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FUND'S INFORMATION

Management Company	Arif Habib Investments Limited Arif Habib Centre, 23 M.T. Khan Road, Karachi-74000.
Board of Directors of the Management Company	Mr. Muhammad Shafi Malik Chairman Mr. Nasim Beg Chief Executive Mr. Sirajuddin Cassim Director Mr. S. Gulrez Yazdani Director Mr. Muhammad Akmal Jameel Director Syed Ajaz Ahmed Director Mr. Samad A. Habib Director Mr. Muhammad Kashif Director
Company Secretary & CFO of the Management Company	Mr. Zeeshan
Audit Committee	Mr. Muhammad Shafi Malik Chairman Mr. Muhammad Akmal Jameel Member Mr. Syed Ajaz Ahmed Member Mr. Samad A. Habib Member
Trustee	Central Depository Company of Pakistan Limited (CDC) CDC House, 99-B, SMCHS, Main Shahrah-e-Faisal, Karachi
Bankers of the Fund	<ul style="list-style-type: none">• Habib Metropolitan Bank Limited• Bank Al-Falah Limited
Auditors	M/s. A.F. Ferguson & Co. Chartered Accountants State Life Building No. 1-C, I.I. Chundrigar Road, Karachi - 74000
Legal Advisor	M/s. Bawaney & Partners 404, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi – 75530
Registrar	M/s. Gangjees Registrar Services Private Limited Room No. 516, Clifton Centre, Kehkashan, Clifton, Karachi
Distributor	Habib Metropolitan Bank Limited
Rating	PACRA: AA(f) Stability Rating PACRA: AM2 (Positive Outlook) - Management Quality Rating Assigned to Management Company



**REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY
FOR THE NINE MONTHS ENDED MARCH 31, 2011**

The Board of Directors of Arif Habib Investments Limited, the Management Company of MetroBank - Pakistan Sovereign Fund (MSF), is pleased to present their Report together with Condensed Interim Financial Statements for the nine months ended 31st March 2011.

Fund Objective

MSF Perpetual

The objective of the fund is to maximize returns through investment in government securities while limiting exposure to excessive price volatility by maintaining a maximum duration of 3 years.

Fund Profile

MSF Perpetual

Metro-Bank Pakistan Sovereign Fund—Perpetual (MSF) is an open end fund, which invests in bonds and debt securities issued by the Government of Pakistan as well as Reverse Repurchase transactions (Reverse-REPOs) against government securities. MSF is a long only fund and does not undertake leveraged investments.

Fund Objective

MSF December 2012

The objective of the fund is to deliver returns equivalent to government bonds maturing in 2012.

Fund Profile

MSF December 2012

Metro-Bank Pakistan Sovereign Fund—12/12 (MSF-12/12) is an open end fund, which invests in bonds and debt securities issued by the Government of Pakistan as well as Reverse Repurchase transactions (Reverse-REPOs) against government securities. MSF-12/12 is a long only fund and does not undertake leveraged investments.

Fund Performance during the nine months ended 31st March 2011

MSF Perpetual

The ex-dividend Net Asset Value (NAV) per unit at the beginning of the period was Rs 49.02 and with an increase of Rs 3.61 in the NAV per unit recorded during the period under review; the NAV per unit on 31 March, 2011 was Rs 51.14 after interim distribution of Rs 1.49 per unit.

MSF 12-12

The ex-dividend Net Asset Value (NAV) per unit at the beginning of the period was Rs 47.24 and with an increase of Rs 3.19 in the NAV per unit recorded during the period under review; the NAV per unit on 31 March, 2011 was Rs. 49.59 after interim distribution of Re 0.84 per unit.



The combined Net Assets of the Fund as at March 31, 2011 stood at Rs 1,907.87 million as compared to Rs 1,506.59 million at 30th June 2010, registering an increase of 26.63%.

Income Distribution

The Management Company has distributed an interim Cash distribution of Rs. 1.49 per unit for MSF perpetual and Re. 0.84 per unit for (MSF -12/12) for the period from July 1, 2010 to December 11, 2010.

Future Outlook and Fund Performance

Future Outlook and Fund Performance is fully explained in Fund Manager Report attached to this report.

Acknowledgment

The Board of Directors of the Management Company is thankful to the valued investors of the Fund for their reliance and trust in Arif Habib Investments Limited. The Board also likes to thank the Securities and Exchange Commission of Pakistan, State Bank of Pakistan, Central Depository Company of Pakistan Limited (the Trustee of the Fund) and the management of the Islamabad Stock Exchange for their continued cooperation, guidance, substantiation and support. The Board also acknowledges the efforts put in by the team of the Management Company for the growth and meticulous management of the Fund.

For and on behalf of the Board

April 23, 2011
Karachi.

Nasim Beg
Chief Executive

REPORT OF THE FUND MANAGER FOR THE PERIOD ENDED MARCH 31, 2011

Objective

The objective of the fund is to deliver income primarily from investment in government securities.

Fund Profile

Metro-Bank Pakistan Sovereign Fund—Perpetual (MSF) is an open end fund, which invests in bonds and debt securities issued by the Government of Pakistan as well as Reverse Repurchase transactions (Reverse-REPOs) against government securities. MSF is a long only fund and does not undertake leveraged investments. Under the NBFC Rules, it is only allowed to borrow up to 15% of net assets for up to 90 days to meet redemption needs.

Fund Performance

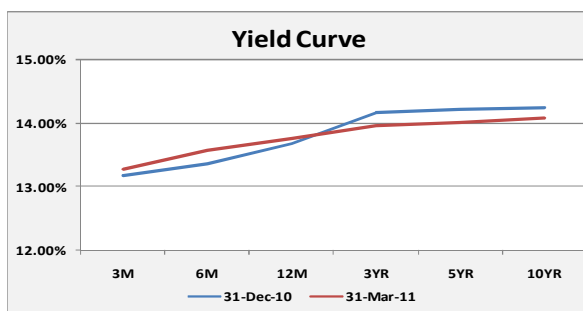
MSF earned an annualized return of 12.42% during the 3rd quarter FY2011 against its benchmark return of 10.23%p.a. Annualized return for 9 months FY11 was 9.08% during the period ended 31st March 2011. The Fund's return witnessed further improvement during this quarter compared to 8.50% annualized return in the last two quarters, due to stability in interest rates which helped in generating better returns and provided minimal volatility in the NAV of the Fund. The Fund size slightly increased to Rs. 1.91 billion from Rs. 1.75 billion at the start of the quarter.

Asset allocation

At the end of the 3rd quarter 2011, T-bills remain highest asset class comprising 78.4% of net assets. Exposure in PIBs was increased to 12.8% from 9.8% at the end of third quarter FY2011, in view of stability in interest rates during the remaining portion of this financial year. Investment in Govt. Ijara Sukuk was 2.6% of net assets, in view of high liquidity and attractive return. Investment in sub-scheme (12/12) was 5.7% of net assets. Average portfolio duration of the Fund was 114 days compared to 55 days at the end of last quarter.

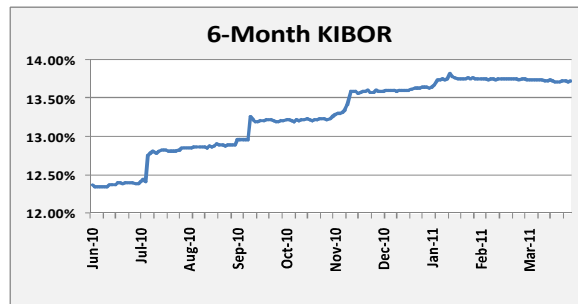
Treasury Market Review

SBP kept the discount rate unchanged at 14% during the quarter as the rate of increase in inflation has reduced to 13.16% in March compared to 15.45% YoY growth in December. Higher interest rate expectations earlier in the year had pushed up yields initially across all tenors. However, long term yields finished the quarter lower by approximately 17 bps to 14.08% compared to December end. While short term rates remained at comparatively higher side throughout the period amid tight liquidity in the system. This has led to reduction in the steepness of the yield curve in comparison to that of December 10.



Change in PKRV & KIBOR		
Tenor	31 Dec, 10 (%)	31 Mar, 11 (%)
Overnight	13.90	13.90
KIBOR (6-M)	13.62	13.73
90-Days	13.17	13.27
180-Days	13.36	13.58
365-Days	13.68	13.76
3-Years	14.16	13.97
5-Years	14.22	14.02
10-Years	14.25	14.08

Similarly, 6-month KIBOR displayed rising trend during the quarter to close at 13.73% or 11bps higher as compared to last quarter's close of 13.62%.



Treasury Bill

Short term interest rates have risen sharply in January, 3 month T-Bill near 13.6% and 1 year at 13.84% amid expectations of further tightening and high inflation numbers, however, the unchanged discount rate and ease in inflationary pressure pushed the short term rates lower with 3 months and 1 year rates at 13.27% and 13.76% respectively by quarter end.

Earlier in the quarter, higher participation was seen in 3 month T-bill; however, the stability in interest rates resulted in shift in bidding pattern with increasingly high participation in 6 month and 1 year T-bills. Total T-bills worth Rs. 997.0bn were sold against a target of Rs. 980.0bn amid T-bill maturity of Rs. 854.0bn. Cut-off yields closed at 13.25%, 13.64% and 13.80% in 3 and 6-months and 1-year tenures respectively.

Pakistan Investment Bond

On the other hand, yields of long term PIBs, especially 10 year bond, witnessed decline during the quarter. In January, the rates of 10 year PIB moved higher to 14.40%, which subsequently fell to as low as 14% in March given the expectations of no increase in the discount rate. During the quarter, there was pick in demand for 10 year PIBs from the corporate sector.

SBP conducted two PIB auctions during the 3rd quarter FY11 and given the stability in discount rate, higher participation was seen in 10-year bonds. Total target was Rs. 35.0bn and accepted amount was Rs. 49.0bn against participation of Rs. 76.0bn.



