

**METROBANK -  
PAKISTAN  
SOVEREIGN  
FUND**



**BRANCHES:**

**Lahore:**

Contact Person: Mr. Tanweer Ahmad Haral  
16, Block-A, Hali Road, Gulberg II, Lahore.  
Tel: (+92-42) 35714958, 35714959  
Fax: (+92-42) 35714957  
E-mail: lhr.mkt@arifhabib.com.pk

**Rawalpindi:**

Contact Person: Mr. Zahiruddin Khan  
60-A, Canning Road, Rawalpindi-46000.  
Tel: (+92-51) 111-468-378 (111-INVEST), 5564093  
E-mail: rwp.mkt@arifhabib.com.pk

**Islamabad:**

Contact Person: Mr. Nadeem Ishtiaq  
15 Beverly Centre, 2nd Floor,  
Blue Area, Jinnah Avenue, Islamabad.  
Tel: (+92-51) 2875939-2814189  
Fax: (+92-51) 2814199  
E-mail: isl.mkt@arifhabib.com.pk

**Multan:**

Contact Person: Syed Nawazish Ali Zaidi  
143-144, Mall Plaza, Multan Cantt., Multan.  
Tel: (+92-61) 111-468-378 (111-INVEST), 4546235, 6014125  
Fax: (+92-61) 4546235  
E-mail: mul.mkt@arifhabib.com.pk

**Peshawar:**

Contact Person: Mr. Iltifatullah Khan  
1st Floor, State Life Building, 34 The Mall, Peshawar.  
Tel: (+92-91) 111-468-378 (111-INVEST), 5287696  
Fax: (+92-91) 5287697  
E-mail: psw.mkt@arifhabib.com.pk



## CONTENTS

<b>Fund's Information</b>	<b>2</b>
<hr/>	
<b>Report of the Directors of the Management Company</b>	<b>3</b>
<hr/>	
<b>Report of the Fund Manager</b>	<b>5</b>
<hr/>	
<b>Condensed Interim Statement of Assets and Liabilities</b>	<b>7</b>
<hr/>	
<b>Condensed Interim Income Statement (Unaudited)</b>	<b>8</b>
<hr/>	
<b>Condensed Interim Distribution Statement (Unaudited)</b>	<b>9</b>
<hr/>	
<b>Condensed Interim Cash Flow Statement (Unaudited)</b>	<b>10</b>
<hr/>	
<b>Condensed Interim Statement of Movement in Unit Holders' Fund (Unaudited)</b>	<b>11</b>
<hr/>	
<b>Notes to and Forming Part of the Condensed Interim Financial Statements (Unaudited)</b>	<b>12</b>
<hr/>	
<b>Financial Statements of Metrobank - Pakistan Sovereign Fund - Perpetual</b>	<b>17</b>
<hr/>	
<b>Financial Statements of Metrobank - Pakistan Sovereign Fund - (December 2012)</b>	<b>28</b>
<hr/>	



## 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. Muhammad Kashif Habib	Director

### Company Secretary & CFO of the Management Company

Mr. Zeeshan

### Audit Committee

Mr. Muhammad Shafi Malik	Chairman
Mr. Muhammad Akmal Jameel	Member
Mr. Muhammad Kashif Habib	Member
Syed Ajaz Ahmed	Member

### Trustee

Central Depository Company of Pakistan Limited (CDC)  
CDC House, 99-B, S.M.C.H.S  
Main Shahr-ah-e-faisal, Karachi.

### Bankers

Habib Metropolitan Bank Limited  
Bank Alfalah Limited

### Auditors

A. F. Ferguson & Co. - Chartered Accountants  
State Life Building No. 1-C,  
I. I. Chundrigar Road, Karachi-74000

### Legal Adviser

Bawany & Partners  
404, 4th Floor, Beaumont Plaza,  
Beaumont Road, Civil Lines, Karachi-75530

### Registrar

Gangjees Registrar Services (Pvt.) Limited.  
Room No. 516, 5th Floor, 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 QUARTER ENDED SEPTEMBER 30, 2010**

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 quarter ended 30th September 2010.

**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. The Board has approved the categorisation of Fund as "Income Scheme".

**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. The Board has approved the categorisation of Fund as "Income Scheme".

**Fund's Performance during the quarter ended 30th September 2010***MSF Perpetual*

The Net Asset Value (NAV) per unit as at 30th September 2010 stood at Rs. 49.76 as compared to opening Ex NAV of Rs 49.02 per unit, registering an increase of Re 0.74 for the period.

*MSF 12-12*

The Net Asset Value (NAV) per unit as at 30th September 2010 stood at Rs. 47.93 as compared to opening Ex NAV Rs 47.24 per unit registering an increase of Re 0.69.

The combined Net Assets of the Fund as at 30th September 2010 stood at Rs 1,722.45 million as compared to Rs 1,506.59 million at 30th June 2010, registering an increase of 14.33%.

**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

Karachi  
October 25, 2010

**Nasim Beg**  
Chief Executive



## REPORT OF THE FUND MANAGER FOR THE QUARTER ENDED SEPTEMBER 30, 2010

### Objective

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

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

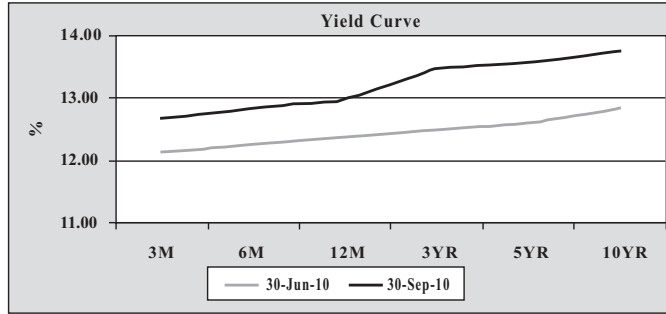
MSF earned an annualized return of 5.99% during the quarter ended 30th September 2010, compared to its benchmark (6-month T-bill) return of 7.53% for the 1st quarter FY11. **Industry average return of Income Fund category was 6.51% during this period.** The return of the fund decreased relative to fourth quarter of FY10 due to 100bps increase in discount rate which adversely impacted the prices of government securities during this period. Net assets of the Fund were Rs. 1.72 billion compared to Rs. 1.51 billion at the beginning of the period. Average portfolio duration of the Fund was 147 days at the end of the period.

### Asset allocation

Expectations of interest rate increase gripped the market since the start of the FY11 and market witnessed gradual rise in long term PIB's yields from the start of the session. In view of rising interest rate scenario, the Fund reduced its exposure in long term maturity instruments and significantly brought down the weighted average duration of the portfolio to 147 days from 1.73 years at the beginning of the period. T-bills comprise 74% of net assets from 40.79% at the beginning of the period while exposure to PIBs was reduced to 19.53% from 50.52%. Exposure to sub-scheme (12/12) was 5.97%.

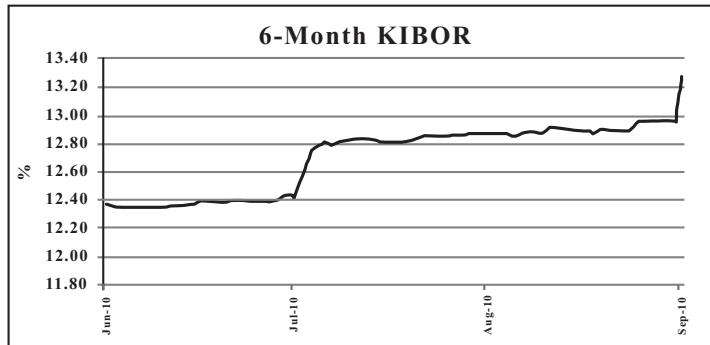
### Market Review

During the first quarter of FY 2011, SBP increased the discount rate twice (July and September) by 50 bps each to 13.5% as inflation started creeping up again along with higher government borrowings due to fiscal pressure. As a result, interest rates moved up across all tenors, with the yields on 3 month, 1-year and 10 years instruments increasing by 55 bps, 59 bps and 91 bps to 12.68%, 12.97% and 13.75% respectively.



