

METROBANK - PAKISTAN SOVEREIGN FUND

CONTENTS

1	Fund's Information	1
2	Report of the Director of the Management Company	2
3	Report of the Fund Manager	6
4	Trustee Report to the Unit Holders	8
5	Statement of Compliance with the Code of Corporate Governance	9
6	Review Report to the Unit Holders on the Statement of Compliance	11
	with the Best Practices of the Code of Corporate Governance	
7	Independent Auditor's Report to the Unit Holders	12
8	Statement of Assets and Liabilities	14
9	Income Statement	15
10	Distribution Statement	16
11	Statement of Movement in Unit Holders' Fund	17
12	Cash Flow Statement	18
13	Notes to and Forming part of the Financial Statements	19
14	Details of Pattern Holding (Units)	42
15	Pattern of Unit Holding (Size)	43
16	Performance Table	44
17	Financial Statement of Metro Bank - Pakistan Sovereign Fund - Perpetual	49
18	Financial Statement of Metro Bank - Pakistan Sovereign Fund - (December 2012)	81

METROBANK - PAKISTAN SOVEREIGN FUND FUND'S INFORMATION

Management Company	Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi
Board of Directors of the Management Company	Mian Mohammad Mansha Chairman(subject to the approval of SECP) Mr. Nasim Beg Executive Vice Chairman Mr. Yasir Qadri Chief Executive (subject to the approval of SECP) Syed Salman Ali Shah Director (subject to the approval of SECP) Mr. Haroun Rashid Director (subject to the approval of SECP) Mr. Ahmed Jahangir Director (subject to the approval of SECP) Mr. Samad A. Habib Director Mr. Mirza Mahmood Ahmad Director (subject to the approval of SECP)
Company Secretary & CFO of the Management Company	Mr. Muhammad Saqib Saleem
Audit Committee	Mr. Nasim Beg Mr. Haroun Rashid Mr. Samad A. Habib Mr. Ali Munir
Trustee	Central Depository Company of Pakistan Limited CDC House, 990B, Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400
Bankers	Habib Metropolitan Bank Limited Standard Chartered Bank (Pakistan) Limited Bank Alfalah Limited
Auditors	A.F. Ferguson & Co. - Chartered Accountants State Life Building No. 1-C, I.I. Chundrigar Road, Karachi-74000.
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530
Registrar	Gangjees Registrar Services (Pvt.) Limited. Room No. 516, 5th Floor, Clifton Centre, Kehkashan, Clifton, Karachi.
Rating	AM2 (Positive Outlook) – Management Quality Rating assigned by PACRA

METROBANK - PAKISTAN SOVEREIGN FUND REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2011

The Board of Directors of Arif Habib Investment Limited, the Management Company of Metrobank-Pakistan Sovereign Fund (MSF), is pleased to present the Annual Report on the affairs of MSF for the year ending 30th June, 2011.

Economy and Money Market Overview

Despite continued macro-economic challenges throughout the period, the year under review (July '10-June '11) was not as turbulent as it was expected to be due to concerns over payments from foreign donor agencies and devastation caused by floods throughout the country. Record-high levels of remittances and cotton prices saved the day and kept external account position under control.

During the year, exports rose to US\$ 25.4 billion, 29% higher on a YoY basis, reducing the trade deficit to around US\$ 10.3 billion, 11% lower YoY. In addition to contained trade deficit, record-high level of workers' remittances flow has taken the current account balance to a surplus of US\$ 437 million, for the first time after FY04. Despite meager financial account flows, country's balance of payment position improved significantly during the year by around US\$ 2.5 billion - taking the FX reserves to a record level of US\$ 18.2 billion, consequently keeping PKR-USD exchange rate largely stable during the year.

Post-flood, inflationary pressures have risen significantly amidst supply-side issues as well as phasing out of power subsidies, CPI inflation averaged higher at around 14.6% during 1H FY11. Due to relatively lower food inflation as well as no major electricity pass-through during the latter half, CPI inflation averaged at a lower level of 13.3% - taking the average FY11 inflation to 13.9%. Real economy, however, did not have much to show with Real GDP growth stood at a paltry 2.4%, much lower than the target. Loss in agriculture produce because of floods caused a major dent towards country's economic growth during the period under review. Services sector, however, was able to provide some support with a growth of 4.1%, bringing the overall GDP growth to 2.4%.

Fiscal indiscipline has remained a cause of concern for the economic managers as the country is expected to witness yet again a deficit of over 6% of the GDP during FY11. Even during the first 9M of the fiscal year, the country witnessed a fiscal deficit of Rs. 783 billion, 4.3% of the revised GDP. Slower growth in revenue collection coupled with higher current expenditure has been the chief reason behind ballooning fiscal deficit. Unfortunately, development expenditure is expected to be under-spent for yet another year to meet revised fiscal deficit targets. In addition of having a higher fiscal deficit, the financing mix is also alarming as the country had to resort to domestic sources of funding to a large extent in the absence of sizeable foreign flows during the period under review.

Considering the volatility in the macroeconomic variables, the State Bank of Pakistan has also altered its monetary stance at least twice during the year. Citing the deteriorating macroeconomic fundamentals during the 1H FY11 mainly in the backdrop of floods, the SBP raised its policy discount rate cumulatively by 150 bps to 14.0%. However, gradual improvement towards external account through remittances and increased textile exports as well as lower levels of government borrowing from SBP has compelled the central bank to keep its policy DR unchanged for the next 3 policies during 2H FY11. Due to an overall higher interest rate environment, 1 year PKRV averaged at around 13.4% during FY11, much higher than the average 12.2% a year ago.

During FY11, key monetary indicators have also been better as compared to that of last year with money supply (M2) posting a strong growth of 15.9%. Although Net Domestic Asset (NDA) growth has been a key contributor behind M2 growth during this year as well, sizeable YoY growth of 43% in Net Foreign Assets (NFA) has been commendable - also reflecting strong BOP position.

In absence of foreign donor payments coming through, government's need to borrow continues to be a barrier in way of significant drop in interest rates or growth in credit. However, in absence of new credit creation, existing Term Finance Certificates (TFC) market became liquid and bank issued TFCs commanded improvement in prices during the period under review. Moreover, GoP Ijarah Sukuk (GIS) has also emerged as an attractive instrument during the year for conventional markets in general and Shariah compliant markets in particular. In addition of giving strong interest yield, GIS has also provided potential for capital gains due to its demand-supply gap and therefore has seen significant activities during the year in both primary as well as secondary markets.

Future outlook

Citing contained inflationary pressures, strong external account position and lower levels of government borrowing from SBP, the central bank decided to lower its policy discount rate by 50 bps to 13.5% in its Jul'11 monetary policy review.

We believe that the materialization of sizeable foreign inflows will continue to be the single most important variable especially in the backdrop of sustained oil prices, downward trend in cotton prices and debt repayments including IMF. Going forward, liquidity and interest rate direction will be largely dependent on the magnitude and sources of fiscal funding. In the absence of foreign flows, greater reliance will be on domestic sources - which could rebound inflation and interest rates.

Fund's Performance

The net assets of the fund were around PKR 2.9 billion as on June 30, 2011. The investment objective of the fund is to deliver income primarily from investment in Government securities. The fund is benchmarked against 12-month PKRV. The fund, through active management and carefully selected trading positions was able to yield an annualized return of 10.3% during the period under review as against the benchmark return of 12.6% during the same period. The fund's under-performance was largely due to weaker 1H FY11 performance where it posted an annualized return of 8.5%. The latter half witnessed decent improvement in terms of fund's returns, due to stability in interest rates, which helped in generating better returns and provided minimal volatility in the NAV of the fund.

METROBANK - PAKISTAN SOVEREIGN FUND

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY

FOR THE YEAR ENDED JUNE 30, 2011

The overall liquidity situation remained relatively better during the fiscal year under-review as compared to that of last year. The fund continued to deploy assets cautiously, without aggressively chasing available instruments. Due to sizeable auctions of GoP Ijarah Sukuk (GIS) during the year, the fund was also able to capitalize on another attractive investment avenue within Sovereign segment. Although the fund maintained decent exposure towards government papers throughout the year, it managed its portfolio's duration actively to take advantage of the fast changing interest rate scenario.

In addition, the portfolio return continued its upward movement during the period while at the same time maintaining the exposure to interest rate risk on the lower side. The yields for both MSF-Perpetual and its sub-fund MSF 12-12 alongside its benchmark for the period under review remained as follows:

Performance Information (%)	Perpetual	12/12	Benchmark
Last 12 Months Return (Annualized)	10.3%	9.8%	12.6%
Since Inception (CAGR)	5.7%	6.8%	9.2%

MetroBank Pakistan Sovereign Fund - Perpetual

During the year your fund earned net income of Rs 216.247 million. The Board in the meeting held on 4th July, 2011 has declared final distribution amounting to Rs. 155.649 million (i.e. Rs. 2.7739 per unit). In addition to Final distribution, the Board has approved following interim distribution during the year ended 30th June, 2011.

Date of Distribution	Distribution PKR / Unit
11th December, 2010	5.00

During the period, units worth Rs.5.569 billion (including Rs. 139.376 million worth of bonus units) were issued and units with a value of Rs. 4.11 billion were redeemed. As on 30th June, 2011 the NAV of the Fund was Rs. 52.47 per unit.

MetroBank Pakistan Sovereign Fund - December 2012

During the year your fund earned net income of Rs 9.644 million. The Board in the meeting held on 4th July, 2011 has declared final distribution amounting to Rs. 9.173 million (i.e. Rs. 2.8224 per unit). In addition to Final distribution, the Board has approved following interim distribution during the year ended 30th June, 2011.

Date of Distribution	Distribution PKR / Unit
11th December, 2010	13.00

During the period, units worth Rs.0.079 billion (including Rs. 21.97 million worth of bonus units) were issued and units with a value of Rs. 0.0024 billion were redeemed. As on 30th June, 2011 the NAV of the Fund was Rs. 50.98 per unit.

Update on 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. As a result of this amendment it appears that WWF Ordinance has become applicable to all Collective Investment Schemes (CISs) whose income exceeds Rs. 0.5 million in a tax year. In light of this, the Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honorable Sindh High Court challenging the applicability of WWF on CISs which was dismissed mainly on the ground that MUFAP is not an aggrieved party.

Subsequently, clarifications were issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. These clarifications were forwarded by the Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on these clarifications, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Other mutual funds to whom notices were issued by the FBR also took up the matter with FBR for their withdrawal.

Further, a fresh Constitutional Petition filed with the Honorable High Court of Sindh by a CIS / mutual fund and a pension fund through their trustee and an asset management company inter alia praying to declare that mutual funds / voluntary pension funds being pass through vehicles / entities are not industrial establishments and hence, are not liable to contribute to the WWF under the WWF Ordinance. The proceedings of the Honorable Court in this matter have concluded and the Honorable Court has reserved its decision.

Subsequent to the year ended June 30, 2011, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC.

METROBANK - PAKISTAN SOVEREIGN FUND

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY

FOR THE YEAR ENDED JUNE 30, 2011

In view of the afore mentioned developments, the Management Company firmly believes that there is no compelling reason to make provision on account of WWF contribution in the financial statements. Further, the Management Company also expects that the constitutional petition pending in the Honourable High Court of Sindh on the subject as referred above will be decided in favour of the Mutual Funds. However the auditor of the Fund because of pending adjudication of the Constitutional petition in Honourable Sindh High Court and included a emphasis of matter paragraph in auditor' report highlighting the said issue.

The aggregate unrecognised amount of WWF as at June 30, 2011 amounted to Rs. 8.2 million.