Government Ijara Sukuk

The Government Ijara Sukuk auction was conducted on 7th March, 11. Substantial amount of participation of Rs. 57.0bn was received due to increased Statutory Liquidity Requirement (SLR) of Islamic Banks/Islamic Banking Branches to 14.0% from 9.0%, effective 1st April, 11. Target was set at Rs. 45.0bn and the SBP sold GIS worth Rs. 47.5bn at 'Par' (weighted average 6-month T-bill yield). Trading was seen in the band of 100.0 and 100.40 in the secondary market.

Future Outlook

Reduction in headline inflation during the last two months, restraint in government's borrowing from SBP, and measures for reducing budgetary deficits have resulted in providing a breather to interest rates. With the expectations of pause in the discount rate hike for the next few months, market yields of government securities are expected to remain stable during the next quarter.

3QFY11 Economic Review

During the third quarter of the fiscal year, pick up in textile exports and higher remittances helped in reducing the pressure from rising international oil prices and keeping the current account deficit in check. The rate of increase in inflation has reduced during the quarter to 13.16% in March compared to 15.45% YoY growth in December, therefore allowing the central bank to keep the discount rate unchanged at 14% during the last two monetary policy reviews. Following the last round of talks with IMF in March, the government has finally taken additional taxation measures to reduce the rising fiscal gap for the current fiscal year.

Fiscal Side

Given the rising fiscal deficit (2.8% of GDP during 1HFY11 against the full year target of 5.5%), GoP introduced new taxation measures in March which would collect Rs 53 billion through removal of subsidies and/or further taxes on income, imports, agriculture, and domestic sales of zero-rated export-oriented items, while Rs 67 billion is expected to be saved from the government expenditure side. Of Rs53 billion, Rs20 billion will be collected through 15% flood surcharge on income-tax, Rs25 billion revenue will be accumulated through withdrawal of sales tax exemptions on fertilizers, pesticides and tractors, Rs6 billion revenue through increase in special excise duty on imports from 1% - 2.5% and Rs2 billion proceeds from increase in tax on sugar.

Total tax collection from July – February, 2011 summed up to Rs 876 billion against a target of Rs1600 billion for the full FY. With the above mentioned measures, it is now expected that tax revenue target for the current fiscal year is likely to be met. However, given the additional expenditures on last year floods, the fiscal deficit is expected to be higher than the government target of 5.5% for the year ending June 2011.

Inflation

Inflation figures for 3QFY11 came down considerably from 15.45% YoY in December, 2010 to 13.16% YoY in March 2011. This was due to the following reasons: first, high base-effect of last year starting January, 2010, and second, containment of government borrowing from the SBP within agreed limits. Nonetheless, inflation is expected to edge higher over the next few months given the outlook of an increase in international commodity prices especially oil prices, higher domestic commodity prices with the introduction of 'mini-budget' to enhance the tax base, and expectations of an increase in government borrowing to fund fiscal deficit.

Real Sector

Large Scale Manufacturing (LSM) figures for July – January 2011 showed an increase of 2.34% over the corresponding period of last year. The growth in manufacturing is restricted to few sectors, with majority of the industries showing decline. Textiles, Pakistan's largest industry having one fourth of the total weight



could only increase by 0.6%. Major contribution has come from sugar sector (4.15% weight) showing a growth of 8.1% till January and which is likely to improve further as recent reports suggest that total output of sugar for this year has exceeded 4 m tones compared to only 3.1 m tones in the previous year. Other growth sectors have been automobile production (+16.8%), Pharmaceuticals (+5.8%), chemicals (+3.5%) and leather products (+14.2%). All other manufacturing sectors were in decline including Food and beverages (-2%), petroleum products (-6.2%), metal industries (-8.1%), non metallic minerals (-11.8%), fertilizers (-7.2%) and cement (-10.6%).

External Side

External sector continued to post encouraging figures in 3QFY11. Current Account Deficit (CAD) from July – February, 2011 equaled US\$98 million against US\$3027 million deficit in the same period of preceding year, thus showing a decrease of almost 97%. This is explained by an improvement in balance on Goods & Services & Income account where deficit decreased from US\$11.2 billion in July-February, 2010, to US\$9.9 billion in the same period of current FY. Remittances also played a key role in uplifting the CAD as US\$8.02 billion were received from July- March, 2011 against US\$6.54 billion in the corresponding period of last year, thus showing a growth of 22.39%. The SBP expects current account deficit for FY 11 in the range of 1 – 1.5%. Exports from July – March, 2011 were US\$18.1 billion against a US\$14.3 billion exports in the same period last year, posting a robust growth of 26.6% YoY. Textile export was yet once again the major determinant of this growth as US\$9.92 billion was contributed by textiles. Imports for the same period equaled US\$29.1 billion against US\$ 25.1 billion in the first 9 months of last FY. This translates into a growth 15.97%. Petroleum group imports stood at US\$8.15 billion from July – March, 2011 showing a growth of 11%. Forex reserves YtD (March19th, 2011) closed at US\$17.5 billion against US\$16.75 billion at the end of FY10.

Moreover, Asian Development Bank approved a US\$650 million loan which will be used to build the damaged infrastructure due to the floods which hit the country early FY11.

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT MARCH 31, 2011**

	<i>Note</i>	Unaudited March 31, 2011	Audited June 30, 2010
(Rupees)			
ASSETS			
Bank balances		3,882,686	6,805,114
Investments	5	1,897,206,110	1,473,021,184
Income receivable		10,465,274	30,147,580
Prepayments and other receivables		22,917	-
Total Assets		1,911,576,987	1,509,973,878
LIABILITIES			
Payable to Management Company		2,154,133	1,420,774
Payable to Trustee		184,244	155,810
Payable to Securities and Exchange Commission of Pakistan		960,614	1,260,228
Accrued expenses and other liabilities		411,916	545,690
Total Liabilities		3,710,907	3,382,502
NET ASSETS		1,907,866,080	1,506,591,376
UNIT HOLDERS' FUNDS		1,907,866,080	1,506,591,376
CONTINGENCIES AND COMMITMENTS	6		
		(Number of Units)	
NUMBER OF UNITS IN ISSUE		37,304,066	27,889,305
		(Rupees)	
NET ASSET VALUE PER UNIT		51.14	54.02

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

**CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011**

	Nine months ended March 31,		Quarter ended March 31,	
	2011	2010	2011	2010
------(Rupees)-----				
Income				
Income from investment in Government Securities	156,152,872	143,663,627	56,707,974	50,586,926
Capital loss on sale of investments	(17,140,465)	(1,522,824)	179,119	(62,709)
Income from reverse repurchase transactions of Government Securities	322,895	846,907	150,502	204,742
Profit on bank deposits	1,072,043	2,775,512	226,684	429,944
Unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss' - net	(2,390,925)	(14,318,886)	746,442	(353,079)
Total Income	<u>138,016,420</u>	<u>131,444,336</u>	<u>58,010,721</u>	<u>50,805,824</u>
Expenses				
Remuneration of management company	15,833,423	8,101,411	6,010,427	3,959,906
Remuneration of Trustees	1,521,381	2,393,919	522,774	509,711
Annual fee - Securities and Exchange Commission of Pakistan	960,614	928,097	338,174	324,779
Brokerage	172,990	233,662	68,570	93,699
Bank charges	124,034	49,954	50,327	40,846
Fees and remunerations	652,007	507,037	197,239	91,291
Total operating expenses	<u>19,264,448</u>	<u>12,214,079</u>	<u>7,187,511</u>	<u>5,020,232</u>
	<u>118,751,972</u>	<u>119,230,257</u>	<u>50,823,210</u>	<u>45,785,592</u>
Element of (loss) / income and realised capital (losses) / gains during the period included in prices of units issued less those in units redeemed	(2,980,419)	16,377,496	641,164	14,785,921
Net income for the period before taxation	<u>115,771,553</u>	<u>135,607,753</u>	<u>51,464,374</u>	<u>60,571,513</u>
Taxation	-	-	-	-
Net income for the period after taxation	<u>115,771,553</u>	<u>135,607,753</u>	<u>51,464,374</u>	<u>60,571,513</u>
Other comprehensive income for the period				
Unrealised appreciation in value of investments classified as 'available for sale' - net	7,654,576	1,056,006	4,721,464	540,709
Total comprehensive income for the period	<u>123,426,129</u>	<u>136,663,759</u>	<u>56,185,838</u>	<u>61,112,222</u>

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT - (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011**

	Nine months ended March 31,		Quarter ended March 31,	
	2011	2010	2011	2010
	------(Rupees)-----			
Undistributed income / (accumulated losse) brought forward	115,389,267	(29,650,140)	(13,290,897)	44,030,388
Final distribution of Re 5 per unit in terms of bonus units for the year ended June 30, 2010 (Date of distribution: July 5, 2010) (2009 : Re 0.071 per unit)	(139,557,943)	(2,820,019)	-	-
Net income for the period after taxation	115,771,553	135,607,753	51,464,374	60,571,513
Interim distribution for period from July 01, 2010 to December 11, 2010 - Cash distribution	(52,706,041)	-	-	-
Element of (loss) / income and capital gains (losses) included in the prices of units issued less those in units redeemed - net	(625,497)	472,741	97,862	(991,566)
Undistributed income carried forward	<u>38,271,339</u>	<u>103,610,335</u>	<u>38,271,339</u>	<u>103,610,335</u>

