

METROBANK
PAKISTAN SOVEREIGN FUND

CONTENTS

Fund's Information	36
Report of the Directors of the Management Company	37
Condensed Interim Statement of Assets and Liabilities	38
Condensed Interim Income Statement (Un-audited)	39
Condensed Interim Cash Flow Statement (Un-audited)	40
Condensed Interim Distribution Statement (Un-audited)	41
Condensed Interim Statement of Movement in Unit Holders' Funds (Un-audited)	42
Notes to and forming part of the Condensed Interim Financial Statements (Un-audited)	43
Financial Statements of Metrobank - Pakistan Sovereign Fund - Perpetual	48
Financial Statements of Metrobank - Pakistan Sovereign Fund - (December 2012)	59

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 (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)
Chief Financial Officer & Company Secretary of the Management Company	Mr. Muhammad Saqib Saleem	
Audit Committee	Mr. Nasim Beg Mr. Haroun Rashid Mr. Samad A. Habib Mr. Ali Munir	
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 Habib Metropolitan Bank Limited Bank Alfalah Limited Bank Al-Habib Limited	
Auditors	A.F. Ferguson & Co. - Chartered Accountants State Life Building No. 1-C, I.I. Chundrigar Road, Karachi-74000.	
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
Registrar	M/s. Gangjees Registrar Services (Pvt.) Limited. Room No. 516, 5th Floor, Clifton Centre, Kehkashan, Clifton, Karachi.	
Rating	AM2 (Positive Outlook) – Management Quality Rating assigned by PACRA	

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2011

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 2011.

ECONOMY AND MONEY MARKET OVERVIEW

On the macroeconomic front, inflation has remained lower during the period with CPI inflation averaging 11.5% amid change in CPI methodology as well as high base-effect of last year. Like the major part of last year, external current account has also remained comfortable with a marginal deficit of US\$ 189 million during first two months of FY12. Fiscal side, on the other hand, has remained a cause of concern for the economic managers with FY11 deficit touching a level of 6.6% of the GDP (Rs. 1.2 trillion deficit size in absolute term). The government, however, has been able to keep its borrowing from SBP at lower levels, which coupled with lower inflation and contained current account deficit has compelled the central bank to lower its policy discount rate by 50 bps in Jul'11 monetary policy to bring it down to 13.5%.

In the money market, short term market rates remained on the higher side amid tight liquidity scenario in the system. Due to depletion in net foreign assets (NFA) as well as net retirement in government borrowing from SBP, money supply (M2) has witnessed contraction during the period under review, thereby keeping market liquidity tight almost throughout the period. The SBP has constantly been injecting significant amount of money in the system through OMOs in order to calm down the market.

FUND PERFORMANCE

During the quarter under review, the fund generated an annualized return of 12.7% as against its benchmark return of 10.2%, an out performance of 2.5%.

The fund remained significantly invested in Treasury 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 88.3% invested in Treasury Bills, 4.2% in GoP Ijarah Sukuk, 2.2% in its sub-fund 12/12, while the rest in cash and other assets.

FUTURE OUTLOOK

Given declining trend in CPI inflation coupled with a comfortable external account position, the Central bank has decided to lower its policy DR further by 150 bps to 12.0% for Oct'11 - Nov'11 period to trigger growth stimulus in the economy. We continue to flag foreign inflow as the single most important variable especially in the backdrop of sustained oil prices, downward trend in cotton prices and debt repayments including IMF. In our opinion, the absence of foreign flows and government's greater reliance on domestic sources for fiscal funding could result in rebound of inflation and interest rates going forward.

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

ACKNOWLEDGMENT

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

On behalf of Directors,

Yasir Qadri
Chief Executive Officer

Dated: 26 October, 2011
Karachi.

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2011

	Unaudited September 30, 2011	Audited June 30, 2011
Note	(Rupees)	
ASSETS		
Bank Balances	279,545,406	3,952,408
Investments	4,977,481,671	2,991,424,642
Income receivable	13,075,133	7,908,117
Total assets	5,270,102,210	3,003,285,167
LIABILITIES		
Payable to Management Company	8,150,605	1,855,297
Payable to Trustee	537,202	164,456
Payable to Securities and Exchange Commission of Pakistan	1,930,177	1,300,985
Accrued expenses and other liabilities	104,777,906	1,013,222
Total liabilities	115,395,890	4,333,960
NET ASSETS	5,154,706,320	2,998,951,207
Unit holders' funds	5,154,706,321	2,998,951,207
(Number of Units)		
Number of units in issue	103,630,598	57,180,743
(Rupees)		
Net asset value per unit	49.74	52.45

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

For Arif Habib Investments Limited
(Management Company)

Chief Executive

Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011

	Note	2011 (Rupees)	2010
Income			
Income from investments in government securities		102,700,422	45,544,288
Income from reverse repurchase transaction in government securities		356,175	172,393
Profit on bank deposits		691,035	395,254
Capital gain / (loss) on sale of investments		2,068,461	(11,966,278)
Unrealised appreciation diminution in fair value of investments classified as at fair value through profit or loss' - net		4,992,258	(5,969,199)
Total income		110,808,351	28,176,458
Expenses			
Remuneration of Management Company	5	12,040,349	4,269,583
Remuneration of Trustee		767,223	475,802
Annual Fee - Securities and Exchange Commission of Pakistan		575,821	288,676
Brokerage		222,234	73,568
Bank charges		62,240	35,956
Printing and related costs		25,161	31,942
Fees and subscriptions		40,258	39,921
Legal and professional charges		25,161	24,950
Auditors' remuneration		118,261	89,695
Total expenses		13,876,708	5,330,093
Net income from operating activities		96,931,643	22,846,365
Element of (loss) / income and realised capital (losses) / gain during the period included in prices of units sold less those in units repurchased - net		65,594,777	(3,621,185)
Net income for the period		162,526,420	19,225,180
Taxation	7	-	-
Net income for the period after taxation		162,526,420	(19,225,180)
Other comprehensive income / (loss) for the period			
Unrealised appreciation / (diminution) in value of investments classified as 'available for sale'		-	410,610
Total comprehensive income for the period		162,526,420	19,635,790
Earnings per unit	8		