Total domestic government borrowing from banks and non-banks during quarter ended September, 2010 stood at Rs. 133.0bn approximately. Total T-bill worth Rs. 462.0bn was accepted against a target of Rs. 535.0bn set by the Central Bank amid t-bill maturity of Rs. 500bn during this period. Major participation was noted in 3-month tenor as the participants were expecting an increase in interest rates during most of the quarter. On the other hand, PIB auctions were rejected twice due to participation at high yields in wake of inflationary pressures and uncertainty over Monetary Policy Statement (MPS).

The benchmark 6-month KIBOR also increased by 90bps to 13.27% MoM (from previous closing at 12.37%), after increase in policy rate and adequate liquidity management by SBP.



**Future Outlook**

Rising interest rate scenario require that the portfolio duration be reduced further from the current 165 days to around 90 days. Reducing the longer term exposure in government bonds will reduce volatility of the Fund and also provide stable returns during next quarter.



**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES  
AS AT SEPTEMBER 30, 2010**

	<i>Note</i>	Unaudited September 30, 2010	Audited June 30, 2010
(Rupees)			
<b>ASSETS</b>			
Bank Balances		3,657,944	6,805,114
Investments	5	1,712,860,312	1,473,021,184
Income receivable		8,279,310	30,147,580
Advances and prepayments		7,506	-
<b>Total assets</b>		<b>1,724,805,072</b>	<b>1,509,973,878</b>
<b>LIABILITIES</b>			
Payable to Management Company		1,448,585	1,420,774
Payable to Trustee		165,791	155,810
Payable to Securities and Exchange Commission of Pakistan		288,677	1,260,228
Accrued expenses and other liabilities		455,260	545,690
<b>Total liabilities</b>		<b>2,358,313</b>	<b>3,382,502</b>
<b>NET ASSETS</b>		<b>1,722,446,759</b>	<b>1,506,591,376</b>
<b>Unit holders' funds</b>		<b>1,722,446,759</b>	<b>1,506,591,376</b>
(Number of Units)			
<b>Number of units in issue</b>		<b>34,618,077</b>	<b>27,889,305</b>
(Rupees)			
<b>Net asset value per unit</b>		<b>49.76</b>	<b>54.02</b>

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 QUARTER ENDED SEPTEMBER 30, 2010**

	<b>2010</b>	<b>2009</b>
	<b>(Rupees)</b>	
<b>Income</b>		
Income from investments in government securities	45,544,288	48,569,919
Income from reverse repurchase transaction in government securities	172,393	539,015
Profit on bank deposits	395,254	2,192,694
Loss on sale of investments	(11,966,278)	(1,490,189)
Unrealised diminution in fair value of investments classified as at fair value through profit or loss' - net	(5,969,199)	(9,952,233)
<b>Total income</b>	<b>28,176,458</b>	<b>39,859,206</b>
<b>Expenses</b>		
Remuneration of Management Company	4,269,583	2,000,768
Remuneration of Trustee	475,802	1,000,384
Annual Fee - Securities and Exchange Commission of Pakistan	288,676	320,251
Brokerage	73,568	110,951
Bank charges	35,956	2,133
Printing and related costs	31,942	47,613
Fees and subscriptions	39,921	44,110
Legal and professional charges	24,950	12,604
Auditors' remuneration	89,695	119,030
<b>Total expenses</b>	<b>5,330,093</b>	<b>3,657,844</b>
<b>Net income from operating activities</b>	<b>22,846,365</b>	<b>36,201,362</b>
Element of (loss) / income and realised capital (losses) / gain during the period included in prices of units sold less those in units repurchased - net	(3,621,185)	2,647,260
<b>Net income for the period</b>	<b>19,225,180</b>	<b>38,848,622</b>
<b>Other comprehensive income / (loss) for the period</b>		
Unrealised appreciation / (diminution) in value of investments classified as 'available for sale'	410,610	(584,899)
<b>Total comprehensive income for the period</b>	<b>19,635,790</b>	<b>38,263,723</b>

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 QUARTER ENDED SEPTEMBER 30, 2010**

	2010	2009
	(Rupees)	
Undistributed income / (Accumulated losses) brought forward	115,389,267	(29,650,140)
Net income for the period	19,225,180	38,848,622
Element of (loss) / income and unrealised capital gains / (losses) included in prices of units sold less those in units repurchased - recognized in net assets	(661,077)	1,121,389
Final distribution of Rs 5 per unit in terms of bonus units for the year ended June 30, 2010 (Date of distribution July 05, 2010) (2009 : Re 0.071 per unit)	(139,557,943)	(2,820,019)
	<b>(120,993,840)</b>	37,149,992
(Accumulated losses) / Undistributed income carried forward	<b>(5,604,573)</b>	<b>7,499,852</b>

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 QUARTER ENDED SEPTEMBER 30, 2010**

	2010	2009
	(Rupees)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period	19,225,180	38,848,622
<b>Adjustments for:</b>		
Element of loss / (income) and realised capital losses / (gain) during the period included in prices of units sold less those in units repurchased	3,621,185	(2,647,260)
Unrealised diminution in fair value of investments in classified as - 'at fair value through profit or loss'	5,969,199	9,952,233
	28,815,564	46,153,595
<b>Decrease / (increase) in assets</b>		
Investments	(245,397,717)	48,795,241
Income receivable	21,868,270	1,544,549
Advances and prepayments	(7,506)	37,809
	(223,536,953)	50,377,599
<b>(Decrease) / increase in liabilities</b>		
Payable to Management Company	27,811	(1,424,860)
Payable to Trustee	9,981	(352,386)
Payable to Securities and Exchange Commission of Pakistan	(971,551)	(207,602)
Payable against purchase of investments	-	(98,559,700)
Redemption payable	-	(781,008)
Accrued expenses and other liabilities	(90,430)	(219,815)
	(1,024,189)	(101,545,371)
<b>Net cash used in operating activities</b>	(195,745,578)	(5,014,177)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts against issue of units	400,000,000	16,771,508
Payment against redemption of units	(207,401,592)	(464,365,373)
<b>Net cash generated / (used in) from financing activities</b>	192,598,408	(447,593,865)
Net decrease in cash and cash equivalents during the period	(3,147,170)	(452,608,042)
Cash and cash equivalents at beginning of the period	6,805,114	462,846,617
<b>Cash and cash equivalents at end of the period</b>	3,657,944	10,238,575

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 HOLDER'S FUNDS (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

	2010	2009
	(Rupees)	
Net assets at the beginning of the period	1,506,591,376	1,954,109,832
Issue of 8,091,111 (2009 : 338,400) units	400,000,000	16,771,508
Redemption of 4,209,437 (2009 : 9,366,665) units	(207,401,592)	(464,365,373)
	192,598,408	(447,593,865)
Element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units repurchased:		
- amount representing accrued loss / (income) and realised capital losses / (gains) during the period - transferred to the Income Statement	3,621,185	(2,647,260)
- amount representing unrealised capital (losses) / gains - directly recognized in net assets	661,077	(1,121,389)
	4,282,262	(3,768,649)
Net unrealised appreciation / (diminution) in fair value of investments classified as 'available for sale'	410,610	(584,899)
Distribution:		
Issue of 2,847,098 bonus units for the year ended June 30, 2010 (2009 : 57,414 bonus units)	139,557,943	2,820,019
Final distribution of 2,847,098 bonus units for the year ended June 30, 2010 (2009: 57,415)	(139,557,943)	(2,820,019)
Net income for the period less distribution	19,225,180	38,848,622
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	(661,077)	1,121,389
	(120,993,840)	37,149,992
Net assets at the end of the period	1,722,446,759	1,542,132,430

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 AND FORMING PART OF THE CONDENSED INTERIM  
FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

**1. LEGAL STATUS AND NATURE OF BUSINESS**

MetroBank - Pakistan Sovereign Fund was established under a Trust Deed executed between Arif Habib Investments Limited (AHIL), as Management Company and Habib Metropolitan Bank Limited as Trustee. The Trust Deed was executed on December 24, 2002 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 7, 2003 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules), [repealed by Non - Banking Finance Companies (Establishment and Regulations) Rules, 2003 (NBFC Rules)].