Corporate Governance

The Fund is committed to high standards of corporate governance and the Board of Directors of the Management Company is accountable to the unit holders for good corporate governance. Management is continuing to comply with the provisions of best practices set out in the code of corporate governance particularly with regard to independence of non-executive directors. The Fund remains committed to conduct business in line with listing regulations of Islamabad Stock Exchange.

The following specific statements are being given to comply with the requirements of the Code of Corporate Governance:

- a. Financial statements present fairly the statement of affairs, the results of operations, cash flows and Change in unit holders' fund.
- b. Proper books of accounts of the Fund have been maintained during the year.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable prudent judgment.
- d. Relevant International Accounting Standards, as applicable in Pakistan, provisions of the Non Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- h. Key financial data as required by the Code of Corporate Governance has been summarized in the financial statements.
- i. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- j. The statement as to the value of investments of provident fund is not applicable on the Fund but applies to the Management Company, hence the disclosure has been made in the Directors' Report of the Management Company.
- k. The detailed pattern of unit holding, as required by NBFC Regulations and the Code of Corporate Governance are enclosed.
- l. As per note 1.2 of financial statements, MCB Asset Management Company Limited merged with and into Arif Habib Investments Limited on June 27, 2011:

Statement showing attendance of Board meetings is as under:

Attendance of Board Meetings From 1st July 2010 to 30th June 2011

S.#	Name of persons attending the meetings	Designation	Number of Meetings			
			No. of Meeting Held	Attendance Required	Attended	Leave Granted
1.	Mr. Shafi Malik *	Former Chairman	15	15	15	-
2.	Mr. Nasim Beg **	E. Vice Chairman	15	15	15	-
3.	Mr. Muhammad Akmal Jameel *	Former Director	15	15	15	-
4.	Mr. Muhammad Kashif *	Former Director	15	11	15	4
5.	Syed Ajaz Ahmed *	Former Director	15	13	15	2
6.	Mr. Sirajuddin Cassim *	Former Director	15	4	15	11
7.	Mr. S. Gulrez Yazdani *	Former Director	15	13	15	2
8.	Mr. Samad A. Habib ***	Director	15	5	5	-
9.	Mian Mohammad Mansha ****	Chairman	15	1	1	-
10.	Mr. Yasir Qadri ****	Chief Executive	15	1	1	-
11.	Syed Salman Ali Shah ****	Director	15	1	1	-
12.	Mr. Haroun Rashid ****	Director	15	1	1	-
13.	Mr. Ahmed Jahangir ****	Director	15	1	1	-
14.	Mr. Mirza Mahmood Ahmad ****	Director	15	1	1	-

METROBANK - PAKISTAN SOVEREIGN FUND REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2011

- * Resigned on 27th June, 2011
- ** Mr. Nasim Beg resigned as Chief Executive on 27th June, 2011 and appointed as Executive Vice Chairman on the same date.
- *** Mr. Samad A. Habib was elected as director on 7th February, 2011 and his appointment approved by SECP on 31st March, 2011.
- ****Appointed on 27th June, 2011 and their approval of appointment from SECP is awaited.

External Auditors

The fund's external auditors, Messers A.F. Ferguson & Co., Chartered Accountants, have expressed their willingness to continue as the fund auditors for the ensuing year ending June 30, 2012. The audit committee of the Board has recommended reappointment of A.F. Ferguson & Co., Chartered Accountant as auditors of the fund for the year ending June 30, 2012.

Acknowledgement

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

Yasir Qadri
Chief Executive

Karachi: 20th September 2011

METROBANK - PAKISTAN SOVEREIGN FUND REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2011

Fund Type and Category

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 Benchmark

The benchmark for MSF is 12-month PKRV

Investment Objective

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

Investment Strategy

The Fund through active management will aim to provide optimum returns for its Unit Holders by investing 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.

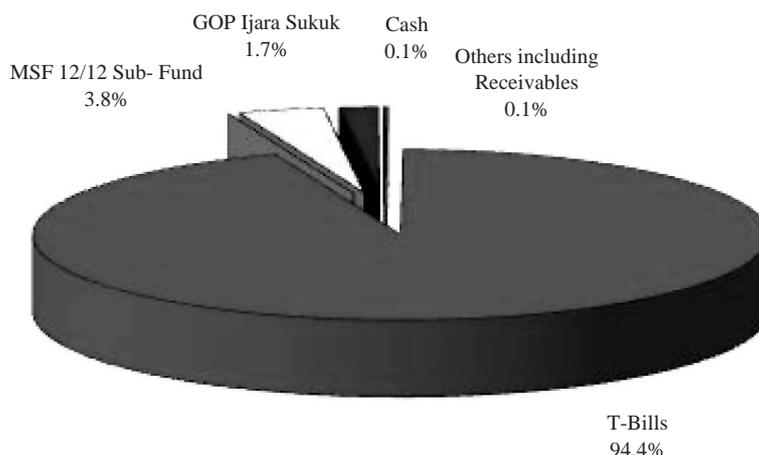
Manager's Review

MSF Perpetual was able to generate an annualized return of 10.3% during the year under review as against the fund's benchmark return of 12.6% during the same period, an under-performance of 2.3%. MSF-12/12, a sub-fund, was able to generate an annualized return of 9.8% during the year under review.

During the year, the fund capitalized strongly on both PIBs and T-Bills owing to better risk-return proposition while maintaining a marginal exposure in GoP Ijarah Sukuk (GIS). The fund's year end allocations were 94% in Treasury Bills, 4% in its sub-fund MSF-12/12, 2% in GoP Ijarah Sukuk and 0% in PIBs. The fund's exposure towards PIBs witnessed the most volatile movement with exposure dropping from 51% at the beginning to 0% as of June 2011. Citing growing macroeconomic concerns as well as SBP's resultant tight monetary stance, the fund decided to gradually reduce its PIB exposure and relocate fund's assets towards Treasury Bills, which also served to reduce its portfolio weighted average duration.

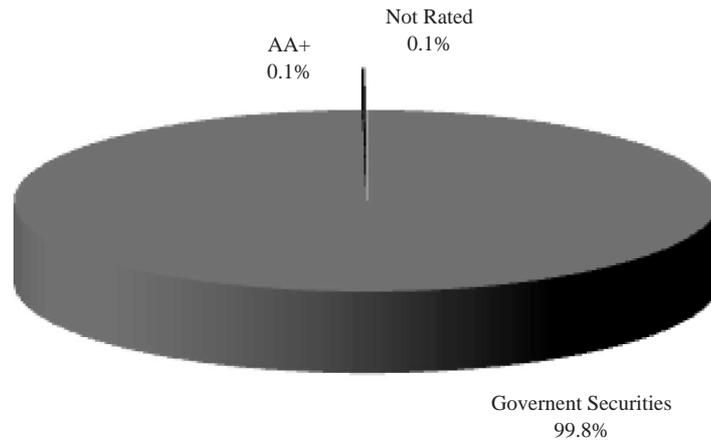
During the last month of the year under review, the fund attracted sizeable investments, which were parked in T-Bills at attractive levels. The net assets of the fund stood at PKR 2.9 billion by the end of June 2011, which were almost doubled as compared to the beginning net assets of PKR 1.5 billion.

Asset Allocation as on June 30, 2011 (% of total assets)



**METROBANK - PAKISTAN SOVEREIGN FUND
REPORT OF THE FUND MANAGER
FOR THE YEAR ENDED JUNE 30, 2011**

Asset Quality as of June 30, 2011 (% of total assets)



Mr. Kashif Rafi
Fund Manager

Karachi: September 20, 2011

METROBANK - PAKISTAN SOVEREIGN FUND TRUSTEE REPORT TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2011

Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

The MetroBank - Pakistan Sovereign Fund (the Fund), an open-end Fund was established under a trust deed dated December 24, 2002, executed between Arif Habib Investments Limited, as the Management Company and Habib Metropolitan Bank Limited (HMB), as the Trustee.

As per amendatory trust deed of change of trustee dated November 11, 2009, HMB retired as the Trustee and Central Depository Company of Pakistan Limited was appointed as the Trustee of the Fund.

In our opinion, the Management Company has in all material respects managed the Fund during the year ended June 30, 2011 in accordance with the provisions of the following:

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

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

Karachi: October 26, 2011

METROBANK - PAKISTAN SOVEREIGN FUND

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED JUNE 30, 2011

This statement is being presented by the Board of Directors of Arif Habib Investments Limited ("the Management Company"), the Management Company of **Metro Bank - Pakistan Sovereign Fund** ("the Fund") to comply with the Code of Corporate Governance contained in Listing Regulations of Islamabad Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Management Company has applied the principles contained in the Code in the following manner:

1. The Management Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes three independent non-executive directors out of a total strength of eight directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Management Company.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year Mr. Muhammad Shafi Malik, Mr. Sirajuddin Cassim, Mr. Muhammad Akmal Jameel, Mr. Muhammad Kashif, Mr. S. Gulrez Yazdani and Syed Ajaz Ahmed had resigned and were replaced by Mian Mohammad Mansha, Mr. Haroun Rasheed, Mr. Ahmed Jahangir, Mr. Yasir Qadri, Dr. Salman Shah and Mr. Mirza Mehmood Ahmad, respectively, as directors of the Management Company, on the same day due to merger as fully explained in note 1 to the financial statements.
5. The Management Company has prepared a 'Statement of Ethics and Business Practices', which has been approved by the Board of Directors and signed by all the directors and employees of the Management Company.
6. The Board has developed vision / mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive (CE) has been taken by the Board. As on June 30, 2011, there are no other executive directors of the Management Company besides the Executive Vice Chairman and Chief Executive.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings, except for emergency meeting for which written notice of less than seven days was served. The minutes of the meetings were appropriately recorded and circulated and signed by the Chairman of the Board of Directors.
9. The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
10. The Company has planned to conduct an orientation course for its directors, in the near future to appraise them of their duties and responsibilities.
11. The Board has approved appointment, remuneration and terms and conditions of the employment of Chief Financial Officer and Company Secretary and Head of Internal Audit, as determined by the Chief Executive.
12. The Directors' Report of the Fund for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The Directors, CE and executives of the Management Company do not hold any interest in the units of the Fund other than that disclosed in the pattern of unit holding.
14. The financial statements of the Fund were duly endorsed by CEO and CFO of the Management Company before approval of the Board.
15. The Management Company has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed an audit committee for the Management Company. It comprises of four members, out of which two are non-executive directors.
17. The meetings of the audit committee were held at least once every quarter prior to approval of the interim and final results of the Fund and as required by the Code. The terms of reference of the committee have been approved by the Board and advised to the committee for compliance.
18. The Company has an effective internal audit function which was headed by the Head of Internal Audit who resigned on amalgamation. The staff is considered to be suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company and is involved in the internal audit function on a full time basis.

**METROBANK - PAKISTAN SOVEREIGN FUND
STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2011**

19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the board

**Yasir Qadri
Chief Executive**

Karachi: September 20, 2011

**METROBANK - PAKISTAN SOVEREIGN FUND
REVIEW REPORT TO THE UNIT HOLDERS ON THE
STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES
OF THE CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2011**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Arif Habib Investments Limited (the Management Company) for and on behalf of Metro Bank Pakistan Sovereign Fund to comply with the requirements of Chapter XI of the Listing Regulations of the Islamabad Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Sub-Regulation (xiii a) of Listing Regulation No. 35 requires the Management Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length prices recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of the above requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance for and on behalf of the Fund, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2011.