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

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

Chief Executive

Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011

	2011	2010
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	162,526,420	19,225,180
Adjustments for:		
Element of loss / (income) and realised capital losses / (gain) during the period included in prices of units sold less those in units repurchased	(65,594,777)	3,621,185
Unrealised diminution in fair value of investments in classified as - 'at fair value through profit or loss'	(4,992,258)	5,969,199
	<u>91,939,385</u>	<u>28,815,564</u>
Decrease / (increase) in assets		
Investments	(1,981,064,771)	(245,397,717)
Income receivable	(5,167,016)	21,860,764
	<u>(1,986,231,787)</u>	<u>(223,536,953)</u>
(Decrease) / Increase in liabilities		
Payable to Management Company	6,295,308	27,811
Payable to Trustee	372,746	9,981
Payable to Securities and Exchange Commission of Pakistan	629,192	(971,551)
Accrued expenses and other liabilities	268,920	(90,430)
	<u>7,566,166</u>	<u>(1,024,189)</u>
Net cash used in operating activities	<u>(1,886,726,236)</u>	<u>(195,745,578)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts against issue of units	2,256,613,456	400,000,000
Payment against redemption of units	(14,979,527)	-
Dividend paid	(79,314,715)	(207,401,592)
Net cash generated / (used in) from financing activities	<u>2,162,319,214</u>	<u>192,598,408</u>
Net decrease in cash and cash equivalents during the period	<u>275,592,998</u>	<u>(3,147,170)</u>
Cash and cash equivalents at beginning of the period	3,952,408	6,805,114
Cash and cash equivalents at end of the period	<u><u>279,545,486</u></u>	<u><u>3,657,944</u></u>

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

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

Chief Executive

Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011

	2011	2010
	(Rupees)	
Undistributed income brought forward	140,986,975	115,389,267
Net income for the period	162,526,420	19,225,180
Element of (loss) / income and unrealised capital gains / (losses) included in prices of units sold less those in units repurchased - recognized in net assets	(13,201,841)	(661,077)
MSF Perpetual		
Final distribution of Rs. 2.7739 (2010: Rs. 5) per unit in terms of bonus units for the year ended 30 th June 2011 (Date of distribution 4 th July 2010)	(155,649,146)	(117,585,995)
Interim distribution of Rs. 1.53 per unit in terms of bonus units for the period from July 01, 2011 to September 28, 2010	(155,428,235)	-
Final distribution of Rs 5 per unit in terms of bonus units for the		
MSF - December 2012		
Final distribution of Rs. 2.8224 (2010: Rs. 13) per unit in terms of bonus units for the year ended 30 th June 2011 (Date of distribution 4 th July 2010)	(3,016,350)	(21,971,948)
Interim distribution of Rs. 1.7 per unit in terms of bonus units for the period from July 01, 2011 to September 28, 2010	(1,639,645)	-
	(166,408,797)	(120,993,840)
(Accumulated losses) / Undistributed income carried forward	(25,421,822)	(5,604,573)

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

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

Chief Executive

Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011

	2011	2010
	(Rupees)	
Net assets at the beginning of the period	2,998,951,207	1,506,591,376
Issue of 43,948,309 (2010 :8,091,111) units	2,256,613,456	400,000,000
Issue of 1,535,904 bonus units for the year ended June 30, 2011 (2010: 2,843,266)	79,350,781	139,376,887
Issue of 1,044,919 bonus units for the period ended Sept 30, 2011	53,572,226	-
Redemption of 9,1257 (2010 : 4,209,438) units	(14,979,527)	(207,401,591)
	2,374,556,936	331,975,296
Element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units repurchased:		
- amount representing accrued loss / (income) and realised capital losses / (gains) during the period - transferred to the Income Statement	(65,594,777)	3,621,135
- amount representing unrealised capital (losses) / gains - directly recognized in net assets	13,587,068	661,077
	(52,007,709)	4,282,262
Net unrealised gain / (loss) in fair value of investments classified as 'Available for sale'	-	410,610
Net income for the period	162,526,420	19,225,180
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - amount representing unrealised (losses) / gains - net	(13,587,068)	(661,077)
	148,939,352	(185,564,103)
Final distributions for the period ended June 30, 2011:		
On July 04, 2011 at Rs 2.8224 per unit (July 05, 2010: Rs. 13 per unit)		
- Bonus distribution	(79,350,781)	(139,376,887)
- Cash Dividend	(79,314,715)	
Inerim distributions for the period ended September 30, 2011 at Rs. 1.7 per unit		
- Bonus distribution	(53,572,226)	
- Cash Dividend	(103,495,743)	
Net assets at the end of the period	5,154,706,321	1,722,446,759

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

For Arif Habib Investments Limited
(Management Company)

Chief Executive

Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011

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)].

On 22 November 2009, 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 23rd 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 3rd 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-AMC and Arif Habib Investments Limited (AHI) the two companies have merged as of 27th June 2011 through operation of an order from the SECP issued under Section 282L of the Companies Ordinance 1984 (Order through letter no. SCD/NBFC-II/MCBAMCL & AHIL/271/2011 dated June 10, 2011). 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 30th July 2011 (through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AHI/348/2011 dated June 27, 2011). Since the merger had already taken place and the subsequent order of the SECP could not be complied with, the Company has sought a ruling by the honourable 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 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.

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' (positive outlook) to the Management Company and AA (f) as stability rating to the Fund.