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

METROBANK PAKISTAN SOVEREIGN FUND
Managed by: ARIF HABIB INVESTMENTS LIMITED

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011**

	Nine months ended March 31,		Quarter ended March 31,	
	2011	2010	2011	2010
----- (Rupees) -----				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period before taxation	115,771,553	135,607,753	51,464,374	60,571,513
Adjustments for non cash item				
Unrealised diminution / (appreciation) in fair value of investments classified as 'at fair value through profit or loss' - net	2,390,925	14,318,886	(746,442)	353,079
Element of loss / (income) and realised capital losses / (gains) during the period included in the prices of units issued less those in units redeemed - net	2,980,419	(16,377,496)	(641,164)	(14,785,921)
	<u>121,142,897</u>	<u>133,549,143</u>	<u>50,076,768</u>	<u>46,138,671</u>
(Increase) / decrease in assets				
Investments - net	(418,921,275)	(308,245,192)	(145,824,172)	(422,433,643)
Income receivable	19,682,306	(434,877)	(3,205,440)	13,259,111
Prepayments and other receivables	(22,917)	104,911	(17,932)	32,592
	<u>(399,261,886)</u>	<u>(308,575,158)</u>	<u>(149,047,544)</u>	<u>(409,141,940)</u>
(Decrease) / increase in liabilities				
Payable to management company	733,359	888,036	268,070	1,959,153
Payable to trustee	28,434	(528,954)	7,885	25,459
Payable to Securities and Exchange Commission of Pakistan - Annual fee	(299,614)	400,245	338,174	324,780
Payable against purchase of investments	-	(98,559,700)	-	-
Accrued expenses and other liabilities	(133,774)	(312,036)	(105,254)	(85,587)
	<u>328,405</u>	<u>(98,112,409)</u>	<u>508,875</u>	<u>2,223,805</u>
Net cash used in from operating activities	<u>(277,790,584)</u>	<u>(273,138,424)</u>	<u>(98,461,901)</u>	<u>(360,779,464)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from issue of units	1,252,344,474	454,806,419	600,468,250	400,760,000
Payment on redemption of units	(924,770,277)	(640,410,936)	(503,870,682)	(42,645,679)
	<u>327,574,197</u>	<u>(185,604,517)</u>	<u>96,597,568</u>	<u>358,114,321</u>
Dividend paid	(52,706,041)	-	-	-
Net cash generated from / (used in) financing activities	<u>274,868,156</u>	<u>(185,604,517)</u>	<u>96,597,568</u>	<u>358,114,321</u>
Net decrease in cash and cash equivalents during the period	<u>(2,922,428)</u>	<u>(458,742,941)</u>	<u>(1,864,333)</u>	<u>(2,665,143)</u>
Cash and cash equivalents at beginning of the period	6,805,114	462,846,617	5,747,019	6,768,819
Cash and cash equivalents at end of the period	<u><u>3,882,686</u></u>	<u><u>4,103,676</u></u>	<u><u>3,882,686</u></u>	<u><u>4,103,676</u></u>

The annexed notes 1 to 9 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' FUNDS - (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011**

	Nine months ended March 31,		Quarter ended March 31,	
	2011	2010	2011	2010
	------(Rupees)-----			
Net assets at the beginning of the period	1,506,591,376	1,954,109,832	1,755,723,838	1,485,131,964
Issue of 25,018,951 (2010 : 8,811,825) and 11,895,872 (2010 : 7,737,734) units during the nine months and quarter respectively	1,252,344,474	454,806,419	600,468,250	400,760,000
Redemption of 18,451,288 (2010 : 12,823,527) and 9,978,702 (2010 : 827,348) units during the nine months and quarter respectively	(924,770,277)	(639,629,928)	(503,870,682)	(42,645,679)
	327,574,197	(184,823,509)	96,597,568	358,114,321
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed:				
- amount representing realised (gains) / losses transferred to Income Statement - net	2,980,419	(16,377,496)	(641,164)	(14,785,921)
- amount representing unrealised (gains) / losses transferred to Distribution Statement - net	625,497	(472,741)	(97,862)	991,566
	3,605,916	(16,850,237)	(739,026)	(13,794,355)
Net unrealised gain in fair value of investments classified as 'available for sale'	7,654,576	1,056,006	4,721,464	540,709
Final Distribution:				
Issue of 2,847,098 bonus units for the year ended 30 th June 2010 (2009 : 57,414 bonus units)	139,557,943	2,820,019	-	-
Final distribution of Rs 5 per unit in terms of bonus units for the year ended 30 th June 2010: (Date of distribution 5 th July 2010) (2009: Rs 0.071 per unit)	(139,557,943)	(2,820,019)	-	-
Unrealised diminution in fair value of investments classified as 'at fair value through profit or loss' - net	(2,390,925)	(14,318,886)	746,442	(353,079)
Other net income for the period	118,162,478	149,926,639	50,717,932	60,924,592
Interim cash distribution	(52,706,041)	-	-	-
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	(625,497)	472,739	97,862	(991,568)
	(77,117,928)	133,260,473	51,562,236	59,579,945
Net assets at the end of the period	<u>1,907,866,080</u>	<u>1,889,572,584</u>	<u>1,907,866,080</u>	<u>1,889,572,584</u>

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

METROBANK PAKISTAN SOVEREIGN FUND
Managed by: ARIF HABIB INVESTMENTS LIMITED

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 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), (formerly: Arif Habib Investment Management Limited) 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 October 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 3, 2009. Accordingly the Trust Deed of the Fund was revised through a supplemental Deed executed between the Management Company, Habib Metropolitan Bank Limited and CDC.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by SECP. The registered office of the Management Company is situated at Arif Habib Centre, 23 M.T Khan Road, Karachi, Pakistan.

Pakistan Credit Rating Agency (PACRA) has assigned asset manager rating of 'AM2' (positive outlook) to the Management Company and AA (f) as stability rating to the Fund.

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.

The Fund consists of a 'Perpetual' scheme (the scheme) and one sub-scheme as at 31 March 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, 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 scheme.

The Fund can directly 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

- 3.1 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.

4 RISK MANAGEMENT

The Fund's risk management objectives and policies are consistent with those objectives and policies which were disclosed in the financial statements of the year ended June 30, 2010.

5 INVESTMENTS IN GOVERNMENT SECURITIES	Note	(Unaudited)	(Audited)
		As at March 31, 2011	As at June 30, 2010
		(Rupees)	
At fair value through profit or loss			
Pakistan Investment Bonds	5.2	187,173,046	712,102,097
Treasury Bills	5.2	1,505,099,709	614,195,235
Ijara Sukuk	5.2	50,125,000	-
Available for sale			
Pakistan Investment Bonds	5.1	154,808,355	146,723,852
		1,897,206,110	1,473,021,184

5.1 Investments - 'available for sale'

Issue date	Tenor	Face value				Balance as at March 31, 2011			Market value as a percentage of net assets	Market value as a percentage of total investments
		Balance as at July 1, 2010	Purchases during the period	Sales / matured during the period	Balance as at March 31, 2011	Cost	Market Value	Appreciation / (diminution)		
Rupees in '000										
Pakistan Investment Bond - MSF perpetual										
May 19, 2006	5 Years	150,000	-	-	150,000	149,917,595	154,276,650	4,359,055	8.09%	8.13%
Total						<u>149,917,595</u>	<u>154,276,650</u>	<u>4,359,055</u>		
Pakistan Investment Bond - MSF December 2012										
April 18, 2011	10 Years	500	-	-	500	501,911	531,705	29,794	0.03%	0.03%
						<u>501,911</u>	<u>531,705</u>	<u>29,794</u>		
Total of investment in Government Securities - 'available for sale'						<u>150,419,506</u>	<u>154,808,355</u>	<u>4,388,849</u>		

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

Issue date	Tenor	Face value				Balance as at March 31, 2011			Market value as a percentage of net assets	Market value as a percentage of total investments
		Balance as at July 1, 2010	Purchases during the period	Sales / matured during the period	Balance as at March 31, 2011	Cost	Market Value	Appreciation / (diminution)		
Rupees in '000										
Pakistan Investment Bond - MSF perpetual										
August 30, 2008	10 Years	150,000	-	150,000	-	-	-	-	-	-
August 30, 2008	7 Years	160,000	-	160,000	-	-	-	-	-	-
August 30, 2008	5 Years	225,000	-	225,000	-	-	-	-	-	-
September 3, 2009	10 Years	50,000	-	50,000	-	-	-	-	-	-
September 3, 2009	5 Years	25,000	-	25,000	25,000	24,451,168	23,346,570	(1,104,598)	1.22%	1.23%
September 3, 2009	3 Years	25,000	-	25,000	-	-	-	-	-	-
July 22, 2010	3 Years	-	25,000	25,000	-	-	-	-	-	-
July 22, 2010	5Y	-	25,000	25,000	-	-	-	-	-	-
July 22, 2010	10 Years	-	75,000	-	75,000	67,083,168	67,077,834	(5,334)	3.52%	3.54%
						<u>91,534,336</u>	<u>90,424,404</u>	<u>(1,109,932)</u>		
Pakistan Investment Bond - MSF December 2012										
September 3, 2009	3 Years	-	100,000	-	100,000	98,715,048	96,748,642	(1,966,406)	5.07%	5.10%
						<u>98,715,048</u>	<u>96,748,642</u>	<u>(1,966,406)</u>		
Total of Pakistan Investment Bond						<u>190,249,384</u>	<u>187,173,046</u>	<u>(3,076,338)</u>		
Treasury Bills - MSF perpetual										
August 13, 2009	1 Year	50,000	-	50,000	-	-	-	-	-	-
November 19, 2009	1 Year	30,000	-	30,000	-	-	-	-	-	-
December 3, 2009	1 Year	25,000	-	25,000	-	-	-	-	-	-
March 11, 2010	1 Year	25,000	-	25,000	-	-	-	-	-	-
July 15, 2010	3 Months	-	60,000	60,000	-	-	-	-	-	-
August 13, 2010	3 Months	-	502,000	502,000	-	-	-	-	-	-
August 27, 2009	1 Year	-	25,000	25,000	-	-	-	-	-	-
October 8, 2009	1 Year	-	35,000	35,000	-	-	-	-	-	-
August 26, 2010	3 Months	-	110,000	110,000	-	-	-	-	-	-
March 11, 2010	6 Months	-	20,000	20,000	-	-	-	-	-	-
September 9, 2010	3 Months	-	60,000	60,000	-	-	-	-	-	-
September 26, 2009	1 Year	-	448,000	448,000	-	-	-	-	-	-
April 8, 2010	6 Months	-	50,000	50,000	-	-	-	-	-	-
July 29, 2010	3 Months	-	356,000	356,000	-	-	-	-	-	-
September 24, 2010	3 Months	-	150,000	150,000	-	-	-	-	-	-
April 22, 2010	6 Months	-	110,000	110,000	-	-	-	-	-	-
October 7, 2010	3 Months	-	280,000	280,000	-	-	-	-	-	-
October 21, 2010	3 Months	-	475,500	475,500	-	-	-	-	-	-
November 4, 2010	3 Months	-	545,000	545,000	-	-	-	-	-	-
November 16, 2010	3 Months	-	135,000	135,000	-	-	-	-	-	-
June 3, 2010	6 Months	-	15,000	15,000	-	-	-	-	-	-
December 2, 2010	3 Months	-	833,000	833,000	-	-	-	-	-	-
December 18, 2010	3 Months	-	13,000	13,000	-	-	-	-	-	-
January 27, 2011	3 Months	-	400,000	30,000	370,000	367,332,500	367,318,970	(13,530)	19.25%	19.36%
August 3, 2010	6 Months	-	107,000	107,000	-	-	-	-	-	-
December 30, 2010	3 Months	-	105,200	105,200	-	-	-	-	-	-
February 10, 2011	3 Months	-	245,000	-	245,000	242,018,912	242,001,932	(16,980)	12.68%	12.76%
January 13, 2011	3 Months	-	355,500	-	355,500	354,748,073	354,712,920	(35,153)	18.59%	18.70%
February 24, 2011	3 Months	-	375,000	-	375,000	368,571,428	368,553,750	(17,678)	19.32%	19.43%
March 25, 2010	1 Year	-	55,000	55,000	-	-	-	-	-	-
March 10, 2011	3 Months	-	40,000	-	40,000	39,117,238	39,118,240	1,002	2.05%	2.06%
March 24, 2011	3 Months	-	126,000	-	126,000	122,625,885	122,612,111	(13,774)	6.43%	6.46%
Total of Treasury Bills MSF - Perpetual						<u>1,494,414,036</u>	<u>1,494,317,923</u>	<u>(96,113)</u>		
Treasury Bills - MSF December 2012										
September 9, 2010	3 Months	-	5,000	5,000	-	-	-	-	-	-
December 2, 2010	3 Months	-	5,000	5,000	-	-	-	-	0.00%	0.00%
February 24, 2011	3 Months	-	5,000	-	5,000	4,914,285	4,914,050	(235)		
December 18, 2010	3 Months	-	5,000	5,000	-	-	-	-	-	-
March 10, 2011	3 Months	-	6,000	-	6,000	5,867,585	5,867,736	151		
						<u>10,781,870</u>	<u>10,781,786</u>	<u>(84)</u>		
Total of Treasury Bills						<u>1,505,195,906</u>	<u>1,505,099,709</u>	<u>(96,197)</u>		
Investment in Ijara Sukuk - MSF perpetual										
November 15, 2010	3 Years	-	5,000	-	5,000	50,000,000	50,125,000	125,000	2.63%	2.64%
Total of investment in Government Securities - 'at fair value through profit or loss'						<u>1,745,445,290</u>	<u>1,742,397,755</u>	<u>(3,047,535)</u>		