A.F.Ferguson & Co.
Chartered Accountants

Karachi
Dated: October 25, 2011

METROBANK - PAKISTAN SOVEREIGN FUND INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2011

We have audited the accompanying financial statements of **Metrobank Pakistan Sovereign Fund** (here in after referred to as "the Fund"), which comprise the statement of assets and liabilities as at June 30, 2011, and the related income statement, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the international standards on Auditing as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at June 30, 2011, and of its financial performance, cash flows and transactions for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Other matters

In our opinion, the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Emphasis of matter paragraph

We draw attention to note 12 to the accompanying financial statements which refers to an uncertainty relating to the future outcome of the litigation regarding contribution to the Workers Welfare Fund which is currently pending adjudication at the honorable High Court of Sindh. Our opinion is not qualified in respect of this matter.

A.F. Ferguson & Co.
Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: October 25, 2011
Karachi

FINANCIAL STATEMENTS

**METROBANK - PAKISTAN SOVEREIGN FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2011**

	Note	2011	2010
------(Rupees)-----			
ASSETS			
Balances with banks	4	3,952,408	6,805,114
Investments	5	2,991,424,642	1,473,021,184
Income and other receivable	6	7,908,117	30,147,580
Total Assets		3,003,285,167	1,509,973,878
LIABILITIES			
Payable to Management Company	7	1,855,297	1,420,774
Payable to Trustee	8	164,456	155,810
Payable to Securities and Exchange Commission of Pakistan	9	1,300,985	1,260,228
Payable against redemption request		27,000	-
Accrued expenses and other liabilities	10	986,222	545,690
Total liabilities		4,333,960	3,382,502
Net Assets		2,998,951,207	1,506,591,376
Unit holders' fund (as per statement attached)		2,998,951,207	1,506,591,376
------(Number of units)-----			
Number of units in issue		57,180,743	27,889,305
------(Rupees)-----			
Net Asset Value per unit	28	52.45	54.02
CONTINGENCIES AND COMMITMENTS	11		

The annexed notes 1 to 41 form an integral part of these financial statements.

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

Chief Executive

Director

**METROBANK - PAKISTAN SOVEREIGN FUND
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011**

	Note	2011	2010
----- (Rupees) -----			
INCOME			
Income from investment in government securities		214,727,541	195,346,711
Capital loss on sale of government securities		(19,389,286)	(4,494,252)
Unrealised diminution in value of investments classified as 'at fair value through profit or loss'	5.4	(1,572,708)	(14,101,758)
Income from reverse repurchase transactions of government securities		322,895	923,237
Profit on bank deposits		2,575,204	3,015,174
Total income		196,663,646	180,689,112
OPERATING EXPENSES			
Remuneration of the Management Company	19	21,729,640	14,075,947
Remuneration of Trustees	20	2,050,223	2,913,036
Annual Fee - Securities and Exchange Commission of Pakistan	21	1,299,590	1,260,228
Brokerage	22	404,600	298,151
Bank charges	23	184,835	82,344
Printing and publication charges	24	169,691	145,608
Fees and subscription	25	152,133	59,769
Legal and professional charges	26	99,744	155,088
Auditors' remuneration	27	503,231	425,912
Total operating expenses		26,593,687	19,416,083
Net income from operating activities		170,069,959	161,273,029
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed		47,252,735	(14,688,687)
Net income for the year before taxation		217,322,694	146,584,342
Taxation	30	-	-
Net income for the year after taxation		217,322,694	146,584,342
Other comprehensive income / (loss) for the year			
Unrealised surplus in value of investments classified as 'available for sale' - net	5.3	-	1,886,126
Reclassification of unrealised deficit upon disposal of investments classified as 'available for sale'	5.3	3,265,727	-
Total comprehensive income for the year		220,588,421	148,470,468
Earnings per unit	3.11		

The annexed notes 1 to 41 form an integral part of these financial statements.

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

Chief Executive

Director

**METROBANK - PAKISTAN SOVEREIGN FUND
DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011**

Note	2011	2010
----- (Rupees) -----		
Undistributed income / (Accumulated losses) brought forward		
- Realised gain / (loss)	121,311,366	(41,695,868)
- Unrealised (loss) / gain	(5,922,099)	12,045,728
	115,389,267	(29,650,140)
Net income for the year	217,322,694	146,584,342
Final distribution of Rs.5 per unit in terms of bonus units for the year ended June 30, 2010 (Date of distribution July 5, 2010) (2009 : Rs 0.07 per unit)	(139,557,943)	(2,820,019)
Interim Distributions	(52,706,041)	-
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	538,998	1,275,084
Undistributed income carried forward	140,986,975	115,389,267
Undistributed income carried forward comprising of		
- Realised gain	143,009,057	121,311,366
- Unrealised loss	(2,022,082)	(5,922,099)
5.4	140,986,975	115,389,267

The annexed notes 1 to 41 form an integral part of these financial statements.

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

Chief Executive

Director

**METROBANK - PAKISTAN SOVEREIGN FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2011**

Note	2011	2010
	----- (Rupees) -----	
Net assets at the beginning of the year	1,506,591,376	1,954,109,832
Issue of units 105,826,720 (2010: 30,425,971)	5,485,503,020	1,612,614,061
Redemption of units 79,843,660 (2010: 42,372,321 units)	(4,113,772,834)	(2,223,291,672)
	1,371,730,186	(610,677,611)
Element of (income) / loss and capital (gains) / losses included in prices of units sold less those in units redeemed		
- amount representing (income) / loss and capital (gains) / losses - transferred to the Income Statement	(47,252,735)	14,688,687
- amount representing (income) / loss and capital (gains) / losses that form part of the unit holders' fund - transferred to Distribution Statement	(538,998)	(1,275,084)
	(47,791,733)	13,413,603
Movement in unrealised surplus / deficit in value of investments classified as 'available for sale' - net	5.3 3,265,727	1,886,126
Distributions:		
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
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)
Interim Cash Distribution	(52,706,041)	-
Capital loss on sale of investments	(19,389,286)	(4,494,252)
Unrealised diminution on re-measurement of investments classified as at 'fair value through profit or loss'	(1,572,708)	(14,101,758)
Other net income for the year	238,284,688	165,180,352
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised gains / (losses) - net	538,998	1,275,084
	25,597,708	145,039,407
Net assets at the end of the year	2,998,951,207	1,506,591,376

The annexed notes 1 to 41 form an integral part of these financial statements.

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

Chief Executive

Director

**METROBANK - PAKISTAN SOVEREIGN FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011**

	2011	2010
	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	217,322,694	146,584,342
Adjustments for:		
Element of (income) / loss and (capital gains) / losses included in the prices of units issued less those in units redeemed	(47,252,735)	14,688,687
Unrealised diminution in investments 'at fair value through profit or loss'	1,572,708	14,101,758
	<u>171,642,667</u>	<u>175,374,787</u>
Decrease / (increase) in assets		
Investments	(1,516,710,439)	95,716,910
Income and other receivable	22,239,463	(17,233,099)
Advances and Prepayments	-	124,932
	<u>(1,494,470,976)</u>	<u>78,608,743</u>
Increase / (decrease) in liabilities		
Payable to Management Company	434,523	(4,086)
Payable to Trustee	8,646	(556,619)
Payable to Securities and Exchange Commission of Pakistan - Annual fee	40,757	732,375
Payable against purchase of investments	-	(98,559,700)
Payable against redemption request	27,000	(781,008)
Accrued expenses and other liabilities	440,532	(178,384)
	<u>951,458</u>	<u>(99,347,422)</u>
Net cash (used in) / generated from operating activities	<u>(1,321,876,851)</u>	<u>154,636,108</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issuance of units	5,485,503,020	1,612,614,061
Payment on redemption of units	(4,113,772,834)	(2,223,291,672)
Interim distribution	(52,706,041)	-
Net cash generated from / (used in) financing activities	<u>1,319,024,145</u>	<u>(610,677,611)</u>
Net decrease in cash and cash equivalents	<u>(2,852,706)</u>	<u>(456,041,503)</u>
Cash and cash equivalents at beginning of the year	6,805,114	462,846,617
Cash and cash equivalents at end of the year	<u>3,952,408</u>	<u>6,805,114</u>

The annexed notes 1 to 41 form an integral part of these financial statements.

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

Chief Executive

Director

METROBANK - PAKISTAN SOVEREIGN FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

1. LEGAL STATUS AND NATURE OF BUSINESS

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

During last year, 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 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.

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

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

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

The Fund consists of a 'Perpetual' (the Scheme) and one Sub-Scheme as at June 30, 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]	December 31, 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]	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 can directly invest in Pakistan rupee denominated bonds and debt securities issued by Government of Pakistan, invest in reverse repurchase transactions in government securities and invest any otherwise un-invested funds in deposits with banks and financial institutions.

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.

METROBANK - PAKISTAN SOVEREIGN FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

2. BASIS OF PREPARATION

2.1 Statement of compliance

These 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 (Establishment and Regulation) Rules, 2003 (the NBFC Rules), 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 Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain new standards, amendments and interpretations that became effective during the year and are mandatory for accounting periods beginning on or after January 1, 2010 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not detailed in these financial statements.

2.3 New and amended standards and interpretations that are not yet effective and have not been early adopted

The following revised standard has been published and is mandatory for accounting periods beginning on or after January 1, 2011:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Fund will apply the revised standard from July 1, 2011. The Fund is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.

There are other amendments to the standards, improvements to International Financial Reporting Standards 2010 and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments (note 3.2 and note 5).

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except that certain financial assets have been carried at fair value.

2.6 Functional and presentation currency

The financial statements are presented in Pak Rupees, which is the Fund's functional and presentation currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below:

3.1 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of assets and liabilities at cost. Cash and cash equivalents comprise of bank balances and other short term investments having original maturities of less than three months.

METROBANK - PAKISTAN SOVEREIGN FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

3.2 Financial assets

3.2.1 Classification

The Fund classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss
- loans and receivables
- Available for sale

The classification depends on the purpose for which the financial assets were acquired. Management determines the appropriate classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in market prices, interest rate movements or are financial assets included in a portfolio in which a pattern of short-term profit taking exists.

b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund loans and receivables comprise of cash and bank balances, receivable against sale of investments, deposits and dividend and profit receivable.

c) Available for sale

These are non-derivatives that are either designated in this category or not classified in any of the other categories.

3.2.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

3.2.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

3.2.4 Subsequent measurement

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss and available for sale are valued as follows:

Basis of valuation of Government Securities

The investment of the Fund in Government Securities is valued on the basis of rates announced by the Financial Market Association.

3.2.5 Impairment

The carrying amounts of the Fund's assets are revalued at each reporting date to determine whether there is any indication of impairment in any asset or group of assets. If such indication exists, the recoverable amount of the assets is estimated and impairment losses are recognised immediately as an expense in the income statement. If any impairment evidence exists for available for sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in other comprehensive income is reclassified from other comprehensive income and recognised in the income statement.

METROBANK - PAKISTAN SOVEREIGN FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

Provision for non-performing exposures is made in accordance with the criteria specified in circular 1 dated January 6, 2009 and circular 13 dated May 4, 2009 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company.

3.2.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired, have been realised or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

3.2.7 Offsetting of financial assets and liabilities

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired, have been realised or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

3.3 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Financial liabilities include payable to management company, payable to trustee and other liabilities.

3.4 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the income statement.

3.5 Securities under repurchase / resale agreements

Transactions of purchase under resale (reverse-repo) of marketable and government securities are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repo) are not recognised in the Statement of Assets and Liabilities. Amount paid under these agreements are included in receivable in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the reverse-repo agreement.

All reverse repo transactions are accounted for on the settlement date.