The Fund consists of a 'perpetual' (the scheme) and one sub-scheme as at 30th September 2011 with pre-determined maturity date as follows:

Name of sub-scheme	Maturity date of sub-scheme
MetroBank - Pakistan Sovereign Fund - (December 2012) [MSF 12/12]	31st December 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]	31st December 2003
MetroBank - Pakistan Sovereign Fund - (December 2005) [MSF 12/05]	31st December 2005
MetroBank - Pakistan Sovereign Fund - (December 2007) [MSF 12/07]	31st December 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.

The Fund is allowed to invest in Pakistan rupee denominated bonds and debt securities issued by Government of Pakistan, reverse repurchase transactions in government securities and any otherwise un-invested funds in deposits with banks and financial institutions.

2. BASIS OF PRESENTATION

These un-audited 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 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 NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the NBFC Regulations or the directives issued by the SECP prevail. These financial statements are presented in condensed form in accordance with International Accounting Standard, 34 "Interim Financial Reporting". These do not include all the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Fund as at and for the year ended June 30, 2010.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements of the Fund for the year ended June 30, 2010.

Note	September 30, 2011			June 30, 2011
	MSF Perpetual	MSF 12/12	Total	Total
------(Rupees)-----				

4. INVESTMENTS

Investments 'at fair value through profit or loss'

Pakistan Investment Bonds	4.1.1	149,900,372	-	149,900,372	159,254,816
Treasury Bills	4.1.2	-	4,609,835,147	4,609,835,147	2,782,091,674
Ijara Sukuk	4.1.3	-	217,746,152	217,746,152	50,078,152
		<u>149,900,372</u>	<u>4,827,581,299</u>	<u>4,977,481,671</u>	<u>2,991,424,642</u>

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

Tenor	Face value				Balance as at September 30, 2011			Market value as a percentage of net assets	Market value as a percentage of total Investment
	Balance as at July 1, 2011	Purchases during the period	Sales / matured during the period	Balance as at Sep 30, 2011	Cost	Market Value	Apprecia-tion / (diminution)		
----- Rupees in '000 -----					----- Rupees -----				

4.1.1 Pakistan Investment Bond - MSF December 2012

3 September 2009 - 3 years	126,500	-	-	126,500	125,069,325	124,614,378	(454,947)	2.44%	2.52%
22 August 2007 - 5 years	31,000	-	12,000	19,000	18,156,954	18,420,944	263,990	0.36%	0.37%
24 October 2002 - 10 years	7,000	-	-	7,000	6,807,575	6,865,050	57,475	0.13%	0.14%
Total as at September 30, 2011					<u>150,033,854</u>	<u>149,900,372</u>	<u>(133,482)</u>		
Total as at June 30, 2011					<u>161,048,465</u>	<u>159,254,816</u>	<u>(1,793,649)</u>		

4.1.2 Treasury Bills - MSF Perpetual

Treasury Bills 3 months	75,000	715,800	140,800	650,000	645,603,977	645,500,050	(103,927)	12.64%	13.06%
Treasury Bills 6 months	2,240,000	3,424,000	4,824,000	840,000	825,668,987	825,853,390	184,403	16.17%	16.71%
Treasury Bills 12 months	690,300	3,894,500	1,091,800	3,493,000	3,135,458,525	3,138,481,707	3,023,182	61.46%	63.49%
Total of Treasury Bills					<u>4,606,731,489</u>	<u>4,609,835,147</u>	<u>3,103,658</u>		
Total as at June 30, 2011					<u>2,782,398,259</u>	<u>2,782,091,674</u>	<u>(306,585)</u>		

4.1.3 Investment in Ijara Sukuk - MSF Perpetual

November 15, 2010 3 Years	50,000	-	-	50,000	50,078,152	50,078,152	-	0.98%	1.01%
May 16, 2011 3 Years	-	167,000	-	167,000	167,668,000	167,668,000	-	3.28%	3.39%
Total as at September 30, 2011					<u>217,746,152</u>	<u>217,746,152</u>	<u>-</u>		
Total as at June 30, 2011					<u>50,000,000</u>	<u>50,078,152</u>	<u>78,152</u>		

	September 30, 2011			June 30, 2011
	MSF Perpetual	MSF 12/12	Total	Total
	------(Rupees)-----			
4.2 Net unrealised (diminution) / appreciation in fair value of investments classified as - 'at fair value through profit or loss'				
Market value of investments	149,900,372	4,827,581,299	4,977,481,671	2,991,424,642
Cost of investments	(150,033,854)	(4,824,477,641)	(4,974,511,495)	(2,993,446,724)
	(133,482)	3,103,658	2,970,176	(2,022,082)
Realised on disposal of investments during the year				5,472,725
Less: Net unrealised diminution / (appreciation) in the fair value of investments at the beginning of the period	1,793,649	228,433	2,022,082	(5,023,351)
	1,660,167	3,332,091	4,992,258	(1,572,708)

5. REMUNERATION OF MANAGEMENT COMPANY

During the period, through Sindh Sales Tax on services Oct, 2011. General Sales Tax on Fund management services has been imposed @ 16% effective from July 01, 2011. Management fee charged to the fund includes the imposed tax.

6. 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 Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on December 14, 2010 the Ministry filed its response against the Constitutional petition requesting the court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

Subsequent to 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 SHC. However, pending the decision of the said constitutional petition, the Management Company believes that the Metrobank Pakistan Sovereign Fund is not liable to contribute to WWF and hence no provision has been recognised by the Management Company. The aggregate unrecognised amount of WWF as at September 30, 2011 amounted to Rs 11.532 million (including Rs 3.332 million for the quarter ended September 30, 2011).

7. TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded a tax liability in respect of income relating to the current period as the management company intends to distribute more than 90 percent of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders.

8. EARNINGS / (LOSS) PER UNIT

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

9. TRANSACTIONS WITH CONNECTED PERSONS

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

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

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.

