,373)	3,116	(4,778)
	(34,864)	(53,859)	68,178	16,728
	469,247	286,116	231,381	194,176
<b>(Increase) / decrease in assets</b>				
Investments	(173,994)	(2,977,894)	538,485	(996,829)
Receivable against sale of investments	-	(99,097)	-	(99,097)
Income from investments and other receivables	(3,543)	(31,821)	19,753	(26,654)
Advances and prepayments	10	(1)	10	(1)
	(177,527)	(3,108,812)	558,248	(1,122,580)
<b>Increase / (decrease) in liabilities</b>				
Payable to Arif Habib Investments Limited - Management Company	(112)	4,433	(536)	(1,862)
Payable to the Central Depository Company of Pakistan Limited - Trustee	66	324	38	(49)
Annual fee payable to Securities and Exchange Commission of Pakistan	(1,618)	446	1,293	(183)
Receivable against redemption of units	-	-	(13,400)	-
Accrued expenses and other liabilities	10,547	4,494	(21,070)	4,225
	8,883	9,697	(33,675)	2,131
<b>Net cash generated from / (used in) operating activities</b>	300,603	(2,812,999)	755,954	(926,273)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Receipts from issuance of units	1,327,694	7,874,886	453,541	5,618,272
Payments against redemption of units	(1,159,031)	(4,774,009)	(782,436)	(4,759,030)
Cash distribution	(24,058)	(185,799)	-	(106,484)
<b>Net cash generated from / (used in) financing activities</b>	144,605	2,915,078	(328,895)	752,759
Net increase / (decrease) in cash and cash equivalents	445,208	102,078	427,059	(173,514)
Cash and cash equivalents at beginning of the period	1,627,171	3,952	1,645,320	279,545
<b>Cash and cash equivalents at end of the period</b>	2,072,379	106,031	2,072,379	106,031

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 Fund 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 Fund was revised through a supplemental Deed executed between the Management Company, Habib Metropolitan Bank Limited and CDC.

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

- 1.1 The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through certificate of registration issue by SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.
- 1.2 MetroBank Pakistan Sovereign Fund has a policy of investing in Pakistani rupee denominated debt securities issued by the government of Pakistan, reverse repurchase transaction in government securities and any otherwise un-invested funds in deposits with banks and financial institutions. In addition, the scheme can also invest in sub-scheme of the Fund.
- 1.3 The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units of the fund can be transferred to / from the funds managed by the Management Company and can also be redeemed by surrendering to the Fund. The Fund is listed on the Islamabad Stock Exchange.
- 1.4 The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of 'AM2' to the Arif Habib Investments Limited, the Asset Management Company and has assigned stability rating of "AA (f)" (Double A ; fund rating) to the Fund.
- 1.5 The Fund consists of a 'Perpetual Scheme' (the Scheme) and one sub-scheme as at 31 December 2012 with pre-determined maturity date as follows:

Name of Fund	Maturity date of Fund
MetroBank - Pakistan Sovereign Fund - (December 2012)	31 December 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)	31 December 2003
MetroBank - Pakistan Sovereign Fund - (December 2005)	31 December 2005
MetroBank - Pakistan Sovereign Fund - (December 2007)	31 December 2007

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

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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.

- 1.6** The sub-scheme of the Fund 'MetroBank Pakistan Sovereign Fund - December 2012' had a pre-determined maturity date as per the section 4.5.1 of the offering document. Consequently, the sub-scheme has matured on 31 December 2012 and subsequent to period end the unit holders have redeemed the unit holding from the sub-scheme and liabilities of the fund have been settled.
- 1.7** MetroBank Pakistan Sovereign Fund has a policy of investing in Pakistani rupee denominated debt securities issued by the government of Pakistan, reverse repurchase transaction in government securities and any otherwise un-invested funds in deposits with banks and financial institutions.
- 1.8** 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**

#### **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 been prepared on the basis of historical cost convention except for the assets and liabilities of the sub-scheme matured on 31 December 2012, which have been stated on realisable values and expected settlement amounts respectively due to reasons mentioned in note 1.6. Further, investments have been included at fair value.
- 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 asset management company declare that this condensed interim financial information give 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.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in 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.

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

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

**6. BALANCES WITH BANKS**

		31 December 2012 (Unaudited)			30 June 2012 (Audited)
		MetroBank Pakistan Sovereign Fund -	MetroBank Pakistan Sovereign Fund -	Total	Total
		------(Rupees in '000)-----			
Saving accounts	6.1	1,865,248	207,117	2,072,365	1,627,162
Current account		5	9	14	9
		<u>1,865,253</u>	<u>207,126</u>	<u>2,072,379</u>	<u>1,627,171</u>

- 6.1** These carry mark-up at rates ranging between 6% to 12.25% per annum (30 June 2012: 6% to 10.5% per annum).
- 6.2** These include Rs.1,414 million (30 June 2012: Rs. 26.999 million) with related parties on which return is earned at 6% to 11% per annum (30 June 2012: 6.5% to 11% per annum).