3.6 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. The sales load is payable to the investment facilitators, distributors and the Management Company. Transaction costs are recorded as the income of the Fund.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption request during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

3.7 Proposed distribution

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

3.8 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of income per unit and distribution of income already paid out on redemption.

METROBANK - PAKISTAN SOVEREIGN FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

The Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period which pertains to unrealised gains / (losses) held in the Unit Holder's Funds in a separate reserve account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognised in the Income Statement.

3.9 Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimates.

3.10 Net asset value per unit

The net asset value (NAV) per unit, as disclosed on the Statement of Assets and Liabilities, is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

3.11 Earnings per unit

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

3.12 Taxation

No provision for taxation has been made as the Fund is exempt from Income Tax as per clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unitholders.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unitholders every year.

3.13 Revenue recognition

Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.

Unrealised capital gains / (losses) arising on marking to market of investments classified as ' Financial assets at fair value through profit or loss ' are included in the income statement in the period in which they arise.

Profit on bank deposits is recognised on an accrual basis.

Profit on investment is recognised on an accrual basis.

3.14 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in income statement. Translation differences on non-monetary financial assets and liabilities such as equities at fair value through profit or loss are recognised in the Income Statement within the fair value net gain or loss.

METROBANK - PAKISTAN SOVEREIGN FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

4. BALANCES WITH BANKS

		June 30, 2011			June 30, 2010
	Note	MSF Perpetual	MSF 12/12	Total	Total
------(Rupees)-----					
In deposit accounts	4.1	3,064,757	887,651	3,952,408	6,805,114

4.1 These carry a rate of return ranging from 5 % to 10.5 % (2010 5% to 9%) per annum.

5. INVESTMENTS IN GOVERNMENT SECURITIES

		June 30, 2011			June 30, 2010
	Note	MSF Perpetual	MSF 12/12	Total	Total
------(Rupees)-----					
Investments 'Available for sale'	5.1	-	-	-	146,723,852
Investments 'at fair value through profit or loss'	5.2	2,832,169,826	159,254,816	2,991,424,642	1,326,297,332
		<u>2,832,169,826</u>	<u>159,254,816</u>	<u>2,991,424,642</u>	<u>1,473,021,184</u>

**METROBANK - PAKISTAN SOVEREIGN FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

5.1 Investments - 'available for sale'

Issue Date	Tenor	Face Value				Balance as at June 30, 2011			Market value	
		Balance as at 1 July, 2010	Purchases during the year	Sales / Matured during the year	Balance as at June 30, 2011	Cost	Market value	Appreciation / (Diminution)	as a percentage of net assets	as a percentage of total investment
		------(Rupees in 000)-----				------(Rupees)-----				
MSF PERPETUAL Pakistan Investment Bond May 19, 2006	5 Years	150,000	-	150,000	-	-	-	-	-	-
Total						-	-	-		
MSF December 2012 Pakistan Investment Bond April 18, 2001	10 Years	500	-	500	-	-	-	-	-	-
Total of investment in Government Securities - 'available for sale'						-	-	-		
Total as at June 30, 2011						-	-	-		
Total as at June 30, 2010						<u>149,989,579</u>	<u>146,723,852</u>	<u>(3,265,727)</u>		

**METROBANK - PAKISTAN SOVEREIGN FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

5.2 Investments in government securities - 'at fair value through profit or loss'

Issue Date	Tenor	Face Value				Balance as at June 30, 2011			Market value	
		Balance as at 1 July, 2010	Purchases during the year	Sales / Matured during the year	Balance as at June 30, 2011	Cost	Market value	Appreciation / (Diminution)	as a percentage of net assets	as a percentage of total investment

PAKISTAN INVESTMENT BONDS

------(Rupees in 000)-----

------(Rupees)-----

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	-	-	-	-	-	-
September 3, 2009	3 Years	25,000	-	25,000	-	-	-	-	-	-
July 22,2010	3 Years	-	50,000	50,000	-	-	-	-	-	-
July 22,2010	5 Years	-	100,000	100,000	-	-	-	-	-	-
July 22,2010	10 Years	-	100,000	100,000	-	-	-	-	-	-

MSF December 2012

September 3, 2009	3 Years	100,000	-	-	100,000	98,925,946	97,199,871	(1,726,075)	3.24%	3.25%
September 3, 2009	3 Years	-	26,500	-	26,500	25,791,718	25,757,966	(33,752)	0.86%	0.86%
October 24,2002	10 Years	-	7,000	-	7,000	6,760,225	6,761,327	1,102	0.23%	0.23%
August 22,2007	5 Years	-	32,000	-	32,000	29,570,576	29,535,652	(34,924)	0.98%	0.99%

Total of Pakistan Investment Bond

161,048,465 159,254,816 (1,793,649)

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	-	-	-	-	-	-
April 8, 2010	3 Months	10,000	-	10,000	-	-	-	-	-	-

METROBANK - PAKISTAN SOVEREIGN FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

Issue Date	Tenor	Face Value				Balance as at June 30, 2011			Market value	
		Balance as at 1 July, 2010	Purchases during the year	Sales / Matured during the year	Balance as at June 30, 2011	Cost	Market value	Appreciation / (Diminution)	as a percentage of net assets	as a percentage of total investment
------(Rupees in 000)-----										
April 22, 2010	3 Months	50,000	-	50,000	-	-	-	-	-	-
May 20, 2010	3 Months	150,000	-	150,000	-	-	-	-	-	-
May 20, 2010	1 Year	100,000	-	100,000	-	-	-	-	-	-
May 20, 2010	3 Months	65,000	-	65,000	-	-	-	-	-	-
June 3, 2010	3 Months	75,000	-	75,000	-	-	-	-	-	-
June 3, 2010	3 Months	15,000	-	15,000	-	-	-	-	-	-
June 17, 2010	3 Months	40,000	-	40,000	-	-	-	-	-	-
July 15, 2010	3 Months	-	60,000	60,000	-	-	-	-	-	-
August 13, 2010	3 Months	-	512,000	512,000	-	-	-	-	-	-
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	-	-	-	-	-	-
June 17, 2010	1 Year	-	517,000	517,000	-	-	-	-	-	-
December 2, 2010	3 Months	-	833,000	833,000	-	-	-	-	-	-
December 18, 2010	3 Months	-	13,000	13,000	-	-	-	-	-	-
December 18, 2010	6 Months	-	90,000	90,000	-	-	-	-	-	-
January 27, 2011	3 Months	-	400,000	400,000	-	-	-	-	-	-
August 3, 2010	6 Months	-	107,000	107,000	-	-	-	-	-	-
December 30, 2010	3 Months	-	105,200	105,200	-	-	-	-	-	-
February 10, 2011	3 Months	-	315,000	315,000	-	-	-	-	-	-
January 13, 2011	3 Months	-	355,500	355,500	-	-	-	-	-	-
February 24, 2011	3 Months	-	405,000	405,000	-	-	-	-	-	-
March 25, 2011	1 Year	-	55,000	55,000	-	-	-	-	-	-
March 10, 2011	3 Months	-	83,000	83,000	-	-	-	-	-	-
March 24, 2011	3 Months	-	126,000	126,000	-	-	-	-	-	-
------(Rupees)-----										

METROBANK - PAKISTAN SOVEREIGN FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

Issue Date	Tenor	Face Value				Balance as at June 30, 2011			Market value	
		Balance as at 1 July, 2010	Purchases during the year	Sales / Matured during the year	Balance as at June 30, 2011	Cost	Market value	Appreciation / (Diminution)	as a percentage of net assets	as a percentage of total investment
------(Rupees in 000)-----										
April 7, 2011	1 Year	-	354,000	300,000	54,000	48,983,519	48,830,472	(153,047)	1.63%	1.63%
April 21, 2011	1 Year	-	170,000	160,000	10,000	9,024,407	8,999,450	(24,957)	0.30%	0.30%
April 21, 2011	6 Months	-	235,000	235,000	-	-	-	-	-	-
May 5, 2011	6 Months	-	194,000	194,000	-	-	-	-	-	-
May 5, 2011	3 Months	-	100,000	100,000	-	-	-	-	-	-
May 6, 2011	3 Months	-	10,000	10,000	-	-	-	-	-	-
May 19, 2011	3 Months	-	48,000	48,000	-	-	-	-	-	-
June 2, 2011	3 Months	-	75,000	-	75,000	73,526,786	73,513,425	(13,361)	2.45%	2.46%
June 13, 2011	1 Year	-	10,000	-	10,000	9,954,202	9,952,876	(1,326)	0.33%	0.33%
June 16, 2011	3 Months	-	405,000	405,000	-	-	-	-	-	-
June 16, 2011	6 Months	-	365,000	365,000	-	-	-	-	-	-
July 15, 2010	1 Year	-	16,300	-	16,300	16,223,716	16,223,211	(505)	0.54%	0.54%
June 30, 2011	6 Months	-	2,200,000	-	2,200,000	2,059,888,497	2,059,567,400	(321,097)	68.68%	68.85%
June 30, 2011	1 Year	-	600,000	-	600,000	527,149,208	527,361,000	211,792	17.58%	17.63%
June 16, 2011	6 Months	-	40,000	-	40,000	37,647,924	37,643,840	(4,084)	1.26%	1.26%
						2,782,398,259	2,782,091,674	(306,585)		
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	-	-	-	-	-	-
18 December 2010	3 Months	-	5,000	5,000	-	-	-	-	-	-
10 March 2011	3 Months	-	6,000	6,000	-	-	-	-	-	-
Total of Treasury Bills						<u>2,782,398,259</u>	<u>2,782,091,674</u>	<u>(306,585)</u>		
Investment in Ijara Sukuk										
November 15, 2010	3 Years	-	10,000	-	10,000	50,000,000	50,078,152	78,152	1.67%	1.67%
Total of investment in government securities - 'at fair value through profit or loss'						<u>2,993,446,724</u>	<u>2,991,424,642</u>	<u>(2,022,082)</u>		
Total as at June 30, 2011						2,993,446,724	2,991,424,642	(2,022,082)		
Total as at June 30, 2010						1,332,219,431	1,326,297,332	(5,922,099)		

METROBANK - PAKISTAN SOVEREIGN FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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

	June 30, 2011			June 30, 2010
	MSF Perpetual	MSF 12/12	Total	Total
	------(Rupees)-----			
Market value of investments	-	-	-	146,723,852
Cost of investments	-	-	-	(149,989,579)
	-	-	-	(3,265,727)
Less: Net unrealised diminution / (appreciation) in the fair value of investments at the beginning of the year	3,240,541	25,186	3,265,727	5,151,853
	<u>3,240,541</u>	<u>25,186</u>	<u>3,265,727</u>	<u>1,886,126</u>

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

Market value of investments	2,832,169,826	159,254,816	2,991,424,642	1,326,297,332
Cost of investments	(2,832,398,259)	(161,048,465)	(2,993,446,724)	(1,332,219,431)
	(228,433)	(1,793,649)	(2,022,082)	(5,922,099)
Realised on disposal of investments during the year	5,472,725	-	5,472,725	3,866,069
Net unrealised (appreciation) / diminution in value of investments at fair value through profit or loss at the beginning of the year	(5,472,725)	449,374	(5,023,351)	(12,045,728)
	<u>(228,433)</u>	<u>(1,344,275)</u>	<u>(1,572,708)</u>	<u>(14,101,758)</u>

6. INCOME AND OTHER RECEIVABLE

Profit on bank deposits	1,157,644	43,575	1,201,219	-
Income receivable on government securities	867,327	5,839,571	6,706,898	30,147,580
	<u>2,024,971</u>	<u>5,883,146</u>	<u>7,908,117</u>	<u>30,147,580</u>

7. PAYABLE TO MANAGEMENT COMPANY

Remuneration - note 7.1	<u>1,681,098</u>	<u>174,199</u>	<u>1,855,297</u>	<u>1,420,774</u>
-------------------------	------------------	----------------	------------------	------------------

7.1 Under the provisions of the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non Banking Finance Companies and Notified Entities Regulation, 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund.