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:

	September 30, 2011	September 30, 2010
Transactions and balances with connected persons		
	------(Rupees)-----	
Management Company		
Remuneration for the period	12,040,349	4,269,583
Bonus units issued 1,583 (2010: 3,505 units)	76,260	165,589
MCB Bank Limited		
Dividend paid	79,314,715	-
Units issued 39,051,063	2,000,000,000	-
Habib Metropolitan Bank Limited		
Units issued Nil units (2010: 8,091,112 units)	-	400,000,000
Units redeemed Nil (2010: 4,058,854 units)	-	200,000,000
Bonus units issued 2,372,796 units (2010: 2,787,686 units)	117,927,948	30,118,166
Profit on bank deposits	605,229	394,056
Central Depository Company of Pakistan Limited - Trustee		
Remuneration for the period	767,223	475,802
Amounts outstanding at period / year end		
	September 30, 2011	June 30, 2011
	------(Rupees)-----	
Management Company		
Balance at the end of the period / year	8,150,605	1,855,297
Units held 18,083 units (30th June 2011: 16,500 units)	872,143	841,145
MCB Bank Limited		
Units held 67,644,276 (June 30, 2011: 28,593,214)	3,365,979,198	1,500,285,932
Deposits at the end of the period / year	260,000,000	-
Profit Receivable at the end of the period / year	85,479	-
Dividend payable	103,495,743	-
Habib Metropolitan Bank Limited		
Units held 34,150,424 (June 30, 2011: 26,867,181)	1,454,981,235	1,409,720,929
Deposits at the end of the period / year	7,178,351	3,843,204
Profit Receivable at the end of the period / year	233,563	1,199,612
Central Depository Company of Pakistan Limited - Trustee		
Balance at end of the period / year	537,202	164,456

10. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on 26th October 2010 by the Board of Directors of the Management Company.

11. GENERAL

Figures have been rounded off to the nearest rupee.

For Arif Habib Investments Limited
(Management Company)

Chief Executive

Director

**METROBANK
PAKISTAN SOVEREIGN FUND
PERPETUAL**

CONTENTS

Condensed Interim Statement of Assets and Liabilities	50
Condensed Interim Income Statement (Un-audited)	51
Condensed Interim Cash Flow Statement (Un-audited)	52
Condensed Interim Distribution Statement (Un-audited)	53
Condensed Interim Statement of Movement in Unit Holders' Funds (Un-audited)	54
Notes to and forming part of the Condensed Interim Financial Statements (Un-audited)	55

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2011

	Unaudited September 30 2011	Audited June 30 2011
	(Rupees)	
ASSETS		
Bank Balances	267,247,438	3,064,757
Investments	4,942,891,905	2,943,381,974
Income receivable	11,375,813	2,024,970
Total assets	5,221,515,156	2,948,471,701
LIABILITIES		
Payable to Management Company	7,963,282	1,681,098
Payable to Trustee	478,402	148,142
Payable to Securities and Exchange Commission of Pakistan	1,810,312	1,213,158
Accrued expenses and other liabilities	104,703,113	966,871
Total liabilities	114,955,109	4,009,269
NET ASSETS	5,106,560,047	2,944,462,432
Unit holders' funds	5,106,560,047	2,944,462,432
	(Number of Units)	(Number of Units)
Number of units in issue	102,632,001	56,112,025
	(Rupees)	(Rupees)
Net asset value per unit	49.76	52.47

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

For Arif Habib Investments Limited
(Management Company)

Chief Executive

Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011

	2011	2010
	(Rupees)	
Income		
Income from investment in government securities	97,802,349	42,439,519
Income from reverse repurchase transaction in government securities	356,175	172,393
Profit on bank deposits	605,065	387,793
Capital gain / (loss) on sale of investments	2,241,024	(11,966,278)
Unrealised appreciation diminution in fair value of investments classified as at fair value through profit or loss' - net	7,430,549	(3,207,012)
Total income	108,435,162	27,826,415
Expenses		
Remuneration of Management Company	11,438,271	3,992,315
Remuneration of Trustee	724,737	443,797
Annual Fee - Securities and Exchange Commission of Pakistan	545,806	269,275
Brokerage	220,234	73,568
Bank charges	62,240	34,796
Printing and related costs	23,813	29,790
Fees and subscriptions	38,101	37,232
Legal and professional charges	23,813	23,269
Auditors' remuneration	111,924	82,776
Total expenses	13,188,939	4,986,818
Net income from operating activities	95,246,223	22,839,597
Element of (loss) / income and realised capital (losses) / gains included in prices of units sold less those in units repurchased - net	65,587,681	(3,610,645)
Net income for the period	160,833,904	19,228,952
Taxation	-	-
Net income for the period after taxation	160,833,904	19,228,952
Other comprehensive income for the period		
Unrealised appreciation / (diminution) in value of investments classified as 'available for sale'	-	404,043
Total comprehensive income for the period	160,833,904	19,632,995
Earnings per unit		

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

For Arif Habib Investments Limited
(Management Company)

Chief Executive

Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011

	2011	2010
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	160,833,904	19,228,952
Adjustments for:		
Element of (income) / loss and realised capital (gains) / losses included in prices of units sold less those in units repurchased	(65,587,681)	3,610,645
Unrealised diminution in fair value of investments classified as at fair value through profit or loss'	(7,430,549)	3,207,012
	87,815,674	26,046,609
Decrease / (increase) in assets		
Investments	(1,992,079,382)	(240,618,173)
Income receivable	(9,350,843)	19,049,535
	(2,001,430,225)	(221,568,638)
(Decrease) / increase in liabilities		
Payable to Management Company	6,282,184	34,158
Payable to Trustee	330,260	9,996
Payable to Securities and Exchange Commission of Pakistan	597,154	(927,340)
Accrued expenses and other liabilities	240,499	(98,669)
	7,450,097	(981,855)
Net cash (used in) / from operating activities	(1,906,164,454)	(196,503,884)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts against issue of units	2,250,120,000	400,000,000
Payment against redemption of units	(458,150)	-
Dividend paid	(79,314,715)	(207,401,591)
Net cash generated / (used in) from financing activities	2,170,347,135	192,598,409
Net (decrease) / increase in balance with bank during the period	264,182,681	(3,905,475)
Cash and cash equivalents at beginning of the period	3,064,757	6,683,309
Cash and cash equivalents at end of the period	267,247,438	2,777,834