On 22 November 2009, Habib Metropolitan Bank Limited retired as the Trustee of the Fund and Central Depository Company of Pakistan Limited (CDC) was appointed as the new Trustee with effect from 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.

The Metro Bank - Pakistan Sovereign Fund is an open-ended mutual fund listed on the Islamabad Stock Exchange on. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

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

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

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

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

<b>Name of sub-scheme</b>	<b>Matured on</b>
MetroBank - Pakistan Sovereign Fund - (December 2003) [MSF 12/03]	December 31, 2003
MetroBank - Pakistan Sovereign Fund - (December 2005) [MSF 12/05]	December 31, 2005
MetroBank - Pakistan Sovereign Fund - (December 2007) [MSF 12/07]	December 31, 2007

The scheme and sub-scheme of MSF are open-end schemes which offer units for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the scheme.

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

## 2. BASIS OF PRESENTATION

These un-audited condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, The requirements of the Trust Deed, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the NBFC Regulations or the directives issued by the SECP prevail. These financial statements are presented in condensed form in accordance with International Accounting Standard, 34 "Interim Financial Reporting". These do not include all the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Fund as at and for the year ended June 30, 2010.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

## 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

	(Unaudited) September 30, 2010		(Audited) June 30, 2010	
	MSF Perpetual	MSF 12/12	Total	Total
	----- (Rupees) -----			
Investments 'Available for sale'	146,772,585	502,822	147,275,407	146,723,852
Investments 'at fair value through profit or loss'	1,464,103,152	101,481,753	1,565,584,905	1,326,297,332
	<u>1,610,875,737</u>	<u>101,984,575</u>	<u>1,712,860,312</u>	<u>1,473,021,184</u>

### 5.1. Net unrealised (diminution) / appreciation in fair value of investments classified as 'Available for Sale'

Market value of investments	146,772,585	502,822	147,275,407	146,723,852
Cost of investments	(149,609,083)	(521,442)	(150,130,525)	(149,989,579)
	<u>(2,836,498)</u>	<u>(18,620)</u>	<u>(2,855,118)</u>	<u>(3,265,727)</u>
Less: Net unrealised diminution / (appreciation) in the fair value of investments at the beginning of the period	3,240,541	25,186	3,265,727	5,151,853
	<u>404,043</u>	<u>6,566</u>	<u>410,609</u>	<u>1,886,126</u>

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

Market value of investments	1,464,103,152	101,481,753	1,565,584,905	1,326,297,332
Cost of investments	(1,468,661,696)	(103,209,875)	(1,571,871,571)	(1,332,219,431)
	<u>(4,558,544)</u>	<u>(1,728,122)</u>	<u>(6,286,666)</u>	<u>(5,922,099)</u>
Add: Realised on disposal during the period	(5,604,632)	-	(5,604,632)	3,866,069
Less: Net unrealised diminution / (appreciation) in the fair value of investments at the beginning of the period	5,922,099	-	5,922,099	(12,045,728)
	<u>(4,241,077)</u>	<u>(1,728,122)</u>	<u>(5,969,199)</u>	<u>(14,101,758)</u>

5.3 Investments - 'available for sale'

Issue date	Tenor	Face value				Balance as at September 30, 2010			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 Sep 30, 2010	Cost	Market Value	Appreciation / (diminution)		
----- Rupees in '000 -----										
<b>Pakistan Investment Bond - MSF perpetual</b>										
May 19, 2006	5 Years	150,000	-	-	150,000	149,609,083	146,772,585	(2,836,498)	8.52%	8.57%
<b>Total</b>						<b>149,609,083</b>	<b>146,772,585</b>	<b>(2,836,498)</b>		
<b>Pakistan Investment Bond - MSF December 2012</b>										
April 18, 2001	10 Years	500	-	-	500	521,442	502,822	(18,620)	0.03%	0.03%
						521,442	502,822	(18,620)		
<b>Total of investment in Government Securities - 'available for sale'</b>						<b>150,130,525</b>	<b>147,275,407</b>	<b>(2,855,118)</b>		

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

Issue date	Tenor	Face value				Balance as at September 30, 2010			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 Sep 30, 2010	Cost	Market Value	Appreciation / (diminution)		
----- Rupees in '000 -----										
<b>Pakistan Investment Bond - MSF perpetual</b>										
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	-	51,000	174,000	169,203,595	165,956,946	(3,246,649)	9.63%	9.69%
September 3, 2009	10 Years	50,000	-	50,000	-	-	-	-	-	-
September 3, 2009	5 Years	25,000	-	-	25,000	24,388,306	23,522,996	(865,310)	1.37%	1.37%
September 3, 2009	3 Years	25,000	-	25,000	-	-	-	-	-	-
						<b>193,591,901</b>	<b>189,479,942</b>	<b>(4,111,959)</b>		
<b>Pakistan Investment Bond - MSF December 2012</b>										
September 3, 2009	3 Years	100,000	-	-	100,000	98,313,577	96,587,172	(1,726,405)	5.61%	5.64%
						<b>98,313,577</b>	<b>96,587,172</b>	<b>(1,726,405)</b>		
<b>Total of Pakistan Investment Bond</b>						<b>291,905,478</b>	<b>286,067,114</b>	<b>(5,838,364)</b>		
<b>Treasury Bills - MSF perpetual</b>										
August 13, 2009	1 Year	50,000	-	50,000	-	-	-	-	-	-
November 19, 2009	1 Year	30,000	-	-	30,000	29,571,165	29,509,861	(61,304)	1.71%	1.72%
December 3, 2009	1 Year	25,000	-	-	25,000	24,541,813	24,472,900	(68,913)	1.42%	1.43%
March 11, 2010	1 Year	25,000	-	-	25,000	23,794,505	23,666,876	(127,629)	1.37%	1.38%
July 15, 2010	3 Months	-	60,000	-	60,000	59,883,857	59,885,821	1,964	3.48%	3.50%
August 13, 2010	3 Months	-	495,000	-	495,000	489,371,351	489,244,140	(127,211)	28.40%	28.56%
August 27, 2009	1 Year	-	25,000	25,000	-	-	-	-	-	-
October 8, 2009	1 Year	-	35,000	-	35,000	34,930,525	34,933,396	2,871	2.03%	2.04%
August 26, 2010	3 Months	-	110,000	-	110,000	108,240,000	108,202,821	(37,179)	6.28%	6.32%
March 11, 2010	6 Months	-	20,000	20,000	-	-	-	-	-	-
September 9, 2010	3 Months	-	60,000	-	60,000	58,755,571	58,734,961	(20,610)	3.41%	3.43%
September 26, 2009	1 Year	-	448,000	448,000	-	-	-	-	-	-
April 8, 2010	6 Months	-	50,000	-	50,000	49,902,629	49,904,851	2,222	2.90%	2.91%
July 29, 2010	3 Months	-	138,000	-	138,000	137,089,791	137,083,543	(6,248)	7.96%	8.00%
September 24, 2010	3 Months	-	150,000	-	150,000	149,710,269	149,714,550	4,281	8.69%	8.74%
April 22, 2010	6 Months	-	110,000	-	110,000	109,278,319	109,269,490	(8,829)	6.34%	6.38%
						<b>1,275,069,795</b>	<b>1,274,623,210</b>	<b>(446,585)</b>		
<b>Total of Treasury Bills MSF - Perpetual</b>						<b>1,279,966,093</b>	<b>1,279,517,791</b>	<b>(448,302)</b>		
<b>Treasury Bills - MSF December 2012</b>										
September 9, 2010	3 Months	-	5,000	-	5,000	4,896,298	4,894,581	(1,717)	0.28%	0.29%
						<b>4,896,298</b>	<b>4,894,581</b>	<b>(1,717)</b>		
<b>Total of Treasury Bills</b>						<b>1,279,966,093</b>	<b>1,279,517,791</b>	<b>(448,302)</b>		
<b>Total of investment in Government Securities - 'at fair value through profit or loss'</b>						<b>1,571,871,571</b>	<b>1,565,584,905</b>	<b>(6,286,666)</b>		