		31 December 2012 (Unaudited)			30 June 2012 (Audited)
		MetroBank Pakistan Sovereign Fund -	MetroBank Pakistan Sovereign Fund -	Total	Total
		------(Rupees in '000)-----			

**7. INVESTMENTS**

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

Pakistan Investment Bonds	7.1	32,393	-	32,393	521,629
Treasury Bills	7.1	3,221,555	-	3,221,555	3,884,613
Ijara Sukuks	7.1	1,548,633	-	1,548,633	217,108
		<u>4,802,581</u>	<u>-</u>	<u>4,802,581</u>	<u>4,623,350</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	Sales / 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)-----										
<b>Pakistan Investment Bond</b>										
<b>MetroBank Pakistan Sovereign Fund - Perpetual</b>										
6 October 2003	10 years	15,500	17,200	-	32,700	31,718	32,393	675	0.47	0.67
18 August 2011	10 years	10,000	100,000	110,000	-	-	-	-	0.00	0.00
19 July 2012	10 years	-	1,200,000	1,200,000	-	-	-	-	0.00	0.00
22 July 2010	5 years	100,000	-	100,000	-	-	-	-	0.00	0.00
18 August 2011	5 years	-	1,350,000	1,350,000	-	-	-	-	0.00	0.00
19 July 2012	5 years	-	525,000	525,000	-	-	-	-	0.00	0.00
22 July 2010	3 years	250,000	-	250,000	-	-	-	-	0.00	0.00
18 August 2011	3 years	-	500,000	500,000	-	-	-	-	0.00	0.00
19 July 2012	3 years	-	2,378,000	2,378,000	-	-	-	-	0.00	0.00
						<b>31,718</b>	<b>32,393</b>	<b>675</b>		
<b>MetroBank Pakistan Sovereign Fund - December 2012</b>										
3 September 2009	3 years	126,500	-	126,500	-	-	-	-	0.00	0.00
27 August 2007	5 years	31,000	-	31,000	-	-	-	-	0.00	0.00
24 October 2002	10 years	7,000	-	7,000	-	-	-	-	0.00	0.00
						<b>31,718</b>	<b>32,393</b>	<b>675</b>		
<b>Total - 31 December 2012</b>						<b>31,718</b>	<b>32,393</b>	<b>675</b>		
Total - 30 June 2012						519,829	521,629	1,800		
<b>Market Treasury Bills</b>										
<b>MetroBank Pakistan Sovereign Fund - Perpetual</b>										
3 months		2,555,000	8,981,175	11,171,175	365,000	363,363	363,444	81	5.30	7.57
6 months		7,500	4,302,780	3,669,280	641,000	629,932	630,097	165	9.18	13.12
1 year		1,261,700	17,811,450	16,804,050	2,269,100	2,227,209	2,228,014	805	32.46	46.39
						<b>3,220,504</b>	<b>3,221,555</b>	<b>1,051</b>		
<b>MetroBank Pakistan Sovereign Fund - December 2012</b>										
3 months		63,000	1,021,000	1,084,000	-	-	-	-	0.00	0.00
6 months		-	20,000	20,000	-	-	-	-	0.00	0.00
1 year		48,000	-	48,000	-	-	-	-	0.00	0.00
						<b>3,220,504</b>	<b>3,221,555</b>	<b>1,051</b>		
<b>Total - 31 December 2012</b>						<b>3,220,504</b>	<b>3,221,555</b>	<b>1,051</b>		
Total - 30 June 2012						3,885,997	3,884,613	(1,384)		
<b>Government of Pakistan Ijara Sukuk</b>										
<b>MetroBank Pakistan Sovereign Fund - Perpetual</b>										
15 November 2010	3 years	50,000	25,000	55,000	20,000	20,077	20,146	69	0.29	0.42
16 May 2011	3 years	167,000	-	-	167,000	167,084	168,637	1,553	2.46	3.51
26 December 2011	3 years	-	200,000	-	200,000	202,000	201,660	(340)	2.94	4.20
28 June 2012	3 years	-	400,000	-	400,000	404,560	403,840	(720)	5.88	8.41
18 September 2012	3 years	-	1,750,000	1,000,000	750,000	751,400	754,350	2,950	10.99	15.71
<b>Total - 31 December 2012</b>						<b>1,545,121</b>	<b>1,548,633</b>	<b>3,512</b>		
Total - 30 June 2012						217,746	217,108	(638)		
<b>Total of investments in Government Securities - 31 December 2012</b>						<b>4,797,343</b>	<b>4,802,581</b>	<b>5,237</b>		
Total of investments in Government Securities - 30 June 2012						4,623,572	4,623,350	(222)		

## 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 (the Court), challenging the applicability of WWF to the CISs, which is pending for adjudication. However, without prejudice to the above, the Management Company has continued to make a provision for WWF in these condensed interim financial statements for the period ended 31 December 2012.