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

For Arif Habib Investments Limited
(Management Company)

Chief Executive

Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011

	2011	2010
	(Rupees)	
Undistributed income brought forward	138,859,188	115,217,044
Net income for the period	160,833,904	19,228,952
Element of (loss) / income and unrealised capital (losses) / gains included in prices of units sold less those in units repurchased - recognized in net assets	(13,328,956)	(661,038)
Final distribution of Rs. 2.7739 (2010: Rs. 5) per unit in terms of bonus units for the year ended 30 th June 2011 (Date of distribution 4 th July 2010)	(155,649,146)	(139,376,887)
Interim distribution of Rs. 1.53 per unit in terms of bonus units for the period from July 01, 2011 to September 28, 2010	(155,428,235)	-
	(163,572,433)	(120,808,973)
(Accumulated losses) carried forward	(24,713,245)	(5,591,929)

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

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

Chief Executive

Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011

	2011	2010
	(Rupees)	
Net assets at the beginning of the period	2,944,462,432	1,505,748,195
Issue of 43,948,309 (2010 :8,091,111) units	2,250,120,000	400,000,000
Issue of 1,535,904 bonus units for the year ended June 30, 2011 (2010: 2,843,266)	76,334,431	139,376,887
Issue of 1,044,919 bonus units for the period ended Sept 30, 2011	51,932,492	-
Redemption of 91,257 (2010 : 4,209,438) units	(458,150)	(207,401,591)
	2,377,928,773	331,975,296
Element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units repurchased:		
- amount representing accrued loss / (income) and realised capital losses / (gains) during the period - transferred to the Income Statement	(65,587,681)	3,610,645
- amount representing unrealised capital (losses) / gains - directly recognized in net assets	13,328,956	661,038
	(52,258,725)	4,271,683
Net unrealised gain / (loss) in fair value of investments classified as 'Available for sale'	-	404,043
Net income for the period	160,833,904	19,228,952
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - amount representing unrealised (losses) / gains - net	(13,328,956)	(661,038)
	147,504,948	(18,567,914)
Final distributions for the period ended June 30, 2011:		
On July 04, 2011 at Rs 2.8224 per unit (July 05, 2010: Rs. 13 per unit)		
- Bonus distribution	(76,334,431)	(139,376,887)
- Cash Dividend	(79,314,715)	
Interim distributions for the period ended September 30, 2011 at Rs. 1.7 per unit		
- Bonus distribution	(51,932,492)	
- Cash Dividend	(103,495,743)	
Net assets at the end of the period	5,106,560,047	1,721,590,244

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

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

Chief Executive

Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011

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 Non - Banking Finance Companies (Establishment and Regulations) Rules, 2003 (NBFC Rules)].

On 22 November 2009, 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 31, 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 AHIL the two companies have merged as of 27th June 2011 through operation of an order from the SECP issued under Section 282L of the Companies Ordinance 1984 (Order through letter no. SCD/NBFC-II/MCBAMCL & AHIL/271/2011 dated June 10, 2011). AHIL being a listed company is the surviving entity and 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 30th July 2011 (through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AHIL/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 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.

The Metro Bank - Pakistan Sovereign Fund is an open-ended mutual fund and obtained listing on the Islamabad Stock Exchange on May 27, 2009. 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' (positive outlook) to the Management Company and AA (f) as stability rating to the Fund.

The Fund consists of a 'perpetual' (the scheme) and one sub-scheme as at 30th September 2010 with pre-determined maturity date at 31st December 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.

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 Fund. MSF Perpetual is allowed to invest in Pakistan rupee denominated bonds and debt securities issued by Government of Pakistan, reverse repurchase transactions in Government Securities and any otherwise un-invested funds in deposits with banks and financial institutions. In addition, the scheme can also invest in other sub-schemes of the Fund.

2. BASIS OF PRESENTATION

These un-audited 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 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 NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the NBFC Regulations or the directives issued by the SECP prevail. These financial statements are presented in condensed form in accordance with International Accounting Standard, 34 "Interim Financial Reporting". These do not include all the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Fund as at and for the year ended June 30, 2010.

The directors of the asset management company declare that these financial statements give a true and fair view of the Fund.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements of the Fund for the year ended June 30, 2011.

4. INVESTMENTS

Investments - 'at fair value through profit or loss'

	Note	September 30, 2011	June 30, 2011
		------(Rupees)-----	
Pakistan Investment Bonds		-	-
Treasury Bills	5.1.1	4,609,835,147	2,782,091,674
Ijara Sukuk	5.1.2	217,746,152	50,078,152
Sub-Schemes	5.1.3	115,310,606	111,212,148
		<u>4,942,891,905</u>	<u>2,943,381,974</u>

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

Tenor	Face value				Balance as at September 30, 2011			Market value as a percentage of net assets	Market value as a percentage of total investment
	Balance as at July 1, 2011	Purchases during the period	Sales / matured during the period	Balance as at Sep 30, 2011	Cost	Market Value	Appreciation / (diminution)		
	----- Rupees in '000 -----				----- Rupees -----				