The management fees is being calculated on the lower of 10% of Funds operating Revenue or 1.5 % of average daily net assets subject to minimum fee of 0.5% of average daily net assets.

8. PAYABLE TO TRUSTEES

	June 30, 2011			June 30, 2010
	MSF Perpetual	MSF 12/12	Total	Total
	------(Rupees)-----			
Central Depository Company	148,142	16,314	164,456	155,810
	<u>148,142</u>	<u>16,314</u>	<u>164,456</u>	<u>155,810</u>

8.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein based on the daily net assets of the Fund.

METROBANK - PAKISTAN SOVEREIGN FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

Based on the Trust Deed, the tariff structure applicable to the Fund as at 30 June 2011 is as follows:

Amount of Funds Under Management (Average NAV)	Tariff per annum
Upto Rs. 1,000 million	1.5 million per annum
On an amount exceeding Rs 1,000 million	0.075% of net assets

**9. PAYABLE TO SECURITIES AND EXCHANGE
 COMMISSION OF PAKISTAN - ANNUAL FEE**

June 30, 2011			June 30, 2010
MSF Perpetual	MSF 12/12	Total	Total
------(Rupees)-----			
1,213,159	87,827	1,300,985	1,260,228

Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), a collective investment scheme classified as "Income Fund" is required to pay as annual fee to the SECP, an amount equal to 0.075 percent of the average annual net assets of the Fund.

10. ACCRUED EXPENSES AND OTHER LIABILITIES

	June 30, 2011			June 30, 2010
	MSF Perpetual	MSF 12/12	Total	Total
------(Rupees)-----				
Auditors' remuneration	294,188	24,470	318,658	291,423
Legal fee	185,829	13,367	199,196	92,730
Brokerage	146,680	-	146,680	36,694
Printing and publication charges payable	91,927	6,645	98,572	100,000
Others	220,076	3,040	223,116	24,843
	938,700	47,522	986,222	545,690

11. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2011 and as at June 30, 2010 except as explained in note 12.

12. CONTRIBUTION TO WORKERS WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In light of this, Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honorable Sindh High Court challenging the applicability of WWF on CISs which was dismissed mainly on the ground that MUFAP is not an aggrieved party.

Subsequently, clarifications were issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. These clarifications were forwarded by the Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on these clarifications, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Other mutual funds to whom notices were issued by the FBR also took up the matter with FBR for their withdrawal.

Further, a fresh Constitutional Petition has been filed with the Honorable High Court of Sindh by a CIS / mutual fund and a pension fund through their trustee and an asset management company inter alia praying to declare that mutual funds / voluntary pension funds being pass through vehicles / entities are not industrial establishments and hence, are not liable to contribute to the WWF under the WWF Ordinance. The proceedings of the Honorable Court in this matter have concluded and the Honorable Court has reserved its decision.

METROBANK - PAKISTAN SOVEREIGN FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

Subsequent to the year ended June 30, 2011, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company believes that the Fund is not liable to contribute to WWF and hence no provision has been recognised by the Management Company. The aggregate unrecognised amount of WWF as at June 30, 2011 amounted to Rs 8.2 million (including Rs.4.5 million for the current year)

13. DETAILS OF NON-COMPLIANT INVESTMENT WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. The Board of directors of the Management Company has approved the category of the Fund as 'Income Scheme'.

In accordance with clause (iii) of the investment criteria laid down for 'Income scheme', atleast 25% of the net assets shall be invested in cash and near cash instruments which include cash in bank account (excluding TDRs), treasury bills not exceeding 90 days maturity. However, as at June 30, 2011, the Fund is in non-compliance with the above-mentioned requirement in respect of the following:

Name of non-compliant investment	Name of Company	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
Cash and near Cash instruments	N/A	77,465,833	-	77,465,833	3%	3%

	2011			2010
	MSF Perpetual	MSF 12/12	Total	Total
	------(Rupees)-----			
14. INCOME FROM INVESTMENT IN GOVERNMENT SECURITIES - NET OF AMORTISATION OF PREMIUM / DISCOUNT	200,905,419	13,822,122	214,727,541	195,346,711
15. INCOME FROM REVERSE REPURCHASE TRANSACTIONS IN GOVERNMENT SECURITIES	322,895	-	322,895	923,237
16. PROFIT ON BANK DEPOSITS	2,347,677	227,527	2,575,204	3,015,174
17. LOSS ON SALE OF INVESTMENTS	(19,386,459)	(2,827)	(19,389,286)	(4,494,252)
18. UNREALISED APPRECIATION IN FAIR VALUE OF INVESTMENTS CLASSIFIED AS 'AT FAIR VALUE THROUGH PROFIT AND LOSS'	(228,433)	(1,344,275)	(1,572,708)	(14,101,758)
19. REMUNERATION OF ARIF HABIB INVESTMENTS LIMITED - MANAGEMENT COMPANY	20,345,500	1,384,140	21,729,640	14,075,947
20. REMUNERATION OF TRUSTEE				
Central Depository Company of Pakistan Limited	1,914,238	135,985	2,050,223	1,228,105
Habib Metropolitan Bank Limited	-	-	-	1,684,931
	1,914,238	135,985	2,050,223	2,913,036
21. ANNUAL FEE - SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	1,213,157	86,433	1,299,590	1,260,228

METROBANK - PAKISTAN SOVEREIGN FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

	2011			2010
	MSF Perpetual	MSF 12/12	Total	Total
	------(Rupees)-----			
22. BROKERAGE	403,300	1,300	404,600	298,151
23. BANK CHARGES	167,467	17,368	184,835	82,344
24. PRINTING AND PUBLICATION	159,542	10,149	169,691	145,608
25. FEES AND SUBSCRIPTION	148,918	3,215	152,133	59,769
26. LEGAL AND PROFESSIONAL CHARGES	93,098	6,646	99,744	155,088

27. AUDITORS' REMUNERATION

	2011			2010
	MSF Perpetual	MSF 12/12	Total	Total
	------(Rupees)-----			
Annual audit fee	232,049	17,377	249,426	224,701
Half yearly review fee	138,974	10,710	149,684	125,000
Other certifications and services	64,890	4,957	69,847	40,090
Out of pocket expenses	32,314	1,960	34,274	36,121
	468,227	35,004	503,231	425,912

28. NET ASSET VALUE AND NET ASSET VALUE PER UNIT OF ALL SUB-SCHEMES

	2011		
	MSF Perpetual	MSF 12/12	MSF
	------(Rupees)-----		
Net Asset Value	2,944,462,432	165,700,922	2,998,951,207
Number of units in issue and outstanding at the year end	56,112,025	3,250,204	57,180,743
Net Asset Value per unit	52.47	50.98	52.45

The Net Asset Value per unit of the Fund is Rs.52.45 (2010: Rs. 54.02).

29. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include the Management Company(AMC), other collective investment schemes being managed by the Management Company, the Trustee, directors and key management personnel and other associated undertakings.

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

Performance fee payable to the Management Company and the Trustee is determined in accordance with the provisions of the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulation, 2008 and the Trust Deed respectively.

METROBANK - PAKISTAN SOVEREIGN FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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

	30 June 2011	30 June 2010
	------(Rupees)-----	
Transactions and balances with connected persons		
Arif Habib Investments Limited - Management Company		
Balance at the beginning of the year	1,420,774	1,424,860
Remuneration for the year	21,729,640	14,075,947
Amounts paid during the year	(21,295,117)	(14,080,033)
Balance at the end of the year	<u>1,855,297</u>	<u>1,420,774</u>
Issue of 3,791 bonus units (2010: 609 units)	<u>179,233</u>	<u>33,354</u>
Redemption of 29 units(2010: nil units)	<u>1,364</u>	<u>-</u>
Units held 16,500 units (2010: 12,738 units)	<u>841,145</u>	<u>767,313</u>
Directors and Executives		
Units issued 4,035 units (2010: 500 units)	<u>200,000</u>	<u>79,583</u>
Units redeemed 2,017 units (2010: 500 units)	<u>100,000</u>	<u>81,847</u>
Investment held 2,018 Units	<u>102,858</u>	<u>-</u>
Habib Metropolitan Bank Limited		
Units issued 101,813,297 units (2010: 4,846,133 units)	4,250,884,132	250,000,000
Units redeemed 105,064,282 units (2010: 4,659,836 units)	5,432,884,132	250,000,000
Bonus units 2,787,686 units (2010: 38,683units)	136,652,397	1,897,385
Units held 26,867,181 (2010: 27,330,480)	1,409,720,979	1,476,392,530
MCB Bank Limited		
Investments:57,186,428 units	3,000,000,000	-
Redemption:28,593,214 units	1,500,000,000	-
Units Held:28,593,214 units	1,500,285,932	-
Deposits		
Deposits at the end of the year	<u>3,843,204</u>	<u>6,738,683</u>
Profit Receivable		
	<u>1,199,612</u>	<u>-</u>
Profit on bank deposits		
	<u>2,541,033</u>	<u>1,077,001</u>
Central Depository Company of Pakistan Limited - Trustee		
Balance at the beginning of the year	155,810	-
Remuneration for the year	2,050,223	1,227,705
	<u>2,206,033</u>	<u>1,227,705</u>
Amounts paid during the year	2,041,577	(1,071,895)
Balance at end of the year	<u>164,456</u>	<u>155,810</u>

30. TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded a tax liability in respect of income relating to the current year as the Management Company has distributed subsequently the required minimum percentage of the Fund accounting income for the year as reduced by capital gains (whether realised or unrealised) to its unit holders.