	As at March 31, 2011			As at June 30, 2010
	MSF Perpetual	MSF 12/12	Total	Total
----- Rupees -----				
5.3 Net unrealised diminution in value of investments classified as - 'at fair value through profit or loss'				
Market value of investments	1,634,867,327	107,530,428	1,742,397,755	1,326,297,332
Cost of investments	(1,635,948,372)	(109,496,918)	(1,745,445,290)	(1,332,219,431)
	(1,081,045)	(1,966,490)	(3,047,535)	(5,922,099)
Less:				
Realised on disposal during the period	(5,265,489)	-	(5,265,489)	3,866,069
Net unrealised appreciation in value of investments at the beginning of the period	5,472,725	449,374	5,922,099	(12,045,728)
	207,236	449,374	656,610	(8,179,659)
	(873,809)	(1,517,116)	(2,390,925)	(14,101,758)
5.4 Net unrealised appreciation in value of investments classified as 'available for sale'				
Market value of investments	154,276,650	531,705	154,808,355	146,723,852
Cost of investments	(149,917,595)	(501,911)	(150,419,506)	(149,989,579)
	4,359,055	29,794	4,388,849	(3,265,727)
Less: Net unrealised diminution in value of investments at the beginning of period				
	3,240,541	25,186	3,265,727	5,151,853
	7,599,596	54,980	7,654,576	1,886,126

6. CONTINGENCIES AND COMMITMENTS

Through the Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. The Mutual Funds Association of Pakistan (MUFAP), on behalf of its members filed a constitutional petition in the High Court of Sindh (SHC) praying it to declare that the funds are not establishments and as a result are not liable to pay contribution to the WWF. The honorable court has rejected the petition on technical grounds stating that MUFAP is not the aggrieved party in this case and required the aggrieved parties to approach the courts for the said petition. In response a petition has been filed with the SHC by some of Mutual Funds through their Trustees along with few investors. However, subsequent to filing of the petition, the Ministry of Labour and Manpower (the Ministry) issued a letter which states that mutual funds are not liable for WWF. Further, in a subsequent letter dated July 15, 2010 the Ministry clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section-4 of WWF Ordinance 1971. However, the income of Mutual Fund(s), the product being There have been instances whereby show cause notices under section 221 of the Income Tax Ordinance, 2001 have been issued to a number of mutual funds for the recovery of WWF. On December 14, 2010, the Ministry filed its response contesting the said petition. SHC has concluded its hearing and judgement has been reserved.

Based on the advice of the legal counsel handling the case, the Management Company is of the view that WWF is not applicable to the Funds due to the clarification issued by the Ministry which creates vested right, hence provision has not been made in respect of WWF, which if liable, would amount to Re 0.15 per unit.

There were no other contingencies and commitments outstanding as at 31st March 2011 and 30th June 2010.

7. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include Arif Habib Investments Limited (AHI) being the Management Company (AMC), Arif Habib Corporation Limited (formerly: Arif Habib Securities Limited) being the holding company of AHI, Arif Habib Limited and Thatta Cement Limited being companies under common control, Summit Bank Limited (formerly Arif Habib Bank Limited) and Pak Arab Fertilizer being companies under common directorship, Central Depository Company of Pakistan Limited being the trustee, other collective investment schemes managed by the Management Company and directors and officers of the Management Company and Habib Metropolitan Bank Limited being the major unitholder of the Fund. Remunerations to the Management Company and trustee are determined in accordance with the provisions of NBFC regulations and Trust Deeds of the fund. All other transactions with connected persons are in the normal course of business and are carried out on agreed terms.

The transactions with connected persons are in the normal course of business and are carried out on agreed terms.

	Nine months ended		Quarter ended	
	March 31, 2011	2010	March 31, 2011	2010
----- (Rupees) -----				
7.1 Transactions during the period				
Management Company				
Remuneration for the period *	15,833,423	8,101,411	6,010,427	3,959,906
Issue of 3,505 bonus units (2009: 609 bonus units) and Nil units (2009: Nil) for the nine months and quarter respectively	165,589	33,354	-	-
Dividend paid & reinvested	13,644	-	-	-
Central Depository Company of Pakistan Limited - Trustee				
Remuneration for the period	1,521,381	708,988	522,774	509,711

Directors and Executives

Issue of 2,018 Units (2010: 1,508 units) and 2,018 units (2010: 1,508 units) for the nine months and quarter respectively

100,000	79,583	100,000	-
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Redemption of nil Units (2010: 400 units) and nil units (2010: 1,508 units) for the nine months and quarter respectively

-	49,285	-	49,285
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Habib Metropolitan Bank Limited

Remuneration for the period**

-	1,684,931	-	-
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Issue of 23,969,303 units (2010 : 4,846,133 units) and 11,886,175 units (2010: nil units) for the nine months and quarter respectively

1,200,000,000	250,000,000	600,000,000	250,000,000
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Redemption of 17,951,736 units (2010 : nil) and Nil 9,900,866 (2010: nil) for the nine months and quarter respectively

900,000,000	-	500,000,000	-
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Issue of 2,787,686 Bouns units (2009: 38,683 bonus units) and Nil units (2009: Nil units) for the nine months and quarter respectively

30,118,166	1,897,385	-	-
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Dividend paid

50,884,132	-	-	-
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Profit on bank deposits

1,070,844	839,011	226,684	418,271
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Bank charges

124,034	45,209	50,327	38,628
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** This amount represents remuneration of Habib Metropolitan Bank Limited for acting as the trustee of the Fund till 22nd November 2009.

(Un-audited) March 31, 2011	(Audited) June 30, 2010
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----- Rupees -----

7.2 Amounts outstanding as at period / year end**Management Company**

Remuneration payable
Units held 16,500 (30th June 2010: 12,738 units)

2,154,133	1,420,774
818,210	767,313

Central Depository Company of Pakistan Limited- Trustee

Remuneration payable

184,244	155,810
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Habib Metropolitan Bank Limited

Interest Receivable
Bank balances
Units held 36,135,733 (30th June 2010 : 27,330,480)

66,444	-
3,805,057	6,738,683
1,847,981,378	1,476,392,522

Directors and Executives

Units held 2,018 (30th June 2010: Nil)

100,050	-
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8. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on April 23, 2011 by the Board of Directors of the Management Company.