4.1.1 Treasury Bills

Treasury Bills 3 months	1 Year	75,000	715,800	140,800	650,000	645,603,977	645,500,050	(103,927)	12.64%	13.06%
Treasury Bills 6 months	1 Year	2,240,000	3,424,000	4,824,000	840,000	825,668,987	825,853,390	184,403	16.17%	16.71%
Treasury Bills 12 months	1 Year	690,300	3,894,500	1,091,800	3,493,000	3,135,458,525	3,138,481,707	3,023,182	61.46%	63.49%
Total of Treasury Bills						<u>4,606,731,489</u>	<u>4,609,835,147</u>	<u>3,103,658</u>		
Total as at June 30, 2011						2,782,398,259	2,782,091,674	(306,585)		

4.1.2 Investment in Ijara Sukuk

November 15, 2010	3 Years	50,000	-	-	50,000	50,078,152	50,078,152	-	0.98%	1.01%
May 16, 2011	3 Years	-	167,000	-	167,000	167,668,000	167,668,000	-	3.28%	3.39%
Total as at September 30, 2011						<u>217,746,152</u>	<u>217,746,152</u>	<u>-</u>		
Total as at June 30, 2011						50,000,000	50,078,152	78,152		

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

Name	Units					Balance as at September 30, 2011			Market value as a percentage of net assets	Market value as a percentage of total investment
	Balance as at July 1, 2011	Purchases during the period	Bonus	Sales during the period	Balance as at Sep 30, 2011	Carrying value	Market Value	Appreciation / (diminution)		
	----- Rupees -----					----- Rupees -----				
MSF December 2012	2,181,486	-	209,362	-	2,390,848	94,909,955	115,310,606	20,400,651	2.26%	2.33%

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

	September 30, 2011	June 30, 2011
	------(Rupees)-----	
Market value of investments	4,942,891,905	2,943,381,974
Cost of investments	<u>(4,919,387,596)</u>	<u>(2,927,308,214)</u>
	23,504,309	16,073,760
Less: Net unrealised appreciation in the fair value of investments at the beginning of the period	<u>(16,073,760)</u>	<u>(2,693,795)</u>
	<u>7,430,549</u>	<u>13,379,965</u>

5. REMUNERATION OF MANAGEMENT COMPANY

During the period, through Sindh Sales Tax on services Oct, 2011. General Sales Tax on Fund management services has been imposed @ 16% effective from July 01, 2011. Management fee charged to the fund includes the imposed tax.

6. 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 Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on December 14, 2010 the Ministry filed its response against the Constitutional petition requesting the court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

Subsequent to 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 SHC. However, pending the decision of the said constitutional petition, the Management Company believes that the Metrobank Pakistan Sovereign Fund (pertaining to scheme's operations) is not liable to contribute to WWF and hence no provision has been recognised by the Management Company. The aggregate unrecognised amount of WWF as at September 30, 2011 amounted to Rs 10.757 million (including Rs 3.217 million for the quarter ended September 30, 2011).

7. TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded a tax liability in respect of income relating to the current period as the management company intends to distribute more than 90 percent of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders.

8. EARNINGS / (LOSS) PER UNIT

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

9. TRANSACTIONS WITH CONNECTED PERSONS

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

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

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.

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:

Transactions and balances with connected persons	September 30, 2011	September 30, 2010
	------(Rupees)-----	
Management Company		
Remuneration for the period	11,438,271	3,992,315
MCB Bank Limited		
Dividend paid	79,314,715	-
Units issued 39,051,063	2,000,000,000	-

Habib Metropolitan Bank Limited

Units issued Nil (2010: 8,091,112 units)

Units redeemed Nil (2010: 4,058,854 units)

Bonus units issued 2,372,796 units (2010: 2,787,686 units)

Profit on bank deposits

-	400,000,000
-	200,000,000
117,927,948	30,118,166
519,586	386,595

Central Depository Company of Pakistan Limited - Trustee

Remuneration for the period

724,737	443,797
---------	---------

Transactions and balances with connected persons

September 30, 2011 September 30, 2010
------(Rupees)-----

Investment in sub schemes (MSF - December 2012)

Units purchased Nil (2010: 6.348 units)

Bonus units issued 209,362 (2010: 461,281 units)

-	300,000
10,082,888	21,790,891

Amount outstanding at the period end**Management Company**

Balance at the end of the period / year

7,963,282	1,681,098
-----------	-----------

MCB Bank Limited

Units held 67,644,276 (June 30, 2011: 28,593,214)

Deposits at the end of the period / year

Profit Receivable at the end of the period / year

Dividend Payable

3,365,979,198	1,500,285,932
260,000,000	-
85,479	-
103,495,743	-

Habib Metropolitan Bank Limited

Units held 29,239,977 (June 30, 2011: 18,893,156)

Deposits at the end of the period / year

Profit Receivable at the end of the period / year

1,454,981,235	1,409,720,979
7,178,351	2,996,935
233,563	1,157,644

Central Depository Company of Pakistan Limited - Trustee

Balance at end of the period / year

478,402	148,142
---------	---------

Investment in sub schemes (MSF - December 2012)Units held 2,390,848 (30th June 2011: 2,181,486)

115,310,606	111,212,148
-------------	-------------

10. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 26, 2011 by the Board of Directors of the Management Company.

11. GENERAL

Figures have been rounded off to the nearest rupee.