METROBANK - PAKISTAN SOVEREIGN FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

31. PARTICULARS OF INVESTMENT COMMITTEE

Details of members of the investment committee of the Fund are as follow:

Name	Designation	Qualification	Experience in years
1 Mr. Yasir Qadri	Chief Executive	MBA	16
2 Mr. Kashif Rafi	Fund Manager - Fixed Income	MBA and CFA Level 1	10
3 Mr. Muhammad Asim	Fund Manager - Equity Funds	MBA & CFA	8
4 Mr. Syed Akbar Ali	Senior Research Analyst	MBA & CFA	6
5 Mr. Mohsin Pervez	Senior Research Analyst	MBA	10

31.1 Other Funds managed by the Fund Manager

MCB Dynamic Cash Fund ; and
 MCB Cash Management Optimizer

32. PERCENTAGE OF BROKERAGE PAID

2011

Invest Capital and Securities (Private) Limited	30.34%
ICON Securities	19.49%
Atlas Capital Markets (Private) Limited	14.91%
First Capital Securities Corporation Limited	8.10%
KASB Securities Limited	7.18%
Elixir Securities Pakistan (Private) Limited	5.10%
JS Global Capital Limited	3.52%
Al Falah Securities(Private) Limited	3.44%
BMA Capital Management Limited	3.38%
Invest and Finance	2.17%

2010

Invest Capital and Securities (Private) Limited	51.88%
Elixir Securities Pakistan (Private) Limited	11.55%
JS Global Capital Limited	7.47%
First Capital Securities Corporation Limited	6.93%
Atlas Capital Markets (Private) Limited	5.29%
Alfalah Securities (Private) Limited	3.89%
Invisor Securities (Private) Limited	3.78%
BMA Capital Management Limited	3.69%
Global Securities Pakistan Limited	2.59%
KASB Securities Limited	2.44%

33. DETAILS OF PATTERN OF UNIT HOLDING

-----As at June 30, 2011-----			
Number of Investors	Amount of Investment	% of Total	
Individuals	112	54,254,657	1.81%
Associated companies	2	1,501,127,105	50.05%
Directors	-	-	-
Insurance companies	-	-	-
Bank / DFIs	1	1,409,982,412	47.02%
NBFCs	-	-	-
Retirement funds	1	77,352	-
Public Limited companies	1	25,365,640	0.85%
Others	1	8,144,041	0.27%
118	2,998,951,207	100%	

METROBANK - PAKISTAN SOVEREIGN FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

-----As at June 30, 2010-----			
	Number of Investors	Amount of Investment	% of Total
Individuals	97	29,359,888	1.95%
Associated companies	1	1,476,392,501	98.00%
Directors	-	-	-
Insurance companies	-	-	-
Bank / DFIs	-	-	-
NBFCs	1	767,313	0.05%
Retirement funds	1	71,674	-
Public Limited companies	-	-	-
Others	-	-	-
	100	1,506,591,376	100%

34. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 74th, 75th, 76th, 77th, 78th, 79th, 80th, 81st, 82nd, 83rd, 84th, 85th, 86th, 87th and 88th Board meetings were held on July 5, 2010, August 3, 2010, August 4, 2010, October 22, 2010, October 25, 2010, November 12, 2010, December 20, 2010, December 30, 2010, February 17, 2011, February 19, 2011, April 16, 2011, April 21, 2011, April 23, 2011, June 15, 2011 and June 27, 2011 respectively. Information in respect of attendance by Directors in the meetings is given below:

For the year ended June 30 2011				
Name of Director	Number of Meetings			Meeting not attended
	Held	Attended	Leave Granted	
Mr. Shafi Malik*	15	15	-	-
Mr. Nasim Beg	15	15	-	-
Mr. Sirajuddin Cassim*	15	4	11	74th to 83rd and 88th meeting
Mr. S. Gulrez Yazdani *	15	13	2	75th and 76th meeting
Mr. Muhammad Akmal Jameel*	15	15	-	-
Mr. Syed Ajaz Ahmed*	15	13	2	74th and 88th meeting
Mr. Muhammad Kashif Habib*	15	11	4	74th, 77th, 87th and 88th meeting
Mr. Samad A. Habib**	5	5	-	-
Mr. Mian Mohammad Mansha***	1	1	-	-
Mr. Yasir Qadri***	1	1	-	-
Mr. Syed Salman Ali Shah***	1	1	-	-
Mr. Haroun Rashid***	1	1	-	-
Mr. Ahmed Jahangir***	1	1	-	-
Mr. Mirza Mahmood Ahmad***	1	1	-	-

* The above directors retired in the 88th meeting held on June 27, 2011

** Mr. Samad A. Habib was appointed as director during the year in the extraordinary general meeting held on February 7, 2011 and approved by SECP on March 31, 2011

*** The above directors are appointed in place of retiring directors in the 88th meeting held on June 27, 2011

35. FINANCIAL RISK MANAGEMENT

The Fund primarily invests in a portfolio of money market investments such as government securities and reverse repurchase transactions. These activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk.

35.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Board and regulations laid down by the Securities and Exchange Commission of Pakistan.

METROBANK - PAKISTAN SOVEREIGN FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

35.1.1 Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present, is not exposed to currency risk as all transactions are carried out in Pak Rupees.

35.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds GOP Ijarah Sukuk exposing the Fund to cashflow interest rate risk. In case of 100 basis points increase/decrease in 6 months weighted average yield of market treasury bills on June 30, 2011 with all other variables held constant, the net assets of the Fund and net income for the period would have been higher / lower by Rs 64,400.

b) Fair value sensitivity analysis for fixed rate instruments

Investments in Treasury Bills and Pakistan Investment Bonds are not subject to cash flow interest rate risk.

As at June 30, 2011, the Fund holds Treasury Bills and Pakistan Investment Bonds which are classified as fair value through profit or loss, exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by Financial Market Association on June 30, 2011, the net income for the year and net assets would be lower by Rs 16,447,400 (2010: Rs 26,550,918). In case of 100 basis points decrease in rates announced by Financial Market Association on June 30, 2011, the net income for the year and net assets would be higher by Rs. 16,653,111 (2010: Rs 27,835,370).

Yield / interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

----- As at June 30, 2011-----					
	Exposed to yield / interest rate risk			Not exposed to Yield / interest rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		
On-balance sheet financial instruments	------(Rupees)-----				
Financial assets					
Balances with banks - in deposit account	3,952,408	-	-	-	3,952,408
Receivable against reverse repurchase transactions in government securities	-	-	-	-	-
Investment in government securities	2,941,346,490	50,078,152	-	-	2,991,424,642
Income receivable	-	-	-	7,908,117	7,908,117
Sub Total	<u>2,945,298,898</u>	<u>50,078,152</u>	<u>-</u>	<u>7,908,117</u>	<u>3,003,285,167</u>
Financial liabilities					
Payable to Management Company	-	-	-	1,855,297	1,855,297
Payable to Trustees	-	-	-	164,456	164,456
Redemption payable	-	-	-	27,000	27,000
Accrued expenses and other liabilities	-	-	-	776,347	776,347
Sub Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,823,100</u>	<u>2,823,100</u>
On-balance sheet gap	<u>2,945,298,898</u>	<u>50,078,152</u>	<u>-</u>	<u>5,085,017</u>	<u>3,000,462,067</u>

METROBANK - PAKISTAN SOVEREIGN FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

----- As at June 30, 2010-----					
	Exposed to yield / interest rate risk			Not exposed to Yield / interest rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		
------(Rupees)-----					
On-balance sheet financial instruments					
Financial assets					
Balances with banks - in deposit account	6,805,114	-	-	-	6,805,114
Receivable against reverse repurchase transactions in government securities	-	-	-	-	-
Investment in government securities	1,326,297,332	146,723,852	-	-	1,473,021,184
Income receivable	-	-	-	30,147,580	30,147,580
Sub Total	<u>1,333,102,446</u>	<u>146,723,852</u>	<u>-</u>	<u>30,147,580</u>	<u>1,509,973,878</u>
Financial liabilities					
Payable to Management Company	-	-	-	1,420,774	1,420,774
Payable to Habib Metropolitan Bank Limited - Trustee	-	-	-	155,810	155,810
Redemption payable	-	-	-	-	-
Accrued expenses and other liabilities	-	-	-	545,690	545,690
Sub Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,122,274</u>	<u>2,122,274</u>
On-balance sheet gap	<u>1,333,102,446</u>	<u>146,723,852</u>	<u>-</u>	<u>28,025,306</u>	<u>1,507,851,604</u>

35.1.3 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Since the Fund is not allowed to invest in equities, hence it is not exposed to equity price risk.

35.2 Credit Risk

Credit risk represents the risk of loss if counter parties fail to perform as contracted. The Fund's credit risk is attributable to its balances with banks. The credit risk on these funds is low because the counter parties are financial institutions with high credit ratings.

Bank Balances by rating category

	2011
Habib Metropolitan Bank Limited	AA+
Bank Alfalah Limited	AA
Standard Chartered Bank Limited	AAA
	2010
Habib Metropolitan Bank Limited	AA+
Bank Alfalah Limited	AA

35.2.1 Investment in government securities

Since these securities are issued by Government of Pakistan they are considered free from credit risk.

METROBANK - PAKISTAN SOVEREIGN FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

35.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions, if any. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

For the purpose of making redemptions the Fund has the ability to borrow in the short term, however such need did not arise during the year. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates.

In order to manage the Fund's overall liquidity, the Fund may withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemption requests during the year.

For effective fund management, the Fund Manager monitor the Fund's liquidity position on a daily basis, and on a regular basis the "Investment Committee" also reviews the same.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

----- As at June 30, 2011-----			
Up to three months	More than three months and upto one	More than one year	Total

-----Rupees-----

LIABILITIES

Remuneration payable to Management Company	1,855,297	-	-	1,855,297
Remuneration payable to Trustee	164,456	-	-	164,456
Redemption payable	27,000	-	-	27,000
Accrued expenses and other liabilities	776,347	-	-	776,347
	<u>2,823,100</u>	<u>-</u>	<u>-</u>	<u>2,823,100</u>

----- As at June 30, 2010-----			
Up to three months	More than three months and upto one	More than one year	Total

-----Rupees-----

LIABILITIES

Remuneration payable to Management Company	1,420,774	-	-	1,420,774
Remuneration payable to Trustee	155,810	-	-	155,810
Accrued expenses and other liabilities	545,690	-	-	545,690
	<u>2,122,274</u>	<u>-</u>	<u>-</u>	<u>2,122,274</u>

METROBANK - PAKISTAN SOVEREIGN FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

35.4 Financial instruments by category

----- As at June 30, 2011-----			
Loans and receivables	At fair value through profit or loss	Available for sale	Total
-----Rupees-----			
Assets			
Balances with banks - in deposit account	3,952,408	-	3,952,408
Investments	-	2,991,424,642	2,991,424,642
Income and other receivables	7,908,117	-	7,908,117
	<u>11,860,525</u>	<u>2,991,424,642</u>	<u>3,003,285,167</u>

----- As at June 30, 2011-----		
Laibilities at fair value through profit or loss	Other financial liabilities	Total
-----Rupees-----		
Liabilities		
Payable to Management Company	-	1,855,297
Payable to Trustee	-	164,456
Redemption payable	-	27,000
Accrued expenses and other liabilities	-	776,347
		<u>2,823,100</u>

----- As at June 30, 2010-----			
Loans and receivables	At fair value through profit or loss	Available for sale	Total
-----Rupees-----			
Assets			
Balances with banks - in deposit account	6,805,114	-	6,805,114
Investment in Government Securities	-	1,326,297,332	1,473,021,184
Income and other receivables	30,147,580	-	30,147,580
	<u>36,952,694</u>	<u>1,326,297,332</u>	<u>1,509,973,878</u>

----- As at June 30, 2010-----		
Laibilities at fair value through profit or loss	Other financial liabilities	Total
-----Rupees-----		
Financial liabilities		
Payable to Management Company	-	1,420,774
Payable to Trustee	-	155,810
Accrued expenses and other liabilities	-	545,690
		<u>2,122,274</u>

36. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

**METROBANK - PAKISTAN SOVEREIGN FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Underlying the definition of fair value is the presumption that the sub-scheme is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are tradeable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book values as the items are either short term in nature or periodically repriced.

According to the amendments to International Financial Reporting Standard 7, Financial Instruments : Disclosure - Improving disclosures about financial instruments, an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

----- As at June 30, 2011-----			
Level 1	Level 2	Level 3	Total
----- (Rupees)-----			

ASSETS

Investment in government securities - at fair value through profit or loss	-	2,991,424,642	-	2,991,424,642
Investment in government securities - available for sale	-	-	-	-
	-	2,991,424,642	-	2,991,424,642

37. UNIT HOLDERS'S FUND RISK MANAGEMENT

The Fund's capital is represented by redeemable units of the Scheme and the Sub-Scheme (having pre-determined maturity as disclosed in note 1) . They are entitled to dividends and to payment of a proportionate share based on the Fund's net asset value per share on the redemption date. The relevant movements are shown on the statement of movement in unit holders' funds.