**6. TRANSACTIONS WITH CONNECTED PERSONS**

Connected persons include Arif Habib Investments Limited (AHI) being the Management Company (AMC), 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 NBFIC 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.

Details of transactions with connected persons and balances with them at period / year end are as follows:

<b>Transactions and balances with connected persons</b>	<b>September 30, 2010</b>	<b>September 30, 2009</b>
	------(Rupees)-----	
<b>Management Company</b>		
Remuneration for the period	4,269,583	2,000,768
Bonus units issued 3,505 bonus units (2009: 609 units)	<u>165,589</u>	<u>33,354</u>
<b>Habib Metropolitan Bank Limited - Former Trustee</b>		
Remuneration for the period	-	1,000,384
Units issued 8,091,112 units (2009: nil)	<u>400,000,000</u>	<u>-</u>
Units redeemed 4,058,854 units (2009: nil)	<u>200,000,000</u>	<u>-</u>
Bonus units issued 2,787,686 units (2009: 38,683 units)	<u>30,118,166</u>	<u>1,897,385</u>
Profit on bank deposits	<u>394,056</u>	<u>191,139</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration for the period	<u>475,802</u>	<u>-</u>
<b>Amounts outstanding at period / year end</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>September 30, 2010</b>	<b>June 30, 2010</b>
	------(Rupees)-----	
<b>Management Company</b>		
Balance at the end of the period / year	<u>1,448,585</u>	<u>1,420,774</u>
Units held 16,243 units (30 <sup>th</sup> June 2010: 12,738 units)	<u>788,521</u>	<u>767,313</u>
<b>Habib Metropolitan Bank Limited - Former Trustee</b>		
Units held 34,150,424 (30 <sup>th</sup> June 2010: 27,105,500)	<u>1,699,325,106</u>	<u>1,476,392,522</u>
Deposits at the end of the period / year	<u>3,590,315</u>	<u>6,738,683</u>
Profit Receivable at the end of the period / year	<u>250,107</u>	<u>-</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Balance at end of the period / year	<u>165,791</u>	<u>155,810</u>

**7. CONTRIBUTION TO WORKERS WELFARE FUND**

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 issued a letter which states that mutual funds are not liable for WWF.

The MUFAP, on behalf of its member AMCs, obtained legal opinions from couple of renowned law firms to assess the implications of the letter issued by the Ministry of Labour and Manpower. The legal opinions, among other things, stated that mutual funds are not required to provide for contribution to WWF and earlier provisioning, if any, can be reversed and the terms of the letters suggest that provisioning was neither required nor necessary. Further, the opinions suggest that the petition filed with the High Court of Sindh be withdrawn.

The management has not made any provision in respect of WWF based on the letter issued by Ministry of Labour and Manpower, that mutual funds are not establishments and as a result are not liable to pay contribution to WWF.

**8. DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements were authorised for issue on October 25, 2010 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**



## CONTENTS

<b>Condensed Interim Statement of Assets And Liabilities</b>	<b>18</b>
<hr/>	
<b>Condensed Interim Income Statement (Unaudited)</b>	<b>19</b>
<hr/>	
<b>Condensed Interim Distribution Statement (Unaudited)</b>	<b>20</b>
<hr/>	
<b>Condensed Interim Cash Flow Statement (Unaudited)</b>	<b>21</b>
<hr/>	
<b>Condensed Interim Statement of Movement in Unit Holders' Fund (Unaudited)</b>	<b>22</b>
<hr/>	
<b>Notes to and Forming Part of the Condensed Interim Financial Statements (Unaudited)</b>	<b>23</b>
<hr/>	

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES  
AS AT SEPTEMBER 30, 2010**

	<i>Note</i>	<b>Unaudited September 30 2010</b>	<b>Audited June 30 2010</b>
<b>(Rupees)</b>			
<b>ASSETS</b>			
Bank Balances		2,777,834	6,683,309
Investments	5	1,713,634,821	1,475,819,617
Income receivable		7,378,263	26,434,795
Advances and prepayments		6,997	-
<b>Total assets</b>		<b>1,723,797,915</b>	<b>1,508,937,721</b>
<b>LIABILITIES</b>			
Payable to Management Company		1,361,364	1,327,206
Payable to Trustee		155,446	145,450
Payable to Securities and Exchange Commission of Pakistan		269,276	1,196,616
Accrued expenses and other liabilities		421,585	520,254
<b>Total liabilities</b>		<b>2,207,671</b>	<b>3,189,526</b>
<b>NET ASSETS</b>		<b>1,721,590,244</b>	<b>1,505,748,195</b>
<b>Unit holders' funds</b>		<b>1,721,590,244</b>	<b>1,505,748,195</b>
<b>(Number of Units)</b>			
<b>Number of units in issue</b>		<b>34,600,317</b>	<b>27,875,377</b>
<b>(Rupees)</b>			
<b>Net asset value per unit</b>		<b>49.76</b>	<b>54.02</b>

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 QUARTER ENDED SEPTEMBER 30, 2010**

	<b>2010</b>	<b>2009</b>
	<b>(Rupees)</b>	
<b>Income</b>		
Income from investment in government securities	42,439,519	47,644,061
Income from reverse repurchase transaction in government securities	172,393	507,515
Profit on bank deposits	387,793	2,166,568
Loss on sale of investments	(11,966,278)	(1,490,189)
Unrealised diminution in fair value of investments classified as at fair value through profit or loss' - net	<u>(3,207,012)</u>	<u>(9,070,621)</u>
<b>Total income</b>	<b>27,826,415</b>	<b>39,757,334</b>
<b>Expenses</b>		
Remuneration of Management Company	3,992,315	1,955,909
Remuneration of Trustee	443,797	977,955
Annual Fee - Securities and Exchange Commission of Pakistan	269,275	314,126
Brokerage	73,568	104,976
Bank charges	34,796	2,133
Printing and related costs	29,790	45,432
Fees and subscriptions	37,232	43,215
Legal and professional charges	23,269	12,348
Auditors' remuneration	82,776	116,926
<b>Total expenses</b>	<b>4,986,818</b>	<b>3,573,020</b>
<b>Net income from operating activities</b>	<u><b>22,839,597</b></u>	<u><b>36,184,314</b></u>
Element of (loss) / income and realised capital (losses) / gains included in prices of units sold less those in units repurchased - net	<u>(3,610,645)</u>	<u>2,641,629</u>
<b>Net income for the period</b>	<u><b>19,228,952</b></u>	<u><b>38,825,943</b></u>
<b>Other comprehensive income for the period</b>		
Unrealised appreciation / (diminution) in value of investments classified as 'available for sale'	404,043	(587,969)
<b>Total comprehensive income for the period</b>	<u><b>19,632,995</b></u>	<u><b>38,237,974</b></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 QUARTER ENDED SEPTEMBER 30, 2010**