For Arif Habib Investments Limited
(Management Company)

Chief Executive

Director

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

CONTENTS

Condensed Interim Statement of Assets and Liabilities	61
Condensed Interim Income Statement (Un-audited)	62
Condensed Interim Cash Flow Statement (Un-audited)	63
Condensed Interim Distribution Statement (Un-audited)	64
Condensed Interim Statement of Movement in Unit Holders' Funds (Un-audited)	65
Notes to and forming part of the Condensed Interim Financial Statements (Un-audited)	66

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2011

	Unaudited September 30, 2011	Audited June 30, 2011
Note	(Rupees)	
ASSETS		
Bank Balances	12,297,968	887,651
Investments in government securities	149,900,372	159,254,816
Income receivable	1,699,321	5,884,317
Total assets	163,897,661	166,026,784
LIABILITIES		
Payable to Management Company	187,323	174,199
Payable to Trustee	58,800	16,314
Payable to Securities and Exchange Commission of Pakistan	119,865	87,827
Accrued expenses and other liabilities	74,794	47,522
Total liabilities	440,782	325,862
NET ASSETS	163,456,879	165,700,922
Unit holders' funds	163,456,879	165,700,922
(Number of Units)		
Number of units in issue	3,389,445	3,250,204
(Rupees)		
Net Asset Value per unit	48.23	50.98

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

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

Chief Executive

Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011

	2011	2010
	(Rupees)	
Income		
Income from investments in government securities	4,898,073	3,104,769
Capital loss on sale of investment	(172,563)	
Profit on bank deposits	85,970	7,461
Unrealised appreciation diminution in fair value of investments classified as at fair value through profit or loss'	1,660,167	(1,278,748)
Total income	6,471,647	1,833,482
Expenses		
Remuneration of Management Company	602,078	277,268
Remuneration of Trustee	42,486	32,005
Securities and Exchange Commission of Pakistan - Annual fee	30,015	19,401
Brokerage	2,000	-
Bank Charges	-	1,160
Printing and related charges	1,348	2,152
Fees and subscriptions	2,157	2,689
Legal and professional charges	1,348	1,681
Auditors' remuneration	6,337	6,919
Total expenses	687,769	343,275
Net income from operating activities	5,783,878	1,490,207
Element of (loss) / income and realised capital (losses) / gains during the period included in prices of units sold less those in units repurchased	7,096	(1,296,391)
Net income for the period before taxation	5,790,974	193,816
Taxation	-	-
Net income for the period after taxation	5,790,974	193,816
Other comprehensive income for the period		
Unrealised appreciation in value of investments classified as 'available for sale'	-	6,566
Total comprehensive income for the period	5,790,974	200,382
Earnings per unit		

Note

5

7

8

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

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

Chief Executive

Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011

	2011	2010
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	5,790,974	193,816
Adjustments for:		
Element of income and realised capital gains during the period included in prices of units sold less those in units repurchased	(7,096)	1,296,391
Unrealised diminution in fair value of investments in government securities classified as 'at fair value through profit or loss'	(1,660,167)	1,278,748
	4,123,711	2,768,955
(Increase) / decrease in Assets		
Investments in government securities	11,014,611	(5,079,550)
Income receivable	4,184,996	2,811,738
Advances and payments	-	7,988
	15,199,607	(2,259,824)
(Decrease) / increase in Liabilities		
Payable to Management Company	13,124	(6,347)
Payable to Trustee	42,486	(15)
Payable to Securities and Exchange Commission of Pakistan - Annual fee	32,038	(44,211)
Accrued expenses and other liabilities	27,273	(253)
	114,921	(50,826)
Net cash generated / (used in) from operating activities	19,438,239	458,305
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts against issue of units	6,493,456	300,000
Payment against redemption of units	(14,521,377)	-
Net cash from financing activities	(8,027,921)	300,000
Net increase in balance with bank during the period	11,410,318	758,305
Cash and cash equivalents at beginning of the period	887,651	121,805
Cash and cash equivalents at end of the period	12,297,968	880,110

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

For Arif Habib Investments Limited
(Management Company)

Chief Executive

Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011

	2011	2010
	(Rupees)	
Undistributed income brought forward	3,190,714	17,336,510
Net income for the period	5,790,974	193,816
Element of loss and unrealised capital losses included in prices of units sold less those in units repurchased - recognized in net assets	(258,112)	(4,715)
Final distribution of Rs. 2.8224 (2010: Rs. 13) per unit in terms of bonus units for the year ended 30 th June 2011 (Date of distribution 4 th July 2010)	(9,173,376)	(21,971,948)
Interim distribution of Rs. 1.7 per unit in terms of bonus units for the period from July 01, 2011 to September 28, 2011	(5,565,508)	
	(9,206,022)	(21,782,847)
(Accumulated losses) carried forward	(6,015,308)	(4,446,337)

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

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

Chief Executive

Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011

	2011	2010
	(Rupees)	
Net assets at the beginning of the period	165,700,922	101,818,821
Issue of units 130,860 (2010 : 6,348 units)	6,493,456	300,000
Issue of 190,477 bonus units for the year ended June 30, 2011 (2010: Rs. 13)	9,173,376	21,971,948
Issue of 115,565 bonus units for the period ended Sept 30, 2011	5,565,597	-
Redemption of 297,661 units (2010 : Nil units)	(14,521,377)	-
	6,711,052	22,271,948
Element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units repurchased:		
- amount representing accrued loss / (income) and realised capital losses / (gains) during the period - transferred to the Income Statement	(7,096)	1,296,391
- amount representing unrealised capital losses - directly recognized in net assets	258,112	4,715
	251,016	1,301,106
Net unrealised gain in fair value of investments classified as 'Available for sale'	-	6,566
Net income for the period	5,790,974	193,816
Element of loss and capital losses included in prices of units issued less those in units redeemed - amount representing unrealised losses - net	(258,112)	(4,715)
	5,532,862	189,101
Final distributions for the period ended June 30, 2011:		
On July 04, 2011 at Rs 2.8224 per unit (July 05, 2010: Rs. 13 per unit)		
- Bonus distribution	(9,173,376)	(21,971,948)
Inerim distributions for the period ended September 30, 2011 at Rs. 1.7 per unit		
- Bonus distribution	(5,565,597)	
	163,456,879	103,615,594
Net assets at the end of the period		
The annexed notes form an integral part of these condensed interim financial statements.		

For Arif Habib Investments Limited
(Management Company)

Chief Executive

Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011

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 24th December 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)].