The Fund's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for unit holders and to maintain a strong capital base to meet unexpected losses or opportunities. In accordance with the NBFC Regulations the Fund is required to distribute at least ninety percent of its income from sources other than unrealised capital gain as reduced by such expenses as are chargeable to the Fund.

In accordance with the risk management policies stated in note 35, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of investments.

38. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the management company have approved bonus units of Rs.2.7739 per unit in respect of unit holders of the Perpetual Scheme and Rs.2.8224 in respect of the unit holders of the December 2012 Sub-Scheme (2010: Rs.5 per unit and Rs.13 per unit for the Perpetual Scheme and December 2012 Sub-Scheme respectively) for the year ended June 30 2011 in their meeting held on July 4, 2011. The financial statements for the year ended June 30, 2011 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending June 30, 2012.

39. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 20, 2011 by the Board of Directors of the Management Company.

**METROBANK - PAKISTAN SOVEREIGN FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

40. CORRESPONDING FIGURES

No reclassifications of corresponding figures have been made during the current year.

41. GENERAL AND CORRESPONDING FIGURES

41.1 Figures have been rounded off to the nearest rupee.

41.2 The Fund has elected to present all non-owner changes in equity (i.e. comprehensive income) in the income statement.

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

Chief Executive

Director

**METROBANK - PAKISTAN SOVEREIGN FUND
PATTERN OF HOLDING AS PER REQUIREMENT OF
CODE OF CORPORATE GOVERNANCE
AS AT JUNE 30, 2011**

Category	No. of Unit Holders	Units
Associated Company, Undertakings, and Related Parties		
MCB Bank Limited	1	28,593,214
Arif Habib Investments Limited	1	16,500
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarbas and Mutual Funds.	1	26,867,181
Trust	1	1,517
Corporate	1	483,389
Individuals	112	1,059,198
Others	1	159,744
	118	57,180,743

METROBANK - PAKISTAN SOVEREIGN FUND
PATTERN OF UNIT HOLDING (SIZE)
AS AT JUNE 30, 2011

No. of Unit Holders	Units Size	Total Units Held
95	1 - 10000	139,922
17	10001 - 100000	657,851
4	100001 - 1000000	922,576
2	1000001 - onwards	55,460,394
<u>118</u>		<u>57,180,743</u>

METROBANK - PAKISTAN SOVEREIGN FUND PERFORMANCE TABLE

PERFORMANCE TABLE	2011				
	MSF Prepetual	MSF 12/12	MSF 12/07	MSF 12/05	MSF 12/03
	------(Rupees in '000)-----				
Net assets	2,944,462.43	165,700	-	-	-
Net income / (loss)	217,323	9,670	-	-	-
	------(Percentage)-----				
Total return of the fund	10.30	9.81	-	-	-
Annual dividend distribution	8.70	7.75	-	-	-
Capital growth	1.60	2.06	-	-	-
Average annual return (CAGR)					
One Year	10.30	9.81	-	-	-
Second Year	10.20	9.88	-	-	-
Third Year	11.40	10.29	-	-	-
	------(Rupees)-----				
Final dividend distribution declared on 4th July 2011	2.7739	2.8224	-	-	-
Net asset value per unit	52.47	50.98	-	-	-
Selling price per unit at end of the year	52.52	51.03	-	-	-
Repurchase price per unit at end of the year	52.47	60.24	-	-	-
Highest offer price per unit	52.52	60.31	-	-	-
Lowest offer price per unit	49.03	55.19	-	-	-
Highest repurchase price per unit	52.47	60.25	-	-	-
Lowest repurchase price per unit	48.98	55.13	-	-	-

PERFORMANCE TABLE	2010				
	MSF Prepetual	MSF 12/12	MSF 12/07	MSF 12/05	MSF 12/03
	------(Rupees in '000)-----				
Net assets	1,505,748.00	101,819	-	-	-
Net income / (loss)	146,525	23,724	-	-	-
	------(Percentage)-----				
Total return of the fund	10.13	9.95	-	-	-
Annual dividend distribution	10.13	23.58	-	-	-
Capital growth		(13.63)	-	-	-
Average annual return (CAGR)					
One Year	10.13	9.95	-	-	-
Second Year	12.02	10.53	-	-	-
Third Year	9.93	7.62	-	-	-
	------(Rupees)-----				
Final dividend distribution declared on 5th July 2010	0.0700	2.7500	-	-	-
Net asset value per unit	462,613,832	232,785	-	-	-
Selling price per unit at end of the year	49.17	57.60	-	-	-
Repurchase price per unit at end of the year	49.12	54.54	-	-	-
Highest offer price per unit	54.09	60.31	-	-	-
Lowest offer price per unit	49.42	55.19	-	-	-
Highest repurchase price per unit	54.04	60.25	-	-	-
Lowest repurchase price per unit	49.37	55.13	-	-	-

METROBANK - PAKISTAN SOVEREIGN FUND PERFORMANCE TABLE

PERFORMANCE TABLE	2009				
	MSF Prepetual	MSF 12/12	MSF 12/07	MSF 12/05	MSF 12/03
	------(Rupees in '000)-----				
Net assets	1,953,347	763	-	-	-
Net income / (loss)	15,050	40	-	-	-
	------(Percentage)-----				
Total return of the fund	13.94	11.12	-	-	-
Annual dividend distribution	0.14	5.50	-	-	-
Capital growth	13.80	5.62	-	-	-
Average annual return (CAGR)					
One Year	13.94	11.12	-	-	-
Second Year	9.83	6.48	-	-	-
Third Year	9.57	7.18	-	-	-
	------(Rupees)-----				
Final dividend distribution declared on 4th July 2011	0.0700	2.7500	-	-	-
Net asset value per unit	49.12	57.54	-	-	-
Selling price per unit at end of the year	49.17	57.60	-	-	-
Repurchase price per unit at end of the year	49.12	54.54	-	-	-
Highest offer price per unit	49.17	57.60	-	-	-
Lowest offer price per unit	42.72	51.23	-	-	-
Highest repurchase price per unit	49.12	57.54	-	-	-
Lowest repurchase price per unit	42.68	51.18	-	-	-

PERFORMANCE TABLE	2008				
	MSF Prepetual	MSF 12/12	MSF 12/07	MSF 12/05	MSF 12/03
	------(Rupees in '000)-----				
Net assets	364,448	687	-	-	-
Net income / (loss)	56,852	37	(5,571)	-	-
	------(Percentage)-----				
Total return of the fund	5.89	2.04	-	-	-
Annual dividend distribution	14.52	4.93	-	-	-
Capital growth	(8.63)	(2.89)	-	-	-
Average annual return (CAGR)					
One Year	5.89	2.04	-	-	-
Second Year	7.48	5.28	-	-	-
Third Year	7.47	5.57	-	-	-
	------(Rupees)-----				
Final dividend distribution declared on 5th July 2010	6.8500	2.6300	-	-	-
Net asset value per unit	49.96	54.41	-	-	-
Selling price per unit at end of the year	50.00	54.42	-	-	-
Repurchase price per unit at end of the year	49.95	54.37	-	-	-
Highest offer price per unit	50.29	55.84	52.46	-	-
Lowest offer price per unit	47.28	53.42	50.52	-	-
Highest repurchase price per unit	50.24	55.78	52.41	-	-
Lowest repurchase price per unit	47.23	53.37	50.47	-	-

METROBANK - PAKISTAN SOVEREIGN FUND PERFORMANCE TABLE

PERFORMANCE TABLE	2007				
	MSF Prepetual	MSF 12/12	MSF 12/07	MSF 12/05	MSF 12/03
	------(Rupees in '000)-----				
Net assets	792,218	673	592,762	-	-
Net income / (loss)	31,680	35	47,441	-	-
	------(Percentage)-----				
Total return of the fund	9.06	8.61	8.68	-	-
Annual dividend distribution	3.99	5.11	7.93	-	-
Capital growth	5.08	3.50	0.74	-	-
Average annual return (CAGR)					
One Year	9.06	8.61	8.68	-	-
Second Year	8.24	7.37	7.53	-	-
Third Year	5.60	10.73	4.24	-	-
	------(Rupees)-----				
Final dividend distribution declared on 4th July 2011	1.7900	2.6300	3.9700	-	-
Net asset value per unit	48.97	55.95	54.40	-	-
Selling price per unit at end of the year	49.02	56.02	54.45	-	-
Repurchase price per unit at end of the year	48.97	55.96	54.40	-	-
Highest offer price per unit	49.02	56.02	54.45	-	-
Lowest offer price per unit	44.90	51.57	50.11	-	-
Highest repurchase price per unit	48.97	55.96	54.40	-	-
Lowest repurchase price per unit	44.86	51.52	50.06	-	-

PERFORMANCE TABLE	2006				
	MSF Prepetual	MSF 12/12	MSF 12/07	MSF 12/05	MSF 12/03
	------(Rupees in '000)-----				
Net assets	479,103	635	545,298	-	-
Net income / (loss)	34,375	59	27,908	(3,785)	-
	------(Percentage)-----				
Total return of the fund	7.43	6.12	6.40	-	-
Annual dividend distribution	6.96	8.85	1.76	-	-
Capital growth	0.47	(2.73)	4.63	-	-
Average annual return (CAGR)					
One Year	7.43	6.12	6.40	-	-
Second Year	3.92	11.81	2.09	-	-
Third Year	(0.21)	4.69	1.27	-	-
	------(Rupees)-----				
Final dividend distribution declared on 5th July 2010	3.1093	4.6847	0.8431	-	-
Net asset value per unit	48.01	56.20	50.90	-	-
Selling price per unit at end of the year	48.03	56.33	50.92	-	-
Repurchase price per unit at end of the year	47.98	56.27	50.87	-	-
Highest offer price per unit	48.03	56.60	50.92	52.51	-
Lowest offer price per unit	44.73	51.98	47.34	50.53	-
Highest repurchase price per unit	47.98	56.54	50.87	52.46	-
Lowest repurchase price per unit	44.69	51.93	47.29	50.48	-

METROBANK - PAKISTAN SOVEREIGN FUND PERFORMANCE TABLE

PERFORMANCE TABLE	2005				
	MSF Prepetual	MSF 12/12	MSF 12/07	MSF 12/05	MSF 12/03
	------(Rupees in '000)-----				
Net assets	464,406	598	11,457	411,117	-
Net income / (loss)	(51,093)	(600)	181	8,931	-
	------(Percentage)-----				
Total annual return	0.52	17.77	(2.05)	0.48	-
Annual dividend distribution	-	-	-	-	-
Capital growth	0.52	17.77	(2.05)	0.46	-
Average annual return (CAGR)					
One Year	0.52	17.77	(2.05)	0.48	-
Second Year	(3.82)	3.98	(1.20)	(0.34)	-
	------(Rupees)-----				
Net asset value per unit	44.70	52.96	47.84	50.45	-
Selling price per unit at end of the year	44.73	52.91	47.86	50.48	-
Repurchase price per unit at end of the year	44.69	52.86	47.81	50.43	-
Highest offer price per unit	44.74	69.70	49.46	50.50	-
Lowest offer price per unit	42.33	42.76	46.71	49.65	-
Highest repurchase price per unit	44.70	69.56	49.36	50.45	-
Lowest repurchase price per unit	42.25	42.67	46.62	49.55	-