9. GENERAL

9.1 Figures have been rounded off to the nearest rupee.

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

Chief Executive

Director



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**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT MARCH 31, 2011**

	<i>Note</i>	Unaudited March 31, 2011	Audited June 30, 2010
(Rupees)			
ASSETS			
Bank balances		3,539,578	6,683,309
Investments	5	1,897,323,859	1,475,819,617
Income receivable		9,537,533	26,434,795
Prepayments and other receivables		21,068	-
Total Assets		<u>1,910,422,038</u>	<u>1,508,937,721</u>
LIABILITIES			
Payable to Management Company		2,030,262	1,327,206
Payable to Trustee		173,686	145,450
Payable to Securities and Exchange Commission of Pakistan		901,554	1,196,616
Accrued expenses and other liabilities		386,004	520,254
Total Liabilities		<u>3,491,506</u>	<u>3,189,526</u>
NET ASSETS		<u>1,906,930,532</u>	<u>1,505,748,195</u>
UNIT HOLDERS' FUNDS		<u>1,906,930,532</u>	<u>1,505,748,195</u>
CONTINGENCIES AND COMMITMENTS	6		
		(Number of Units)	
NUMBER OF UNITS IN ISSUE		<u>37,285,040</u>	<u>27,875,377</u>
		(Rupees)	
NET ASSET VALUE PER UNIT		<u>51.14</u>	<u>54.02</u>

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

**CONDENSED INTERIM INCOME STATEMENT - (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011**

	Nine months ended March 31,		Quarter ended March 31,	
	2011	2010	2011	2010
------(Rupees)-----				
Income				
Income from investment in Government Securities	146,647,804	136,755,269	53,508,152	47,626,837
Capital (loss) / gain on sale of investments - net	(17,140,465)	(1,110,472)	179,119	349,643
Income from reverse repurchase transactions of				
Government Securities	322,895	815,407	150,502	204,742
Profit on bank deposits	1,046,276	2,633,534	219,457	363,656
Dividend income	1,800,835	-	-	-
Unrealised appreciation / (diminution) in value of investments classified as 'at fair value through profit or loss' - net	4,229,598	(8,296,153)	3,563,391	1,951,062
Total Income	<u>136,906,943</u>	<u>130,797,585</u>	<u>57,620,621</u>	<u>50,495,940</u>
Expenses				
Remuneration of Management company	14,905,225	7,689,509	5,667,010	3,730,309
Remuneration of Trustee	1,427,619	2,283,778	492,040	479,422
Annual Fee - Securities and Exchange Commission of Pakistan	901,554	883,301	318,319	305,522
Brokerage	172,990	227,687	68,570	93,699
Bank charges	117,634	49,954	46,247	40,846
Fees & remunerations	619,975	476,808	192,629	80,037
Total operating expenses	<u>18,144,997</u>	<u>11,611,037</u>	<u>6,784,815</u>	<u>4,729,835</u>
	<u>118,761,946</u>	<u>119,186,548</u>	<u>50,835,806</u>	<u>45,766,105</u>
Element of (loss) / income and capital (losses) / capital gains during the period included in prices of units issued less those in units redeemed - net	(2,968,853)	15,238,242	641,638	13,655,623
Net income for the period before taxation	<u>115,793,093</u>	<u>134,424,790</u>	<u>51,477,444</u>	<u>59,421,728</u>
Taxation	-	-	-	-
Net income for the period after taxation	<u>115,793,093</u>	<u>134,424,790</u>	<u>51,477,444</u>	<u>59,421,728</u>
Other comprehensive income for the period				
Unrealised appreciation in value of investments classified as 'available for sale' - net	7,599,596	1,037,627	4,694,992	533,997
Total comprehensive income for the period	<u>123,392,689</u>	<u>135,462,417</u>	<u>56,172,436</u>	<u>59,955,725</u>

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT - (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011**

	Nine months ended March 31,		Quarter ended March 31,	
	2011	2010	2011	2010
	----- (Rupees) -----			
Undistributed income / (accumulated losses) brought forward	115,217,044	(29,801,496)	(13,258,638)	43,884,777
Final distribution of Re 5 per unit in terms of bonus units for the year ended June 30, 2010 (Date of distribution: July 5, 2010) (2009 : Re 0.071 per unit)	(139,376,887)	(2,783,549)	-	-
Net income for the period after taxation	115,793,093	134,424,790	51,477,445	59,421,728
Interim distribution for the period from July 01, 2010 to December 11, 2010 -Cash distribution	(52,691,123)	-	-	-
Element of (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed - net	(625,468)	469,845	97,852	(996,915)
Undistributed income carried forward	<u>38,316,659</u>	<u>102,309,590</u>	<u>38,316,659</u>	<u>102,309,590</u>

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

**CONDENSED INTERIM CASH FLOW STATEMENT - (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011**

	Nine months ended		Quarter ended	
	March 31, 2011	2010	March 31, 2011	2010
	------(Rupees)-----			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period before taxation	115,793,093	134,424,790	51,477,445	59,421,728
Adjustments for:				
Unrealised loss / (gain) in fair value of investments classified as 'at fair value through profit and loss' - net	(4,229,598)	8,296,153	(3,563,391)	(1,951,062)
Element of loss / (income) and realised capital losses / (gains) during the period included in prices of units sold less those in units repurchased	2,968,853	(15,238,242)	(641,638)	(13,655,623)
	<u>114,532,348</u>	<u>127,482,701</u>	<u>47,272,416</u>	<u>43,815,043</u>
(Increase) / decrease in assets				
Investments -net	(409,675,048)	(302,948,380)	(139,757,368)	(414,877,183)
Receivable against sale of investment	-	-	-	-
Income receivable	16,897,262	501,757	(5,993,966)	10,479,769
Advances, prepayments and other receivables	(21,068)	104,848	(16,442)	32,592
	<u>(392,798,854)</u>	<u>(302,341,775)</u>	<u>(145,767,776)</u>	<u>(404,364,822)</u>
(decrease) / Increase in liabilities				
Remuneration payable to management company	703,056	763,594	242,279	1,860,788
Remuneration payable to trustee	28,236	(538,811)	7,643	26,569
Payable to Securities and Exchange Commission of Pakistan - Annual fee	(295,062)	356,051	318,319	305,523
Payable against purchase of investments	-	(98,559,700)	-	-
Accrued expenses and other liabilities	(134,250)	(331,617)	(92,395)	(88,008)
	<u>301,980</u>	<u>(98,310,483)</u>	<u>475,846</u>	<u>2,104,872</u>
Net cash used in operating activities	<u>(277,964,526)</u>	<u>(273,169,557)</u>	<u>(98,019,514)</u>	<u>(358,444,907)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from issue of units	1,252,279,558	454,778,103	600,418,251	400,759,999
Payment on redemption of units	(924,767,640)	(640,382,252)	(503,870,683)	(42,616,995)
Net cash generated from / (used in) financing activities	<u>327,511,918</u>	<u>(185,604,149)</u>	<u>96,547,568</u>	<u>358,143,004</u>
Dividend paid	(52,691,123)	-	-	-
Net (decrease) in cash and cash equivalents during the period	<u>(3,143,731)</u>	<u>(458,773,706)</u>	<u>(1,471,946)</u>	<u>(301,903)</u>
Cash and cash equivalents at beginning of the period	<u>6,683,309</u>	<u>462,613,832</u>	<u>5,011,524</u>	<u>4,142,029</u>
Cash and cash equivalents at end of the period	<u><u>3,539,578</u></u>	<u><u>3,840,126</u></u>	<u><u>3,539,578</u></u>	<u><u>3,840,126</u></u>

The annexed notes 1 to 9 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' FUNDS - (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011**

	Nine months ended March 31,		Quarter ended March 31,	
	2011	2010	2011	2010
	------(Rupees)-----			
Net assets at the beginning of the period	1,505,748,195	1,953,346,708	1,754,852,165	1,484,304,636
Issue of units 25,017,942 (2010: 8,811,325) and 11,895,175 (2010: 7,737,034) units during the nine months and quarter respectively	1,252,279,558	454,778,103	600,418,251	400,759,999
Redemption of units 18,451,288 (2010: 12,823,027 units) and 9,978,757 (2010: 827,348) units during the nine months and quarter respectively	(924,767,640)	(639,601,244)	(503,870,683)	(42,616,995)
	327,511,918	(184,823,141)	96,547,568	358,143,004
Element of loss / (income) and capital losses / (gains) included in the prices of units issued less those in units redeemed:				
- amount representing realised (gains) / losses transferred to Income Statement - net	2,968,853	(15,238,242)	(641,638)	(13,655,623)
- amount representing unrealised (gains) / losses transferred to Distribution Statement - net	625,468	(469,845)	(97,852)	996,915
	3,594,321	(15,708,087)	(739,490)	(12,658,708)
Unrealised appreciation in value of investments classified as 'available for sale' - net	7,599,596	1,037,627	4,694,992	533,997
Final Distribution:				
Issue of 2,843,266 bonus units for the year ended June 30, 2009 (2009 : 56,749 bonus units)	139,376,887	2,783,549	-	-
Final distribution of Rs 5 per unit in terms of bonus units for the year ended June 30, 2009 in terms of bonus units : (Date of distribution July 5, 2010) (2009 : Re 0.07 per unit)	(139,376,887)	(2,783,549)	-	-
Unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss' - net	4,229,598	(8,296,153)	3,563,391	1,951,062
Other net income for the period	111,563,495	142,720,943	47,914,054	57,470,666
Interim cash distribution	(52,691,123)			
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	(625,468)	469,845	97,852	(996,915)
	(76,900,385)	132,111,086	51,575,297	58,424,813
Net assets at the end of the period	<u>1,906,930,532</u>	<u>1,888,747,742</u>	<u>1,906,930,532</u>	<u>1,888,747,742</u>

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 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), (formerly: Arif Habib Investment Management Limited) 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 7th January 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 October 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.

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 Arif Habib Centre, 23 M.T Khan Road, Karachi, Pakistan.

Pakistan Credit Rating Agency (PACRA) has assigned asset manager rating of 'AM2' (positive outlook) to the Management Company and AA (f) as stability rating to the Fund.

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.

The Fund consists of a 'perpetual' (the scheme) and one sub-scheme as at 31st March 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 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. In addition, the scheme can also invest in 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.

3. SIGNIFICANT ACCOUNTING POLICIES

- 3.1 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.

4. RISK MANAGEMENT

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.