	<b>2010</b>	<b>2009</b>
	<b>(Rupees)</b>	
Undistributed income / (accumulated losses) brought forward	<b>115,217,044</b>	(29,801,496)
Net income for the period	<b>19,228,952</b>	38,825,943
Element of (loss) / income and unrealised capital (losses) / gains included in prices of units sold less those in units repurchased - recognized in net assets	<b>(661,038)</b>	1,123,832
Final distribution of Rs. 5 per unit in terms of bonus units for the year ended June 30, 2010 (Date of distribution July 05, 2010) (2009 : Re 0.07 per unit)	<b>(139,376,887)</b>	(2,783,549)
	<b>(120,808,973)</b>	37,166,226
(Accumulated losses) / undistributed income carried forward	<b>(5,591,929)</b>	7,364,730

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 QUARTER ENDED SEPTEMBER 30, 2010**

	<b>2010</b>	<b>2009</b>
	(Rupees)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period	19,228,952	38,825,943
<b>Adjustments for:</b>		
Element of (income) / loss and realised capital (gains) / losses included in prices of units sold less those in units repurchased	3,610,645	(2,641,629)
Unrealised diminution in fair value of investments classified as at fair value through profit or loss'	3,207,012	9,070,621
	26,046,609	45,254,935
<b>Decrease / (increase) in assets</b>		
Investments	(240,618,173)	46,366,471
Income receivable	19,056,532	2,448,471
Advances and prepayments	(6,997)	37,042
	(221,568,638)	48,851,984
<b>(Decrease) / increase in liabilities</b>		
Payable to Management Company	34,158	(1,424,675)
Payable to Trustee	9,996	(374,536)
Payable to Securities and Exchange Commission of Pakistan	(927,340)	(213,125)
Payable against purchase of investments	-	(98,559,700)
Payable on redemption of units	-	(781,008)
Accrued expenses and other liabilities	(98,669)	(229,819)
	(981,855)	(101,582,863)
<b>Net cash (used in) / from operating activities</b>	(196,503,884)	(7,475,944)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts against issue of units	400,000,000	16,771,508
Payment against redemption of units	(207,401,591)	(464,365,373)
<b>Net cash generated / (used in) from financing activities</b>	192,598,409	(447,593,865)
Net (decrease) / increase in balance with bank during the period	(3,905,475)	(455,069,809)
Cash and cash equivalents at beginning of the period	6,683,309	462,613,832
<b>Cash and cash equivalents at end of the period</b>	2,777,834	7,544,023

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 QUARTER ENDED SEPTEMBER 30, 2010**

	2010	2009
	(Rupees)	
Net assets at the beginning of the period	1,505,748,195	1,953,346,708
Issue of 8,091,111 (2009 :338,400) units	400,000,000	16,771,508
Redemption of 4,209,438 (2009 : 9,366,664) units	(207,401,591)	(464,365,373)
	192,598,409	(447,593,865)
Element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units repurchased:		
- amount representing accrued loss / (income) and realised capital losses / (gains) during the period - transferred to the Income Statement	3,610,645	(2,641,629)
- amount representing unrealised capital (losses) / gains - directly recognized in net assets	661,038	(1,123,832)
	4,271,683	(3,765,461)
Net unrealised gain / (loss) in fair value of investments classified as 'Available for sale'	404,043	(587,969)
Distribution:		
Issue of 2,843,266 bonus units for the year ended June 30, 2010 (2009: 56,749)	139,376,887	2,783,549
Final distribution of 2,847,098 bonus units for the year ended 30 <sup>th</sup> June 2010 (2009: 57,415)	(139,376,887)	(2,783,549)
Net income for the period	19,228,952	38,825,943
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	(661,038)	1,123,832
	(120,808,973)	37,166,226
Net assets at the end of the period	1,721,590,244	1,541,349,188

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 AND FORMING PART OF THE CONDENSED INTERIM  
FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

**1. LEGAL STATUS AND NATURE OF BUSINESS**

MetroBank - Pakistan Sovereign Fund was established under a Trust Deed executed between Arif Habib Investments Limited (AHIL), as Management Company and Habib Metropolitan Bank Limited as Trustee. The Trust Deed was executed on December 24, 2002 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 7, 2003 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules), [repealed by Non - Banking Finance Companies (Establishment and Regulations) Rules, 2003 (NBFC Rules)].

On 22 November 2009, Habib Metropolitan Bank Limited retired as the Trustee of the Fund and Central Depository Company of Pakistan Limited (CDC) was appointed as the new Trustee with effect from November 23, 2009. The SECP approved the appointment of CDC as the Trustee in place of Habib Metropolitan Bank Limited and further approved the amendments to the Trust Deed vide its letter number SCD/NBFC-11/MF-RS/MSPF/981/2009 dated November 31, 2009. Accordingly, the Trust Deed of the Fund was revised through a supplemental Deed executed between the Management Company, Habib Metropolitan Bank Limited and CDC.

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.

The Metro Bank - Pakistan Sovereign Fund is an open-ended mutual fund and obtained listing on the Islamabad Stock Exchange on May 27, 2009. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

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

The Fund consists of a 'perpetual' (the scheme) and one sub-scheme as at 30th September 2010 with pre-determined maturity date at 31st December 2012.

The scheme and sub-scheme of MSF are open-end schemes which offer units for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the scheme.

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

**2. BASIS OF PRESENTATION**

These un-audited condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, The requirements of the Trust Deed, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the NBFC Regulations or the directives issued by the SECP prevail. These financial statements are presented in condensed form in accordance with International Accounting Standard, 34 "Interim Financial Reporting". These do not include all the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Fund as at and for the year ended June 30, 2010.

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

### 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.

	(Unaudited) September 30, 2010	(Audited) June 30, 2010
Note	------(Rupees)-----	
<b>5. INVESTMENTS</b>		
<b>Investments - 'Available for sale'</b>		
Pakistan Investment Bonds	5.3 146,772,585	146,217,993
<b>Investments - 'at fair value through profit or loss'</b>		
Pakistan Investment Bonds	5.4 189,479,942	614,430,749
Treasury Bills	5.4 1,274,623,210	614,195,235
Sub-Schemes	5.5 102,759,084	100,975,640
	<u>1,713,634,821</u>	<u>1,475,819,617</u>
<b>5.1. Net unrealised (diminution) / appreciation in fair value of investments classified as 'Available for Sale'</b>		
Market value of investments	146,772,585	146,217,993
Cost of investments	<u>(149,609,083)</u>	<u>(149,458,534)</u>
	(2,836,498)	(3,240,541)
Less: Net unrealised diminution in the fair value of investments at the beginning of the period	<u>3,240,541</u>	<u>5,100,760</u>
	<u>404,043</u>	<u>1,860,219</u>
<b>5.2. Net unrealised (diminution) / appreciation in fair value of investments classified as - 'at fair value through profit or loss'</b>		
Market value of investments	1,566,862,236	1,329,601,624
Cost of investments	<u>(1,561,770,821)</u>	<u>(1,326,907,829)</u>
	5,091,415	2,693,795
Add: Realised on disposal during the period	(5,604,632)	3,866,069
Less: Net unrealised appreciation in the fair value of investments at the beginning of the period	<u>(2,693,795)</u>	<u>(12,045,728)</u>
	<u>(3,207,012)</u>	<u>(5,485,864)</u>