On 22 November 2009, 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 23rd 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 3rd 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-AMC and Arif Habib Investments Limited (AHI) the two companies have merged as of 27th June 2011 through operation of an order from the SECP issued under Section 282L of the Companies Ordinance 1984 (Order through letter no. SCD/NBFC-II/MCBAMCL & AHIL/271/2011 dated June 10, 2011). 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 30th July 2011 (through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AHI/348/2011 dated June 27, 2011). Since the merger had already taken place and the subsequent order of the SECP could not be complied with, the Company has sought a ruling by the honourable 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 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.

The Metro Bank - Pakistan Sovereign Fund is an open-ended mutual fund and obtained listing on the Islamabad Stock Exchange on May 27, 2009. 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 assigned management quality rating of 'AM2' (positive outlook) to the Management Company and AA (f) as stability rating to the Fund.

The Fund consists of a 'perpetual' (the scheme) and one sub-scheme as at 30th September 2011 with pre-determined maturity date at 31st December 2012.

Name of sub-scheme	Maturity date of sub-scheme
MetroBank - Pakistan Sovereign Fund - (December 2012) [MSF 12/12]	31st December 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]	31st December 2003
MetroBank - Pakistan Sovereign Fund - (December 2005) [MSF 12/05]	31st December 2005
MetroBank - Pakistan Sovereign Fund - (December 2007) [MSF 12/07]	31st December 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.

The sub-scheme is allowed to invest in Pakistan rupee denominated bonds and debt securities issued by Government of Pakistan, reverse repurchase transactions in Government Securities and any otherwise un-invested funds in deposits with banks and financial institutions.

2. BASIS OF PRESENTATION

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 (IFRSs) 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 the 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 SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP prevail. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'.

These condensed interim financial statements are unaudited.

The directors of the asset management company declare that these financial statements give a true and fair view of the Fund.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements of the Fund for the year ended June 30, 2011.

4. INVESTMENTS IN GOVERNMENT SECURITIES

	Note	September 30, 2011	June 30, 2011
		------(Rupees)-----	
Investments 'at fair value through profit or loss'	5.1.	<u>149,900,372</u>	<u>101,481,753</u>
		<u>149,900,372</u>	<u>101,984,575</u>

4.1. Investments - 'at fair value through profit or loss'

Issue date	TenorFace value (Rupees in Thousands).....			September 30, 2011 (Rupees).....			Percentage of net assets	Percentage of total investments
		Balance as at July 01, 2011	Purchases during the period	Sales / Matured during the period	Balance as at September 30, 2011	Cost	Market value	Appreciation / (Diminution)		
PAKISTAN INVESTMENT BOND										
3 September 2009	3 Years	126,500	-	-	126,500	125,069,325	124,614,378	(454,947)	76.24%	83.13%
22 August 2007	5 Years	31,000	-	12,000	19,000	18,156,954	18,420,944	263,990	11.27%	12.29%
24 October 2002	10 Years	7,000	-	-	7,000	6,807,575	6,865,050	57,475	4.20%	4.58%
						150,033,854	149,900,372	(133,482)		

	Note	September 30, 2011	June 30, 2011
		------(Rupees)-----	
4.2. Net unrealised diminution in fair value of investments classified as - 'at fair value through profit or loss'			
Market value of investments		149,900,372	101,481,753
Cost of investments		(150,033,854)	(103,209,875)
		(133,482)	(1,728,122)
Less: Net unrealised diminution in the fair value of investments at the beginning of the period		1,793,649	449,374
		<u>1,660,167</u>	<u>(1,278,748)</u>

5. REMUNERATION OF MANAGEMENT COMPANY

During the period, through Sindh Sales Tax on services Oct, 2011. General Sales Tax on Fund management services has been imposed @ 16% effective from July 01, 2011. Management fee charged to the fund includes the imposed tax.

6. 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 Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on December 14, 2010 the Ministry filed its response against the Constitutional petition requesting the court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

Subsequent to 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 SHC. However, pending the decision of the said constitutional petition, the Management Company believes that the Metrobank Pakistan Sovereign Fund (pertaining to sub-scheme operations) is not liable to contribute to WWF and hence no provision has been recognised by the Management Company. The aggregate unrecognised amount of WWF as at September 30, 2011 amounted to Rs 0.775 million (including Rs 0.115 million for the quarter ended September 30, 2011).

7. TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded a tax liability in respect of income relating to the current period as the management company intends to distribute more than 90 percent of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders.

8. EARNINGS / (LOSS) PER UNIT

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

9. TRANSACTIONS WITH CONNECTED PERSONS

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

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

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.

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

	September 30, 2011	September 30, 2010
Transactions and balances with connected persons	----- (Rupees) -----	
Management Company		
Remuneration for the period	602,078	277,268
Bonus units issued 1,583 (2010: 3,505 units)	76,260	165,589
Habib Metropolitan Bank Limited		
Profit on bank deposits	85,643	7,461
Central Depository Company of Pakistan Limited - Trustee		
Remuneration for the period	42,486	32,005

	September 30, 2011	September 30, 2010
	------(Rupees)-----	
MSF perpetaul		
Units issued Nil (2010: 6,348 units)	-	300,000
Bonus units issued 209,362 (2010: 6,348 units)	<u>10,082,888</u>	<u>21,790,891</u>
	September 30, 2011	June 30, 2011
	------(Rupees)-----	
Amount outstanding as at period end		
Management Company		
Remuneration payable to the Management Company	<u>187,323</u>	<u>174,199</u>
Units held 18,083 units (30 th June 2011: 16,500 units)	<u>872,143</u>	<u>841,145</u>
Habib Metropolitan Bank Limited		
Bank Balance	<u>10,748,400</u>	<u>846,269</u>
MSF Perpetual		
Units held 2,390,848 (30 th June 2011: 2,181,486)	<u>115,310,604</u>	<u>111,212,148</u>

10. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 26, 2011 by the Board of Directors of the Management Company.

11. GENERAL

Figures have been rounded off to the nearest rupee.

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

Chief Executive

Director