5 INVESTMENTS	Note	(Unaudited)	(Audited)
		As at March 31, 2011	As at June 30, 2010
(Rupees)			
At fair value through profit or loss			
Pakistan Investment Bonds	5.2	90,424,404	614,430,749
Treasury Bills	5.2	1,494,317,923	614,195,235
Investment in sub scheme	5.2	108,179,882	100,975,640
Ijara Sukuk		50,125,000	-
Available for sale			
Pakistan Investment Bonds	5.1	154,276,650	146,217,993
		<u>1,897,323,859</u>	<u>1,475,819,617</u>

5.1 Investments - 'available for sale'

Issue date	Tenor	Face value			Balance as at March 31, 2011			Market value as a percentage of net assets	Market value as a percentage of total investments	
		Balance as at July 1, 2010	Purchases during the period	Sales / matured during the period	Balance as at March 31, 2011	Cost	Market Value			Apprecia-tion / (diminution)
Rupees in '000										
Pakistan Investment Bond - MSF perpetual										
May 19, 2006	5 Years	150,000	-	-	150,000	149,917,595	154,276,650	4,359,055	8.09%	8.13%
Total						149,917,595	154,276,650	4,359,055		

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

Issue date	Tenor	Face value			Balance as at March 31, 2011			Market value as a percentage of net assets	Market value as a percentage of total investments	
		Balance as at July 1, 2010	Purchases during the period	Sales / matured during the period	Balance as at March 31, 2011	Cost	Market Value			Apprecia-tion / (diminution)
Rupees in '000										
Pakistan Investment Bond - MSF perpetual										
August 30, 2008	10 Years	150,000	-	150,000	-	-	-	-	-	-
August 30, 2008	7 Years	160,000	-	160,000	-	-	-	-	-	-
August 30, 2008	5 Years	225,000	-	225,000	-	-	-	-	-	-
September 3, 2009	10 Years	50,000	-	50,000	-	-	-	-	-	-
September 3, 2009	5 Years	25,000	-	-	25,000	24,451,168	23,346,570	(1,104,598)	1.22%	1.23%
September 3, 2009	3 Years	25,000	-	25,000	-	-	-	-	-	-
July 22, 2010	3 Years	-	25,000	25,000	-	-	-	-	-	-
July 22, 2010	5Y	-	25,000	25,000	-	-	-	-	-	-
July 22, 2010	10 Years	-	75,000	-	75,000	67,083,168	67,077,834	(5,334)	3.52%	3.54%
Total of Pakistan Investment Bond						91,534,336	90,424,404	(1,109,932)		
Treasury Bills - MSF perpetual										
August 13, 2009	1 Year	50,000	-	50,000	-	-	-	-	-	-
November 19, 2009	1 Year	30,000	-	30,000	-	-	-	-	-	-
December 3, 2009	1 Year	25,000	-	25,000	-	-	-	-	-	-
March 11, 2010	1 Year	25,000	-	25,000	-	-	-	-	-	-
July 15, 2010	3 Months	-	60,000	60,000	-	-	-	-	-	-
August 13, 2010	3 Months	-	502,000	502,000	-	-	-	-	-	-
August 27, 2009	1 Year	-	25,000	25,000	-	-	-	-	-	-
October 8, 2009	1 Year	-	35,000	35,000	-	-	-	-	-	-
August 26, 2010	3 Months	-	110,000	110,000	-	-	-	-	-	-
March 11, 2010	6 Months	-	20,000	20,000	-	-	-	-	-	-
September 9, 2010	3 Months	-	60,000	60,000	-	-	-	-	-	-
September 26, 2009	1 Year	-	448,000	448,000	-	-	-	-	-	-
April 8, 2010	6 Months	-	50,000	50,000	-	-	-	-	-	-
July 29, 2010	3 Months	-	356,000	356,000	-	-	-	-	-	-
September 24, 2010	3 Months	-	150,000	150,000	-	-	-	-	-	-
April 22, 2010	6 Months	-	110,000	110,000	-	-	-	-	-	-
October 7, 2010	3 Months	-	280,000	280,000	-	-	-	-	-	-
October 21, 2010	3 Months	-	475,500	475,500	-	-	-	-	-	-
November 4, 2010	3 Months	-	545,000	545,000	-	-	-	-	-	-
November 16, 2010	3 Months	-	135,000	135,000	-	-	-	-	-	-
June 3, 2010	6 Months	-	15,000	15,000	-	-	-	-	-	-
December 2, 2010	3 Months	-	833,000	833,000	-	-	-	-	-	-
December 18, 2010	3 Months	-	13,000	13,000	-	-	-	-	-	-
January 27, 2011	3 Months	-	400,000	30,000	370,000	367,332,500	367,318,970	(13,530)	19.26%	19.36%
August 3, 2010	6 Months	-	107,000	107,000	-	-	-	-	-	-
December 30, 2010	3 Months	-	105,200	105,200	-	-	-	-	-	-
February 10, 2011	3 Months	-	245,000	-	245,000	242,018,912	242,001,932	(16,980)	12.69%	12.75%
January 13, 2011	3 Months	-	355,500	-	355,500	354,748,073	354,712,920	(35,153)	18.60%	18.70%
February 24, 2011	3 Months	-	375,000	-	375,000	368,571,428	368,553,750	(17,678)	19.33%	19.42%
March 25, 2010	1 Year	-	55,000	55,000	-	-	-	-	0.00%	0.00%
March 10, 2011	3 Months	-	40,000	-	40,000	39,117,238	39,118,240	1,002	2.05%	2.06%
March 24, 2011	3 Months	-	126,000	-	126,000	122,625,885	122,612,111	(13,774)	6.43%	6.46%
									0.00%	0.00%
Total of Treasury Bills MSF - Perpetual						1,494,414,036	1,494,317,923	(96,113)		

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

Name	Units					Balance as at March 31, 2011			Market value as a percentage of net assets	Market value as a percentage of total investments
	Balance as at July 1, 2010	Purchases during the period	Boms / Reinvest-ment	Sales during the period	Balance as at March 31, 2011	Carrying value	Market Value	Appreciation / (diminution)		
MSF December 2012	1,676,223	6,348	498,915	-	2,181,486	94,909,955	108,179,882	13,269,927	5.67%	5.70%
Investment in Ijara Sukuk - MSF perpetual										
November 15, 2010	3 Years	-	5,000	-	5,000	50,000,000	50,125,000	125,000	2.63%	2.64%
Total of investment in Government Securities - 'at fair value through profit or loss'						1,730,858,327	1,743,047,209	12,188,882		

	(Un-audited) March 31, 2011	(Audited) June 30, 2010
	----- Rupees -----	
5.4 Net unrealised appreciation / (diminution) in value of investments classified as - 'at fair value through profit or loss'		
Market value of investments	1,743,047,209	1,329,601,624
Cost of investments	(1,730,858,327)	(1,326,907,829)
	<u>12,188,882</u>	<u>2,693,795</u>
Less:		
Net unrealised appreciation in value of investments at the beginning of the period	(2,693,795)	3,866,069
Realised on disposal of investments during the period	(5,265,489)	(12,045,728)
	<u>(7,959,284)</u>	<u>(8,179,659)</u>
	<u>4,229,598</u>	<u>(5,485,864)</u>
5.5 Net unrealised appreciation / (diminution) in value of investments classified as 'available for sale'		
Market value of investments	154,276,650	146,217,993
Less: Cost of investments	(149,917,595)	(149,458,534)
	<u>4,359,055</u>	<u>(3,240,541)</u>
Less: Net unrealised diminution in value of investments at the beginning of the period	3,240,541	5,100,760
	<u>7,599,596</u>	<u>1,860,219</u>

6 CONTINGENCIES AND COMMITMENTS

Through the Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. The Mutual Funds Association of Pakistan (MUFAP), on behalf of its members filed a constitutional petition in the High Court of Sindh (SHC) praying it to declare that the funds are not establishments and as a result are not liable to pay contribution to the WWF. The honorable court has rejected the petition on technical grounds stating that MUFAP is not the aggrieved party in this case and required the aggrieved parties to approach the courts for the said petition. In response a petition has been filed with the SHC by some of Mutual Funds through their Trustees along with few investors. However, subsequent to filing of the petition, the Ministry of Labour and Manpower (the Ministry) issued a letter which states that mutual funds are not liable for WWF. Further, in a subsequent letter dated July 15, 2010 the Ministry clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section-4 of WWF Ordinance 1971. However, the income of Mutual Fund(s), the product being sold, is exempted under the law *ibid*."

There have been instances whereby show cause notices under section 221 of the Income Tax Ordinance, 2001 have been issued to a number of mutual funds for the recovery of WWF. On December 14, 2010, the Ministry filed its response contesting the said petition. SHC has concluded its hearing and judgement has been reserved.

Based on the advice of the legal counsel handling the case, the Management Company is of the view that WWF is not applicable to the Funds due to the clarification issued by the Ministry which creates vested right, hence provision has not been made in respect of WWF, which if liable, would amount to Re 0.15 per unit.

There were no other contingencies and commitments outstanding as at 31st March 2011 and 30th June 2010.

7. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include Arif Habib Investments Limited being the Management Company, Arif Habib Corporation Limited (formerly: Arif Habib Securities Limited) Arif Habib Limited, Arif Habib Securities Limited, Thatta cement Limited being companies under common Management, Arif Habib Bank Limited and Pak arab Fertilizer being companies under common directorship, CDC being the trustee of the Fund and Habib Metropolitan Bank Limited being the major unitholder of the Fund and MSF December 2012 being the Sub-Scheme of the Scheme.

Remunerations to the Management Company and trustee are determined in accordance with the provisions of NBFC regulations and Trust Deeds of the fund. All other transactions with connected persons are in the normal course of business and are carried out on agreed terms.

The transactions with connected persons are in the normal course of business and are carried out on agreed terms.

7.1 Transactions during the period

	Nine months ended March 31,		Quarter ended March 31,	
	2011	2010	2011	2010
	------(Rupees)-----			
Management Company				
Remuneration for the period	14,905,225	7,689,509	5,667,010	3,730,309
Central Depository Company of Pakistan Limited - Trustee				
Remuneration for the period	1,427,619	664,815	492,040	479,422
Habib Metropolitan Bank				
Remuneration for the period **	-	1,618,963	(1,618,963)	-
Issue of 23,969,303 units (2010 : 4,846,133 units) and 11,886,175 units (2010: nil units) for the nine months and quarter respectively	1,200,000,000	250,000,000	600,000,000	250,000,000
Issue of 2,787,686 Bouns units (2009: 38,683 bonus units) and Nil units (2009: Nil units) for the nine months and quarter respectively	30,118,166	1,897,385	-	-
Redemption of 17,951,736 units (2010 : nil) and 9,900,866 (2010: nil) for the nine months and quarter respectively	900,000,000	-	500,000,000	-
Dividend paid	50,884,132	-	-	-
Profit on bank deposits	1,045,077	697,034	219,457	351,983
Bank charges	117,634	45,209	46,247	38,628
Dividend paid	50,884,132	-	-	-
Directors and Executives				
nil Units (2010: 1,008 units) issued during the period	-	51,268	-	-
nil Units (2010: 400 units) redemmed during the period	-	20,600	-	20,600
Investment in sub schemes (12 / 12)				
Units invested 43,983 units (2010: 1,806,300)*	2,100,835	99,996,768	-	-
Units sold 133,447 (2010: 133,447) and nil units for the quarter (2010: 133,447 units)	-	7,800,000	-	7,800,000
Dividend received and reinvested	1,800,835	-	-	-

* This includes dividend reinvested of 37,635 units amounting to rupees 1,800,835.