5.3 Investments - 'available for sale'

Issue date	Tenor	Face value				Balance as at September 30, 2010			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 Sep 30, 2010	Cost	Market Value	Appreciation / (diminution)		
Rupees in '000					Rupees					
<b>Pakistan Investment Bond</b>										
May 19, 2006	5 Years	150,000	-	-	150,000	149,609,083	146,772,585	(2,836,498)	8.53%	8.56%
<b>Total</b>						<b>149,609,083</b>	<b>146,772,585</b>	<b>(2,836,498)</b>		

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

Issue date	Tenor	Face value				Balance as at September 30, 2010			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 Sep 30, 2010	Cost	Market Value	Appreciation / (diminution)		
Rupees in '000					Rupees					
<b>Pakistan Investment Bond</b>										
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	-	51,000	174,000	169,203,595	165,956,945	(3,246,650)	9.64%	9.68%
September 3, 2009	10 Years	50,000	-	50,000	-	-	-	-	-	-
September 3, 2009	5 Years	25,000	-	-	25,000	24,388,306	23,522,997	(865,309)	1.37%	1.37%
September 3, 2009	3 Years	25,000	-	25,000	-	-	-	-	-	-
<b>Total of Pakistan Investment Bond</b>						<b>193,591,901</b>	<b>189,479,942</b>	<b>(4,111,959)</b>		
<b>Treasury Bills</b>										
August 13, 2009	1 Year	50,000	-	50,000	-	-	-	-	-	-
November 19, 2009	1 Year	30,000	-	-	30,000	29,571,166	29,509,861	(61,305)	1.71%	1.72%
December 3, 2009	1 Year	25,000	-	-	25,000	24,541,814	24,472,900	(68,914)	1.42%	1.43%
March 11, 2010	1 Year	25,000	-	-	25,000	23,794,506	23,666,876	(127,630)	1.37%	1.38%
July 15, 2010	3 Months	-	60,000	-	60,000	59,883,858	59,885,821	1,963	3.48%	3.49%
August 13, 2010	3 Months	-	495,000	-	495,000	489,371,351	489,244,140	(127,211)	28.42%	28.55%
August 27, 2009	1 Year	-	25,000	25,000	-	-	-	-	-	-
October 8, 2009	1 Year	-	35,000	-	35,000	34,930,526	34,933,396	2,870	2.03%	2.04%
August 26, 2010	3 Months	-	110,000	-	110,000	108,240,000	108,202,821	(37,179)	6.29%	6.31%
March 11, 2010	6 Months	-	20,000	20,000	-	-	-	-	-	-
September 9, 2010	3 Months	-	60,000	-	60,000	58,755,571	58,734,961	(20,610)	3.41%	3.43%
September 26, 2009	1 Year	-	448,000	448,000	-	-	-	-	-	-
April 8, 2010	6 Months	-	50,000	-	50,000	49,902,629	49,904,851	2,222	2.90%	2.91%
July 29, 2010	3 Months	-	138,000	-	138,000	137,089,791	137,083,543	(6,248)	7.96%	8.00%
September 24, 2010	3 Months	-	150,000	-	150,000	149,710,269	149,714,550	4,281	8.70%	8.74%
April 22, 2010	6 Months	-	110,000	-	110,000	109,278,319	109,269,490	(8,829)	6.35%	6.38%
<b>Total of Treasury Bills</b>						<b>1,275,069,800</b>	<b>1,274,623,210</b>	<b>(446,590)</b>		
<b>Total of investment in Government Securities - 'at fair value through profit or loss'</b>						<b>1,468,661,701</b>	<b>1,464,103,152</b>	<b>(4,558,549)</b>		

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

Name	Units					Balance as at September 30, 2010			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	Bonus	Sales during the period	Balance as at Sep 30, 2010	Carrying value	Market Value	Appreciation / (diminution)		
Rupees										
MSF December 2012	1,676,223	6,348	461,280	-	2,143,851	93,109,120	102,759,084	9,649,964	5.97%	6.00%

## 6. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include Arif Habib Investments Limited (AHI) being the Management Company (AMC), 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 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.

Details of transactions with connected persons and balances with them at period / year end are as follows:

<b>Transactions and balances with connected persons</b>	<b>September 30, 2010</b>	<b>September 30, 2009</b>
	----- <b>(Rupees)</b> -----	
<b>Management Company</b>		
Remuneration for the period	<u>3,992,315</u>	<u>1,955,909</u>
Profit on bank deposits	<u>386,595</u>	<u>165,013</u>
<b>Habib Metropolitan Bank Limited - Former Trustee</b>		
Remuneration for the period	<u>-</u>	<u>977,955</u>
Units issued 8,091,112 units (2009: nil)	<u>400,000,000</u>	<u>-</u>
Units redeemed 4,058,854 units (2009: nil)	<u>200,000,000</u>	<u>-</u>
Bonus units issued 2,787,686 units (2009: 38,683 units)	<u>30,118,166</u>	<u>1,897,385</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration for the period	<u>443,797</u>	<u>-</u>
<b>Investment in sub schemes (MSF - December 2012)</b>		
Units purchased 6,348 units (2009: 1,806,300)	<u>300,000</u>	<u>99,996,768</u>
<b>Amounts outstanding at period / year end</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>September 30, 2010</b>	<b>June 30, 2010</b>
	----- <b>(Rupees)</b> -----	
<b>Management Company</b>		
Balance at the end of the period / year	<u>1,361,364</u>	<u>1,327,206</u>
<b>Habib Metropolitan Bank Limited - Former Trustee</b>		
Units held 34,150,424 (30 <sup>th</sup> June 2010: 27,105,500)	<u>1,699,325,106</u>	<u>1,476,392,530</u>
Deposits at the end of the period / year	<u>2,710,205</u>	<u>6,616,878</u>
Profit Receivable at the end of the period / year	<u>243,824</u>	<u>-</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Balance at end of the period / year	<u>155,446</u>	<u>145,450</u>
<b>Investment in sub schemes (MSF - December 2012)</b>		
Units Held 2,143,851 units (2009: 1,806,300)	<u>102,759,084</u>	<u>100,975,640</u>

**7. CONTRIBUTION TO WORKERS WELFARE FUND**

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 issued a letter which states that mutual funds are not liable for WWF.

The MUFAP, on behalf of its member AMCs, obtained legal opinions from couple of renowned law firms to assess the implications of the letter issued by the Ministry of Labour and Manpower. The legal opinions, among other things, stated that mutual funds are not required to provide for contribution to WWF and earlier provisioning, if any, can be reversed and the terms of the letters suggest that provisioning was neither required nor necessary. Further, the opinions suggest that the petition filed with the High Court of Sindh be withdrawn.

The management has not made any provision in respect of WWF based on the letter issued by Ministry of Labour and Manpower, that mutual funds are not establishments and as a result are not liable to pay contribution to WWF.