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 council 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 INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012**

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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. The Management company as a matter of abundant caution has decided to continue to charge the provision for WWF amounting to Rs. 33.561 million (including Rs. 10.424 million for the period ended 31 December 2012) in these condensed interim financial information in order to protect the interest of small investors/units holders.

### **9. TAXATION**

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

### **10. EARNINGS PER UNIT**

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

### **11. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES**

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

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

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

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

**11.1 Transactions during the period with connected persons / related parties are as follows:**

	Unaudited			
	Half year ended		Quarter ended	
	31 December		31 December	
	2012	2011	2012	2011
	----- (Rupees in '000) -----			
<b>Arif Habib Investments Limited</b>				
Remuneration to Management Company	<u>34,969</u>	<u>26,937</u>	<u>16,333</u>	<u>16,557</u>
Sindh sales tax paid on remuneration	<u>5,595</u>	<u>4,310</u>	<u>2,613</u>	<u>2,649</u>
<b>Central Depository Company of Pakistan Limited</b>				
Remuneration for the period	<u>2,869</u>	<u>2,124</u>	<u>1,478</u>	<u>1,357</u>
<b>Habib Metropolitan Bank Limited</b>				
Profit received	<u>3,575</u>	<u>2,686</u>	<u>2,209</u>	<u>1,732</u>
Bank charges	<u>247</u>	<u>296</u>	<u>107</u>	<u>217</u>
<b>MCB Bank Limited</b>				
Profit received	<u>3,346</u>	<u>-</u>	<u>2,019</u>	<u>-</u>
Bank charges	<u>4</u>	<u>1</u>	<u>-</u>	<u>1</u>

**11.2 Balance outstanding as at the period / year end**

	31 December 2012 (Unaudited)	30 June 2012 (Audited)
	(Rupees in '000)	
<b>Arif Habib Investments Limited</b>		
Remuneration to Management Company payable	<u>5,624</u>	<u>5,721</u>
Sindh sales tax paid on remuneration payable	<u>900</u>	<u>915</u>
<b>Central Depository Company of Pakistan Limited</b>		
Remuneration payable	<u>494</u>	<u>428</u>
<b>Habib Metropolitan Bank Limited</b>		
Bank deposits	<u>1,412,294</u>	<u>23,605</u>
Profit receivable	<u>2,005</u>	<u>258</u>
<b>MCB Bank Limited</b>		
Bank deposits	<u>1,806</u>	<u>3,394</u>
Profit receivable	<u>22</u>	<u>-</u>
Other receivables	<u>1,955</u>	<u>1,955</u>

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

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

	<b>Unaudited</b>			
	<b>Half year ended</b>		<b>Half year ended</b>	
	<b>31 December 2012</b>		<b>31 December 2011</b>	
	<b>Units</b>	<b>(Rupees in '000)</b>	<b>Units</b>	<b>(Rupees in '000)</b>
<b>Units sold to:</b>				
Arif Habib Investments Limited	642,005	32,522	-	-
Habib Metropolitan Bank Limited	-	-	5,940,594	300,000
MCB Bank Limited	-	-	48,868,459	2,500,000
Key management personnel	66,264	3,444	67,239	3,300
<b>Bonus units issued to:</b>				
Arif Habib Investments Limited	28,284	1,415	1,583	76,261
Habib Metropolitan Bank Limited	2,499,254	125,138	2,372,796	117,928
MCB Bank Limited	5,931,576	296,994	-	-
Key management personnel	7,492	375	193	9
<b>Units redeemed by:</b>				
Arif Habib Investments Limited	669,811	33,792	-	-
Habib Metropolitan Bank Limited	5,593,719	285,000	2,970,297	150,000
Key management personnel	35,728	1,826	14,014	705,045
	<b>31 December 2012</b>	<b>30 June 2012</b>	<b>31 December 2012</b>	<b>30 June 2012</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>Units</b>		<b>(Rupees in '000)</b>	
<b>Units held by:</b>				
Arif Habib Investments Limited	20,014	19,536	1,003	952
Habib Metropolitan Bank Limited	35,600,993	38,695,458	1,784,651	1,937,095
MCB Bank Limited	84,493,205	78,561,629	4,235,580	3,933,620
Key management personnel	97,473	59,445	4,886	2,971

**12. DATE OF AUTHORISATION FOR ISSUE**

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

  
\_\_\_\_\_  
Chief Executive Officer

For Arif Habib Investment Limited  
(Management Company)

  
\_\_\_\_\_  
Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

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

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