** This amount represents remuneration of Habib Metropolitan Bank Limited for acting as the trustee of the Fund till 22nd November 2009.



	As at March 31, 2011	As at June 30, 2010
7.2 Amounts outstanding as at period / year end		
	(Rupees)	
Management Company		
Remuneration payable	<u>2,030,262</u>	<u>1,327,206</u>
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	<u>173,686</u>	<u>145,450</u>
Habib Metropolitan Bank Limited		
Interest receivable	<u>64,245</u>	<u>-</u>
Bank balances	<u>3,471,949</u>	<u>6,616,878</u>
Units held 36,135,733 (30 th June 2010 : 27,330,480)	<u>1,847,981,378</u>	<u>1,476,392,530</u>
Directors and Executives		
Units held nil (30 th June 2009 : Nil)	<u>-</u>	<u>-</u>
MSF December 2012		
Investment in units 2,181,486 (30 th June 2010: 1,806,300)	<u>108,179,882</u>	<u>100,975,640</u>

8 DATE OF AUTHORISATION FOR ISSUE
 These financial statements were authorised for issue on April 23, 2011 by the Board of Directors of the Management Company.

9 GENERAL

9.1 For the purpose of better presentation corresponding figures have been rearranged and reclassified wherever necessary. In this regard, during the current period fees and subscription, legal and professional charges, auditors remuneration and printing and publication charges are clubbed in fees and remuneration, whereas these were shown separately.

9.2 Figures have been rounded off to the nearest rupee.

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

Chief Executive

Director



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**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT MARCH 31, 2011**

	<i>Note</i>	Unaudited March 31, 2011	Audited June 30, 2010
(Rupees)			
ASSETS			
Bank balances		343,108	121,805
Investments	5	108,062,133	98,177,207
Income receivable		927,741	3,712,785
Receivable from MSF Perpetual			8,497
Prepayments and other receivables		1,849	-
Total Assets		109,334,831	102,020,294
LIABILITIES			
Payable to Management Company		123,871	93,568
Payable to Trustee		10,558	10,360
Payable to Securities and Exchange Commission of Pakistan		59,060	63,612
Accrued expenses and other liabilities		25,912	33,933
Total Liabilities		219,401	201,473
NET ASSETS		109,115,430	101,818,821
UNIT HOLDERS' FUNDS		109,115,430	101,818,821
CONTINGENCIES AND COMMITMENTS	6		
		(Number of Units)	
NUMBER OF UNITS IN ISSUE		2,200,512	1,690,150
		(Rupees)	
NET ASSET VALUE PER UNIT		49.59	60.24

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

**CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011**

	Nine months ended March 31,		Quarter ended March 31,	
	2011	2010	2011	2010
	----- (Rupees) -----			
Income				
Income from investment in Government Securities	9,505,068	6,908,358	3,199,821	2,960,089
Income from reverse repurchase transactions of Government Securities	-	31,500	-	-
Profit on bank deposits	25,767	141,978	7,226	66,288
Unrealised (diminution) / appreciation in value of investments classified as 'at fair value through profit or loss' - net	(1,517,116)	(318,305)	368,020	40,569
Total Income	<u>8,013,719</u>	<u>6,763,531</u>	<u>3,575,067</u>	<u>3,066,946</u>
Operating expenses				
Remuneration of management company	928,198	411,902	343,417	229,597
Remuneration of Trustee	93,762	110,141	30,734	30,289
Annual fee - Securities and Exchange Commission of Pakistan	59,060	44,796	19,855	19,257
Brokerage	-	5,975	-	-
Bank charges	6,399	-	4,079	-
Fees & remunerations	32,032	30,229	4,611	11,255
Total operating expenses	<u>1,119,451</u>	<u>603,043</u>	<u>402,696</u>	<u>290,398</u>
Net income from operating activities	<u>6,894,268</u>	<u>6,160,488</u>	<u>3,172,371</u>	<u>2,776,548</u>
Element of (loss) / income and realised capital (losses) / gains during the period included in prices of units sold less those in units repurchased	(1,378,332)	16,193,404	(474)	-
Net income for the period before taxation	<u>5,515,936</u>	<u>22,353,892</u>	<u>3,171,897</u>	<u>2,776,548</u>
Taxation	-	-	-	-
Net income for the period after taxation	<u>5,515,936</u>	<u>22,353,892</u>	<u>3,171,897</u>	<u>2,776,548</u>
Other comprehensive income for the period				
Unrealised appreciation in value of investments classified as 'available for sale' - net	54,980	18,379	26,472	6,712
Total comprehensive income for the period	<u>5,570,916</u>	<u>22,372,271</u>	<u>3,198,369</u>	<u>2,783,260</u>

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT - (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011**

	Nine months ended March 31, 2011		Quarter ended March 31, 2010	
	------(Rupees)-----			
Undistributed income / (accumulated losses) brought forward	17,336,510	151,125	(4,111,867)	13,186,866
Final distribution of Rs 13 per unit in terms of bonus units for the year ended June 30, 2010 (Date of distribution July 5, 2010) (2009 : Rs 2.75 per unit)	(21,971,948)	(36,470)	-	-
Net income for the period after taxation	5,515,936	22,353,892	3,171,898	2,776,548
Interim distribution for the period from July 01, 2010 to December 11, 2010 -Cash distribution	(1,815,753)	-	-	-
Element of (loss) / gain and capital (losses) / gain included in the prices of units issued less those in units redeemed - net	(4,705)	(6,502,454)	9	2,679
(Accumulated loss) / undistributed income carried forward	(939,960)	15,966,093	(939,960)	15,966,093

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

**CONDENSED INTERIM CASH FLOW STATEMENT - (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011**

	Nine months ended March 31,		Quarter ended March 31,	
	2011	2010	2011	2010
------(Rupees)-----				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period before taxation	5,515,936	22,353,892	3,171,898	2,776,548
Adjustments for non cash item				
Unrealised diminution / (appreciation) in value of investments classified as - 'at fair value through profit or loss' - net	1,517,116	318,305	(368,020)	(40,569)
Element of loss / (income) and realised capital losses / (gains) during the period included in the prices of units issued less those in units redeemed - net	1,378,332	(16,193,404)	474	-
	<u>8,411,384</u>	<u>6,478,793</u>	<u>2,804,352</u>	<u>2,735,979</u>
(Increase) / decrease in assets				
Investments - net	(11,347,062)	(97,905,929)	(6,066,803)	(168,809)
Income receivable	2,785,044	(936,634)	2,788,526	2,779,342
Prepayments and other receivables	6,648	63	(1,490)	-
	<u>(8,555,370)</u>	<u>(98,842,500)</u>	<u>(3,279,767)</u>	<u>2,610,533</u>
Increase / (Decrease) in liabilities				
Remuneration payable to management company	30,303	124,442	25,791	98,365
Remuneration payable to trustee	198	9,857	242	(1,110)
Payable to Securities and Exchange Commission of Pakistan - Annual fee	(4,552)	44,194	19,854	19,257
Accrued expenses and other liabilities	(8,021)	19,581	(12,858)	2,421
	<u>17,928</u>	<u>198,074</u>	<u>33,029</u>	<u>118,933</u>
Net cash (used in) / from operating activities	<u>(126,058)</u>	<u>(92,165,633)</u>	<u>(442,386)</u>	<u>5,465,445</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from issue of units	2,165,752	100,025,083	49,999	-
Payment against redemption of units	(2,638)	(7,828,685)	-	(7,828,685)
Net cash generated from / (used in) financing activities	<u>2,163,114</u>	<u>92,196,398</u>	<u>49,999</u>	<u>(7,828,685)</u>
Dividend paid	(1,815,753)	-	-	-
Net increase / (decrease) in cash and cash equivalents during the period	<u>221,303</u>	<u>30,765</u>	<u>(392,387)</u>	<u>(2,363,240)</u>
Cash and cash equivalents at beginning of the period	121,805	232,785	735,495	2,626,790
Cash and cash equivalents at end of the period	<u><u>343,108</u></u>	<u><u>263,550</u></u>	<u><u>343,108</u></u>	<u><u>263,550</u></u>

The annexed notes 1 to 9 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' FUNDS - (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011**

	Nine months ended March 31,		Quarter ended March 31,	
	2011	2010	2011	2010
(Rupees)				
Net assets at the beginning of the period	101,818,821	763,124	105,866,587	104,183,814
Issue of 38,956 units (2010 : 1,806,800 units) and 1,009 units (2010 nil units) during the nine months and quarter respectively	2,165,752	100,025,083	49,999	-
Redemption of 55 units (2010 : 133,947 units) and nil units (2010 : 133,947 units) during the nine months and quarter respectively	(2,638)	(7,828,685)	-	(7,828,685)
	2,163,114	92,196,398	49,999	(7,828,685)
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed:				
- amount representing realised losses / (gains) transferred to Income Statement - net	1,378,332	(16,193,404)	474	-
- amount representing unrealised losses / (gain) transferred to Distribution Statement - net	4,705	6,502,454	(9)	(2,679)
	1,383,037	(9,690,950)	465	(2,679)
Unrealised appreciation in value of investments classified as 'available for sale' - net	54,980	18,379	26,472	6,712
Final Distribution:				
Issue of 465,113 bonus units for the year ended June 30, 2010 (2009 : 665 bonus units)	21,971,948	36,470	-	-
Final distribution of Rs 13 per unit in terms of bonus units for the year ended June 30, 2010 (Date of distribution July 5, 2010) (2009 : Rs 2.75 per unit)	(21,971,948)	(36,470)	-	-
Unrealised (diminution) / appreciation in value of investments classified as 'at fair value through profit or loss' - net	(1,517,116)	(318,305)	368,020	40,569
Other net income for the period	7,033,052	22,672,197	2,803,878	2,735,979
Interim cash distribution	(1,815,753)	-	-	-
Element of (loss) / gain and capital (losses) / gain included in prices of units issued less those in units redeemed - amount representing unrealised losses - net	(4,705)	(6,502,454)	9	2,679
	(18,276,470)	15,814,968	3,171,907	2,779,227
Net assets at the end of the period	109,115,430	99,138,389	109,115,430	99,138,389

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 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), (formerly: Arif Habib Investment Management Limited) 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 7th January 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 October 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.