**8. DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements were authorised for issue on October 25, 2010 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**



## CONTENTS

<b>Condensed Interim Statement of Assets And Liabilities</b>	<b>29</b>
<hr/>	
<b>Condensed Interim Income Statement (Unaudited)</b>	<b>30</b>
<hr/>	
<b>Condensed Interim Distribution Statement (Unaudited)</b>	<b>31</b>
<hr/>	
<b>Condensed Interim Cash Flow Statement (Unaudited)</b>	<b>32</b>
<hr/>	
<b>Condensed Interim Statement of Movement in Unit Holders' Fund (Unaudited)</b>	<b>33</b>
<hr/>	
<b>Notes to and Forming Part of the Condensed Interim Financial Statements (Unaudited)</b>	<b>34</b>
<hr/>	

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES  
AS AT SEPTEMBER 30, 2010**

	<i>Note</i>	Unaudited September 30, 2010	Audited June 30, 2010
(Rupees)			
<b>ASSETS</b>			
Bank Balances		880,110	121,805
Investments in government securities	5	101,984,575	98,177,207
Income receivable		901,047	3,712,785
Advances and prepayments		509	8,497
<b>Total assets</b>		<b>103,766,241</b>	<b>102,020,294</b>
<b>LIABILITIES</b>			
Payable to Management Company		87,221	93,568
Payable to Trustee		10,345	10,360
Payable to Securities and Exchange Commission of Pakistan		19,401	63,612
Accrued expenses and other liabilities		33,680	33,933
<b>Total liabilities</b>		<b>150,647</b>	<b>201,473</b>
<b>NET ASSETS</b>		<b>103,615,594</b>	<b>101,818,821</b>
<b>Unit holders' funds</b>		<b>103,615,594</b>	<b>101,818,821</b>
(Number of Units)			
<b>Number of units in issue</b>		<b>2,161,611</b>	<b>1,690,150</b>
(Rupees)			
<b>Net Asset Value per unit</b>		<b>47.93</b>	<b>60.24</b>

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 QUARTER ENDED SEPTEMBER 30, 2010**

	2010	2009
	(Rupees)	
<b>Income</b>		
Income from investments in government securities	3,104,769	925,858
Income from reverse repurchase transactions in government securities	-	31,500
Profit on bank deposits	7,461	26,126
Unrealised diminution in fair value of investments classified as at fair value through profit or loss'	<u>(1,278,748)</u>	<u>(68,777)</u>
<b>Total income</b>	<b>1,833,482</b>	<b>914,707</b>
<b>Expenses</b>		
Remuneration of Management Company	277,268	44,859
Remuneration of Trustee	32,005	22,429
Securities and Exchange Commission of Pakistan - Annual fee	19,401	6,125
Brokerage	-	5,975
Bank Charges	1,160	-
Printing and related charges	2,152	2,181
Fees and subscriptions	2,689	895
Legal and professional charges	1,681	256
Auditors' remuneration	6,919	2,104
<b>Total expenses</b>	<b>343,275</b>	<b>84,824</b>
<b>Net income from operating activities</b>	<b>1,490,207</b>	<b>829,883</b>
Element of (loss) / income and realised capital (losses) / gains during the period included in prices of units sold less those in units repurchased	<u>(1,296,391)</u>	<u>16,190,079</u>
<b>Net income for the period</b>	<b>193,816</b>	<b>17,019,962</b>
<b>Other comprehensive income for the period</b>		
Unrealised appreciation in value of investments classified as 'available for sale'	6,566	3,070
<b>Total comprehensive income for the period</b>	<b>200,382</b>	<b>17,023,032</b>

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 QUARTER ENDED SEPTEMBER 30, 2010**

	2010	2009
	(Rupees)	
Undistributed income brought forward	17,336,510	151,125
Net income for the period	193,816	17,019,962
Element of loss and unrealised capital losses included in prices of units sold less those in units repurchased - recognized in net assets	(4,715)	(6,505,123)
Final distribution of Rs. 13 per unit in terms of bonus units for the year ended 30 <sup>th</sup> June 2010 (Date of distribution 5 <sup>th</sup> July 2010) (2009 : Rs 2.75 per unit)	(21,971,948)	(36,470)
	(21,782,847)	10,478,369
(Accumulated losses) / undistributed income carried forward	(4,446,337)	10,629,494

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 QUARTER ENDED SEPTEMBER 30, 2010**

	<b>2010</b>	<b>2009</b>
	<b>(Rupees)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period	193,816	17,019,962
<b>Adjustments for:</b>		
Element of income and realised capital gains during the period included in prices of units sold less those in units repurchased	1,296,391	(16,190,079)
Unrealised diminution in fair value of investments in government securities classified as 'at fair value through profit or loss'	<u>1,278,748</u>	<u>68,777</u>
	<u>2,768,955</u>	<u>898,660</u>
<b>(Increase) / decrease in Assets</b>		
Investments in government securities	<u>(5,079,550)</u>	<u>(97,567,998)</u>
Income receivable	<u>2,811,738</u>	<u>(903,922)</u>
Advances and prepayments	<u>7,988</u>	<u>63</u>
	<u>(2,259,824)</u>	<u>(98,471,857)</u>
<b>(Decrease) / increase in Liabilities</b>		
Payable to Management Company	<u>(6,347)</u>	<u>(185)</u>
Payable to Trustee	<u>(15)</u>	<u>22,150</u>
Payable to Securities and Exchange Commission of Pakistan - Annual fee	<u>(44,211)</u>	<u>5,523</u>
Accrued expenses and other liabilities	<u>(253)</u>	<u>10,708</u>
	<u>(50,826)</u>	<u>38,196</u>
<b>Net cash generated / (used in) from operating activities</b>	<u>458,305</u>	<u>(97,535,001)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts against issue of units	<u>300,000</u>	<u>99,996,768</u>
<b>Net cash from financing activities</b>	<u>300,000</u>	<u>99,996,768</u>
Net increase in balance with bank during the period	<u>758,305</u>	<u>2,461,767</u>
Cash and cash equivalents at beginning of the period	<u>121,805</u>	<u>232,785</u>
<b>Cash and cash equivalents at end of the period</b>	<u><u>880,110</u></u>	<u><u>2,694,552</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 QUARTER ENDED SEPTEMBER 30, 2010**

	2010	2009
	(Rupees)	
Net assets at the beginning of the period	101,818,821	763,124
Issue of 6,348 units (2009 : 1,806,300 units)	300,000	99,996,768
Redemption of nil units (2009 : nil units)	-	-
	300,000	99,996,768
Element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units repurchased:		
- amount representing accrued loss / (income) and realised capital losses / (gains) during the period - transferred to the Income Statement	1,296,391	(16,190,079)
- amount representing unrealised capital losses - directly recognized in net assets	4,715	6,505,123
	1,301,106	(9,684,956)
Net unrealised gain in fair value of investments classified as 'Available for sale'	6,566	3,070
Issue of 465,113 bonus units for the year ended June 30, 2010 (2009: 665)	21,971,948	36,470
Final distribution of 2,847,098 bonus units for the year ended 30 <sup>th</sup> June 2010 (2009: 665)	(21,971,948)	(36,470)
Net income for the period	193,816	17,019,962
Element of loss and capital losses included in prices of units issued less those in units redeemed - amount representing unrealised losses - net	(4,715)	(6,505,123)
	(21,782,847)	10,478,369
Net assets at the end of the period	103,615,594	101,592,845

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 AND FORMING PART OF THE CONDENSED INTERIM  
FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

**1. LEGAL STATUS AND NATURE OF BUSINESS**

MetroBank - Pakistan Sovereign Fund was established under a Trust Deed executed between Arif Habib Investments Limited (AHIL), as Management Company and Habib Metropolitan Bank Limited as Trustee. The Trust Deed was executed on 24th December 2002 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 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 November 2009, Habib Metropolitan Bank Limited retired as the Trustee of the Fund and Central Depository Company of Pakistan Limited (CDC) was appointed as the new Trustee with effect from 23rd November 2009. The SECP approved the appointment of CDC as the Trustee in place of Habib Metropolitan Bank Limited and further approved the amendments to the Trust Deed vide its letter number SCD/NBFC-11/MF-RS/MSPF/981/2009 dated 3rd November 2009. Accordingly, the Trust Deed of the Fund was revised through a supplemental Deed executed between the Management Company, Habib Metropolitan Bank Limited and CDC.