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 Arif Habib Centre, 23 M.T Khan Road, Karachi, Pakistan.

Pakistan Credit Rating Agency (PACRA) has assigned asset manager rating of 'AM2' (positive outlook) to the Management Company and AA (f) as stability rating to the Fund.

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.

The Fund consists of a 'perpetual' (the scheme) and one sub-scheme as at 31st March 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.

These financial statements are the financial statements of the sub-scheme MSF 12/12. The Fund can directly 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

- 3.1 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.

4. RISK MANAGEMENT

The Fund's risk management objectives and policies are consistent with those objectives and policies which were disclosed in the financial statements of the year ended June 30, 2010.

5. INVESTMENTS

		(Un-audited) March 31, 2011	(Audited) June 30, 2010
		----- Rupees -----	
At fair value through profit or loss			
Pakistan Investment Bonds	5.1	96,748,642	97,671,348
Treasury Bills		10,781,786	-
Available for sale			
Pakistan Investment Bonds	5.2	531,705	505,859
		<u>108,062,133</u>	<u>98,177,207</u>

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

Issue date	Tenor	Face value				Balance as at March 31, 2011			Market value as a percentage of net assets	Market value as a percentage of total investments
		Balance as at July 01, 2010	Purchases during the period	Sales / matured during the period	Balance as at March 31, 2011	Cost	Market Value	Appreciation / (diminution)		
----- Rupees in '000 -----					----- Rupees -----					
Pakistan Investment Bonds										
3 September 2009	3 Years	-	100,000	-	100,000	98,715,048	96,748,642	(1,966,406)	88.67%	89.53%
Total of Pakistan Investment Bonds						98,715,048	96,748,642	(1,966,406)		
Treasury Bills - MSF December 2012										
9 September, 2010	3 Months	-	5,000	5,000	-	-	-	-	-	-
2 December, 2010	3 Months	-	5,000	5,000	-	-	-	-	-	-
24 February, 2011	3 Months	-	5,000	-	5,000	4,914,285	4,914,050	(235)	4.50%	4.55%
18 December, 2010	3 Months	-	5,000	5,000	-	-	-	-	-	-
10 March, 2011	3 Months	-	6,000	-	6,000	5,867,585	5,867,736	151	5.38%	5.43%
						10,781,870	10,781,786	(84)		
Total of investment in Government Securities - 'at fair value through profit or loss'						109,496,918	107,530,428	(1,966,490)		

5.2 Investment in Government Securities - 'available for sale'

Issue date	Tenor	Face value				Balance as at March 31, 2011			Market value as a percentage of net assets	Market value as a percentage of total investments
		Balance as at July 01, 2010	Purchases during the period	Sales / matured during the period	Balance as at March 31, 2011	Cost	Market Value	Appreciation / (diminution)		
----- Rupees in '000 -----					----- Rupees -----					
Pakistan Investment Bonds										
18 April 2001	10 Years	500	-	-	500	501,911	531,705	29,794	0.49%	0.49%
Total of Pakistan Investment Bonds						501,911	531,705	29,794		

5.3 Net unrealised diminution in value of investments classified as - 'at fair value through profit or loss'

	----- Rupees -----	
	(Unaudited) As at March 31, 2011	(Audited) As at June 30, 2010
Market value of investments	107,530,428	97,671,348
Cost of investments	<u>(109,496,918)</u>	<u>(98,120,722)</u>
	(1,966,490)	(449,374)
Less: Net unrealised diminution in value of investments at beginning of the period	449,374	-
	<u>(1,517,116)</u>	<u>(449,374)</u>

5.4 Net unrealised appreciation in value of investments classified as 'available for sale'

Market value of investments		
Cost of investments	531,705	505,859
	<u>(501,911)</u>	<u>(531,045)</u>
Less: Net unrealised diminution in value of investments at beginning of the period	29,794	(25,186)
	<u>25,186</u>	<u>51,093</u>
	<u>54,980</u>	<u>25,907</u>

6. CONTINGENCIES AND COMMITMENTS

Through the Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. The Mutual Funds Association of Pakistan (MUFAP), on behalf of its members filed a constitutional petition in the High Court of Sindh (SHC) praying it to declare that the funds are not establishments and as a result are not liable to pay contribution to the WWF. The honorable court has rejected the petition on technical grounds stating that MUFAP is not the aggrieved party in this case and required the aggrieved parties to approach the courts for the said petition. In response a petition has been filed with the SHC by some of Mutual Funds through their Trustees along with few investors. However, subsequent to filing of the petition, the Ministry of Labour and Manpower (the Ministry) issued a letter which states that mutual funds are not liable for WWF. Further, in a subsequent letter dated July 15, 2010 the Ministry clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section-4 of WWF Ordinance 1971. However, the income of Mutual Fund(s), the product being sold, is exempted under the law *ibid*."

There have been instances whereby show cause notices under section 221 of the Income Tax Ordinance, 2001 have been issued to a number of mutual funds for the recovery of WWF. On December 14, 2010, the Ministry filed its response contesting the said petition. SHC has concluded its hearing and judgement has been reserved.

Based on the advice of the legal counsel handling the case, the Management Company is of the view that WWF is not applicable to the Funds due to the clarification issued by the Ministry which creates vested right, hence provision has not been made in respect of WWF, which if liable, would amount to Re 0.27 per unit.

There were no other contingencies and commitments outstanding as at 31st March 2011 and 30th June 2010.

7.

TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include Arif Habib Investments Limited (AHI) being the Management Company (AMC), Arif Habib Corporation Limited (formerly: Arif Habib Securities Limited) being the holding company of AHI, Arif Habib Limited and Thatta Cement Limited being companies under common control, Summit Bank Limited (formerly Arif Habib Bank Limited) and Pak Arab Fertilizer being companies under common directorship, Central Depository Company of Pakistan Limited being the trustee, other collective investment schemes managed by the Management Company and directors and officers of the Management Company, Habib Metropolitan Bank Limited being the major unitholder of the Fund. and MSF Perpetual being the Scheme of the Sub-Scheme.

Remunerations to the Management Company and trustee are determined in accordance with the provisions of NBFC regulations and Trust Deeds of the fund. All other transactions with connected persons are in the normal course of business and are carried out on *agreed terms*.

The transactions with connected persons are in the normal course of business and are carried out on agreed terms.

7.1

Transactions during the period

Management Company

Remuneration for the period

Issue of 3,505 bonus units (2009: 609 bonus units) and Nil units (2009: Nil) for the nine months and quarter respectively

Dividend paid and reinvested

	Nine months ended March 31,		Quarter ended March 31,	
	2011	2010	2011	2010
	----- Rupees -----			
Remuneration for the period	928,198	411,902	343,417	229,597
Issue of 3,505 bonus units (2009: 609 bonus units) and Nil units (2009: Nil) for the nine months and quarter respectively	165,589	33,354	-	-
Dividend paid and reinvested	13,644	-	-	-

Central Depository Company of Pakistan - Trustee

Remuneration for the period 93,762 44,173 30,734 30,289

Habib Metropolitan Bank Limited

Remuneration for the period * - 65,968 - -
 Profit on bank deposits 25,767 141,977 7,226 66,287
 Bank charges 6,400 - 4,080 -

MSF Perpetual

Units issued 43,983 units (2010: 1,806,300 units) and Nil units (2010: Nil) for the nine months and quarter respectively 2,100,835 99,996,768 - -

Units redeemed nil (2010: 133,447 units) and nil units (2010: 133,447) for the nine months and quarter respectively - 7,800,000 - 7,800,000

Dividend paid 1,800,835 - - -

Directors and Executives

Issue of 2,018 Units (2010: 500 units) and 2,018 units (2010: nil) for the nine months and quarter respectively 100,000 28,315 100,000 -

Units redeemed nil (2010: 500 units) nil units (2010: 500units) for the nine months and quarter respectively - 28,685 - 28,685

* This amount represents remuneration of Habib Metropolitan Bank Limited for acting as the trustee of the Fund till 22nd November 2009.

7.2 Amounts outstanding as at period / year end

Management Company

Remuneration payable 123,871 93,568
 Units held 16,500 (30th June 2010 : 12,738 units) 818,210 767,313

Central Depository Company of Pakistan - Trustee

Remuneration payable 10,558 10,360

Habib Metropolitan Bank Limited - Trustee

Interest receivable 2,199 -
 Bank balances 333,108 121,805

MSF Perpetual

Units held 2,181,486 (30th June 2010 : 1,806,300) 108,179,882 100,975,640
 Receivable from MSF perpetual - 8,497

Directors and Executives

Units held 2,018 (30th June 2010: Nil) 100,050 -

As at
March 31,
2011
 As at
June 30,
2010
 (Rupees)



8 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on April 23, 2011 by the Board of Directors of the Management Company.

9 GENERAL

9.1 For the purpose of better presentation corresponding figures have been rearranged and reclassified wherever necessary. In this regard, during the current period fees and subscription, legal and professional charges, auditors remuneration and printing and publication charges are clubbed in fees and remuneration, whereas these were shown separately.

9.2 Figures have been rounded off to the nearest rupee.

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

Chief Executive

Director