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.

The Metro Bank - Pakistan Sovereign Fund is an open-ended mutual fund and obtained listing on the Islamabad Stock Exchange on May 27, 2009. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

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

The Fund consists of a 'perpetual' (the scheme) and one sub-scheme as at 30th September 2009 with pre-determined maturity date at 31st December 2012.

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

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

<b>Name of sub-scheme</b>	<b>Matured on</b>
MetroBank - Pakistan Sovereign Fund - (December 2003) [MSF 12/03]	December 31, 2003
MetroBank - Pakistan Sovereign Fund - (December 2005) [MSF 12/05]	December 31, 2005
MetroBank - Pakistan Sovereign Fund - (December 2007) [MSF 12/07]	December 31, 2007

The scheme and sub-scheme of MSF are open-end schemes which offer units for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the scheme.

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

## 2. BASIS OF PRESENTATION

These un-audited condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, The requirements of the Trust Deed, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the NBFC Regulations or the directives issued by the SECP prevail. These financial statements are presented in condensed form in accordance with International Accounting Standard, 34 "Interim Financial Reporting". These do not include all the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Fund as at and for the year ended June 30, 2010.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

## 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.

		(Unaudited) September 30, 2010	(Audited) June 30, 2010
Note		------(Rupees)-----	
<b>5. INVESTMENTS IN GOVERNMENT SECURITIES</b>			
		502,822	505,859
	5.3.		
	Investments 'Available for sale'		
	5.4.	<u>101,481,753</u>	<u>97,671,348</u>
	Investments 'at fair value through profit or loss'		
		<u>101,984,575</u>	<u>98,177,207</u>
<b>5.1. Net unrealised appreciation in fair value of investments classified as 'Available for Sale'</b>			
		502,822	505,859
	Market value of investments		
		<u>(521,442)</u>	<u>(531,045)</u>
	Cost of investments		
		(18,620)	(25,186)
	Less: Net unrealised diminution in the fair value of investments at the beginning of the period	<u>25,186</u>	<u>51,093</u>
		<u>6,566</u>	<u>25,907</u>
<b>5.2. Net unrealised diminution in fair value of investments classified as - 'at fair value through profit or loss'</b>			
		101,481,753	97,671,348
	Market value of investments		
		<u>(103,209,875)</u>	<u>(98,120,722)</u>
	Cost of investments		
		(1,728,122)	(449,374)
	Less: Net unrealised diminution in the fair value of investments at the beginning of the period	<u>449,374</u>	<u>-</u>
		<u>(1,278,748)</u>	<u>(449,374)</u>

5.3. Investments - 'available for sale'

Issue date	Tenor	.....Face value (Rupees in Thousands).....				Balance as at September 30, 2010			Percentage of net assets	Percentage of total investments
		Balance as at July 01, 2010	Purchases during the period	Sales / Matured during the period	Balance as at Sep 30, 2010	Cost	Market value	Appreciation / (Diminution)		
<b>PAKISTAN INVESTMENT BOND</b>										
18 April 2001	10 Years	500	-	-	500	521,442	502,822	(18,620)	0.49%	0.49%
<b>TOTAL OF INVESTMENTS - 'AVAILABLE FOR SALE'</b>						<b>521,442</b>	<b>502,822</b>	<b>(18,620)</b>		

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

Issue date	Tenor	.....Face value (Rupees in Thousands).....				Balance as at September 30, 2010			Percentage of net assets	Percentage of total investments
		Balance as at July 01, 2010	Purchases during the period	Sales / Matured during the period	Balance as at Sep 30, 2010	Cost	Market value	Appreciation / (Diminution)		
<b>PAKISTAN INVESTMENT BOND</b>										
3 September 2005	3 Years	100,000	-	-	100,000	98,313,577	96,587,172	(1,726,405)	93.22%	94.71%
<b>T Bills</b>										
3 September 2010	3 Months	-	5,000	-	5,000	4,896,298	4,894,581	(1,717)	4.72%	4.80%
<b>TOTAL OF INVESTMENTS - 'AT FAIR VALUE THROUGH PROFIT OR LOSS'</b>						<b>103,209,875</b>	<b>101,481,753</b>	<b>(1,728,122)</b>		
<b>TOTAL OF INVESTMENTS IN GOVERNMENT SECURITIES</b>						<b>103,731,317</b>	<b>101,984,575</b>	<b>(1,746,742)</b>		

6. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include Arif Habib Investments Limited (AHI) being the Management Company (AMC), 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.

Details of transactions with connected persons and balances with them at period / year end are as follows:

Transactions and balances with connected persons	September 30, 2010	September 30, 2009
	------(Rupees)-----	
<b>Management Company</b>		
Remuneration for the period	<u>277,268</u>	44,859
Bonus units 3,505 bonus units (2009: 609 units)	<u>165,589</u>	<u>33,354</u>
<b>Habib Metropolitan Bank Limited - (Former Trustee)</b>		
Remuneration for the period	<u>-</u>	<u>22,429</u>
Profit on bank deposits	<u>7,461</u>	<u>26,126</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration for the period	<u>32,005</u>	<u>-</u>
<b>MSF perpetual</b>		
Units issued 6,348 units (2009: 1,806,300)	<u>300,000</u>	<u>99,996,768</u>
<b>Amounts outstanding at period / year end</b>		
	(Unaudited) September 30, 2010	(Audited) June 30, 2010
	------(Rupees)-----	
<b>Management Company</b>		
Balance at the end of the period / year	<u>87,221</u>	<u>93,568</u>
Units held 12,738 units ( June 30, 2009: 12,129 units)	<u>788,521</u>	<u>767,313</u>
<b>Habib Metropolitan Bank Limited - (Former Trustee)</b>		
<b>Trustee Fee</b>		
Balance at the end of the period / year	<u>880,110</u>	<u>121,805</u>
Profit receivable	<u>6,283</u>	<u>-</u>
<b>MSF Perpetual</b>		
Units held 1,806,300 (June 30, 2009: nil)	<u>102,759,084</u>	<u>100,975,640</u>

#### 7. CONTRIBUTION TO WORKERS WELFARE FUND

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 issued a letter which states that mutual funds are not liable for WWF.

The MUFAP, on behalf of its member AMCs, obtained legal opinions from couple of renowned law firms to assess the implications of the letter issued by the Ministry of Labour and Manpower. The legal opinions, among other things, stated that mutual funds are not required to provide for contribution to WWF and earlier provisioning, if any, can be reversed and the terms of the letters suggest that provisioning was neither required nor necessary. Further, the opinions suggest that the petition filed with the High Court of Sindh be withdrawn.

The management has not made any provision in respect of WWF based on the letter issued by Ministry of Labour and Manpower, that mutual funds are not establishments and as a result are not liable to pay contribution to WWF.

**8. DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements were authorised for issue on October 25, 2010 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**





**HEAD OFFICE:**

Arif Habib Centre, 23 M.T. Khan Road,  
Karachi-74000, Pakistan.

Tel: (+92-21) 111-468-378 (111-INVEST)

Fax: (+92-21) 32470351, 32470337

E-mail: [marketing@arifhabib.com.pk](mailto:marketing@arifhabib.com.pk)

Website: [www.arifhabib.com.pk](http://www.arifhabib.com.pk)