PERFORMANCE TABLE	2004				
	MSF Prepetual	MSF 12/12	MSF 12/07	MSF 12/05	MSF 12/03
	------(Rupees in '000)-----				
Net assets	462,230	444,933	11,696	10,853	-
Net income / (loss)	9,471	1,242	721	168	(294)
	------(Percentage)-----				
Total annual return	(7.98)	(8.18)	(0.35)	(1.15)	-
Annual dividend distribution	3.46	2.55	3.01	0.90	-
Capital growth	(11.44)	(10.73)	(3.36)	(2.56)	-
Average annual return (CAGR)					
One Year	(7.98)	(8.18)	(0.35)	(1.15)	-
	------(Rupees)-----				
Interim dividend distribution per unit					
1st distribution declared on 24 September 2003	1.5938	1.2942	1.2301	0.2021	-
2nd distribution declared on 24 December 2003	0.1433	-	0.2898	0.2600	-
Total Distribution	1.7371	1.2942	1.5199	0.4621	-
Net asset value per unit	44.46	44.97	48.84	50.22	-
Selling price per unit at end of the year	44.68	45.19	49.01	50.35	-
Repurchase price per unit at end of the year	44.59	45.10	48.91	50.25	-
Highest offer price per unit	51.18	52.02	51.74	52.07	51.54
Lowest offer price per unit	44.57	45.08	48.76	50.13	46.75
Highest repurchase price per unit	51.08	51.92	51.64	51.97	51.44
Lowest repurchase price per unit	44.48	44.99	48.66	50.03	46.66

**METROBANK - PAKISTAN SOVEREIGN FUND
PERFORMANCE TABLE**

PERFORMANCE TABLE	2004				
	MSF Perpetual	MSF 12/12	MSF 12/07	MSF 12/05	MSF 12/03
	------(Rupees in '000)-----				
Net assets	271,473	154,763	12,232	11,451	350,713
Net income/(loss)	(153)	(604)	70	69	1,219
	------(Percentage)-----				
Total annual return	0.32	1.10	1.52	3.06	0.42
Annual dividend distribution	-	0.42	0.44	0.52	0.36
Capital growth	0.32	0.68	1.08	2.54	0.06
Average annual return (CAGR)					
One Year	0.96	3.30	4.62	9.52	-
	------(Rupees)-----				
Final dividend distribution declared on 4 July 2003	-	0.2100	0.2200	0.2600	0.1800
Net asset value per unit	50.16	50.55	50.54	51.27	50.04
Selling price per unit at end of the year	49.98	50.37	50.96	51.56	50.31
Reperchase price per unit at end of the year	49.88	50.27	50.86	51.46	50.21
Highest offer price per unit	52.60	55.00	51.83	51.65	50.28
Lowest offer price per unit	48.85	48.66	49.40	50.10	50.07
Highest repurchase price per unit	52.49	54.89	51.73	51.55	50.18
Lowest repurchase price per unit	48.75	48.56	49.30	50.00	49.97

Fund keeps the average duration of its portfolio of 1.08 years in MSF Perpetual and 1.62 years in MSF 12/12.

* First year of operations from 7 January 2003 to 30 June 2003.

Disclaimer :-

The past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.

METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL CONTENTS

1	Independent Auditor’s Report to the Unit Holders	50
2	Statement of Assets and Liabilities	52
3	Income Statement	53
4	Distribution Statement	54
5	Statement of Movement in Unit Holders’ Fund	55
6	Cash Flow Statement	56
7	Notes to and Forming part of the Financial Statements	57
8	Details of Pattern Holding (Units)	78
9	Pattern of Unit Holding (Size)	79
10	Performance Table	80

METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2011

We have audited the accompanying financial statements of **Metrobank Pakistan Sovereign Fund - Perpetual**, (here in after referred to as "the Scheme"), **Perpetual**, which comprise the statement of assets and liabilities as at June 30, 2011, and the related income statement, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the international standards on Auditing as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Scheme as at June 30, 2011, and of its financial performance, cash flows and transactions for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Other matters

In our opinion, the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Emphasis of matter paragraph

We draw attention to note 12 to the accompanying financial statements which refers to an uncertainty relating to the future outcome of the litigation regarding contribution to the Workers Welfare Fund which is currently pending adjudication at the honorable High Court of Sindh. Our opinion is not qualified in respect of this matter.

A.F. Ferguson & Co.
Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: October 25, 2011
Karachi

FINANCIAL STATEMENTS

**METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2011**

	Note	2011	2010
----- (Rupees) -----			
Assets			
Balances with banks	4	3,064,757	6,683,309
Investments	5	2,943,381,974	1,475,819,617
Income and other receivables	6	2,024,970	26,434,795
Total Assets		2,948,471,701	1,508,937,721
Liabilities			
Payable to Management Company	7	1,681,098	1,327,206
Payable to Trustee	8	148,142	145,450
Payable to Securities and Exchange Commission of Pakistan	9	1,213,158	1,196,616
Accrued expenses and other liabilities	10	939,871	520,254
Payable against redemption request		27,000	-
Total Liabilities		4,009,269	3,189,526
Net Assets		2,944,462,432	1,505,748,195
Unit holders' fund (as per statement attached)		2,944,462,432	1,505,748,195
----- (Number of units) -----			
Number of units in issue		56,112,025	27,875,377
----- (Rupees) -----			
Net asset value per unit		52.47	54.02
Contingencies and Commitments	11		

The annexed notes 1 to 26 form an integral part of these financial statements.

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

Chief Executive

Director

**METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011**

	Note	2011	2010
----- (Rupees) -----			
INCOME			
Income from investments in government securities		200,905,419	185,438,489
Capital loss on sale of government securities		(19,386,459)	(4,494,252)
Gain on redemption of units of Sub-Scheme		-	412,352
Unrealised appreciation / (diminution) in value of investments' classified as 'at fair value through profit or loss'	5.5	7,907,240	(5,485,864)
Income from reverse repurchase transactions of government securities		322,895	891,737
Dividend Income		1,800,835	
Profit on bank deposits		2,347,677	2,870,822
Total income		193,897,607	179,633,284
OPERATING EXPENSES			
Remuneration of the Management Company	7	20,345,500	13,330,424
Remuneration of Trustee	8	1,914,238	2,773,353
Annual Fee - Securities and Exchange Commission of Pakistan	9	1,213,157	1,196,616
Brokerage		403,300	292,176
Bank charges		167,467	82,344
Printing and publication charges		159,542	137,053
Fees and subscriptions		148,918	51,759
Legal and professional charges		93,098	145,869
Auditors' remuneration	13	468,227	405,180
Total operating expenses		24,913,447	18,414,774
Net income from operating activities		168,984,160	161,218,510
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed		47,263,343	(14,693,948)
Net income for the year before taxation		216,247,503	146,524,562
Taxation	15	-	-
Net income for the year after taxation		216,247,503	146,524,562
Other comprehensive income for the year			
Unrealised surplus in value of investments classified as 'available for sale' - net	5.4	-	1,860,219
Reclassification of unrealised diminution upon disposal of investments classified as 'available for sale'	5.4	3,240,541	-
Total comprehensive income for the year		219,488,044	148,384,781
Earnings per unit	3.11		

The annexed notes 1 to 26 form an integral part of these financial statements.

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

Chief Executive

Director

**METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL
DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011**

Note	2011	2010
------(Rupees)-----		
Undistributed income / (Accumulated losses) brought forward		
-Realised gain / (loss)	112,523,249	(41,847,224)
-Unrealised gain	2,693,795	12,045,728
	<u>115,217,044</u>	<u>(29,801,496)</u>
Net income for the year	216,247,503	146,524,562
Final distribution of Rs 5 per unit in terms of bonus units for the year ended June 30, 2010 (Date of distribution July 5, 2010) (2009 : Rs 0.07 per unit)	(139,376,887)	(2,783,549)
Interim Distribution for the period from July 1, 2010 to December 11, 2010 Cash Distribution	(52,691,123)	
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed	(537,349)	1,277,527
Undistributed income carried forward	<u>138,859,188</u>	<u>115,217,044</u>
Undistributed income carried forward comprising of		
-Realised gain	122,785,428	112,523,249
-Unrealised gain	16,073,760	2,693,795
	<u>138,859,188</u>	<u>115,217,044</u>
The annexed notes 1 to 26 form an integral part of these financial statements.		

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

Chief Executive

Director

**METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2011**

Note	2011	2010
------(Rupees)-----		
Net assets at the beginning of the year	1,505,748,195	1,953,346,708
Issue of 105,188,012 units (2010: 30,425,471)	5,430,472,123	1,612,585,744)
Redemption of 79,794,630 units (2010: 42,371,821 units)	(4,111,291,464)	(2,223,262,986)
	1,319,180,659	(610,677,242
Element of (income) / loss and capital (gains) / losses included in prices of units sold less those in units redeemed		
- amount representing (income) / loss and capital (gains) / losses - transferred to the Income Statement	(47,263,343)	14,693,948
- amount representing (income) / loss and capital (gains) / losses that form part of the unit holders' fund - transferred to Distribution Statement	537,349	(1,277,527)
	(46,725,994)	13,416,421
Movement in unrealised surplus / diminution in value of investments classified as 'available for sale' - net	5.4 3,240,541	1,860,219
Distribution:		
Issue of 2,843,266 bonus units for the year ended June 30, 2010 (2009 : 56,749 bonus units)	139,376,887	2,783,549
Final Distribution of 2,843,266 bonus units for the year ended June 30, 2010 (2009 : 56,749 bonus units)	(139,376,887)	(2,783,549)
Interim Distribution	(52,691,123)	-
Capital loss on sale of investments	(19,386,459)	(4,494,252)
Unrealised appreciation / (diminution) on re-measurement of investments classified as 'at fair value through profit or loss'	7,907,240	(5,485,864)
Other net income for the year	227,726,722	156,504,678
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised gains / (losses) - net	(537,349)	1,277,527
	23,642,144	145,018,540
Net assets at the end of the year	2,944,462,432	1,505,748,195

The annexed notes 1 to 26 form an integral part of these financial statements.

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

Chief Executive

Director

**METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011**

Note	2011	2010
----- (Rupees) -----		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	216,247,503	146,524,562
Adjustments for:		
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed	(47,263,343)	14,693,948
Unrealised (appreciation) / diminution in investments 'at fair value through profit or loss'	5.5 (7,907,240)	5,485,864
	161,076,920	166,704,374
(Increase) / decrease in assets		
Income receivable	24,409,825	(13,535,425)
Investments	(1,456,414,576)	100,991,365
Other receivables	-	124,869
	(1,432,004,751)	87,580,809
Increase / (decrease) in liabilities		
Payable to Management Company	353,892	(97,469)
Payable to Trustee	2,692	(566,886)
Payable to Securities and Exchange Commission of Pakistan - Annual fee	16,542	669,365
Payable against redemption request	27,000	(781,008)
Payable against purchase of investment	-	(98,559,700)
Accrued expenses and other liabilities	419,617	(202,766)
	819,743	(99,538,464)
Net cash generated from / (used in) operating activities	(1,270,108,088)	154,746,719
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issuance of units	5,430,472,123	1,612,585,744
Payment on redemption of units	(4,111,291,464)	(2,223,262,986)
Interim Distribution	(52,691,123)	-
Net cash generated from / (used in) financing activities	1,266,489,536	(610,677,242)
Net decrease in cash and cash equivalents	(3,618,552)	(455,930,523)
Cash and cash equivalents at beginning of the year	6,683,309	462,613,832
Cash and cash equivalents at end of the year	3,064,757	6,683,309

The annexed notes 1 to 26 form an integral part of these financial statements.

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

Chief Executive

Director

METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

1. LEGAL STATUS AND NATURE OF BUSINESS

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

During last year, 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 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.

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

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

Pakistan Credit Rating Agency (PACRA) has asset management quality rating of 'AM2' (positive outlook) to the Management Company as of 31 December 2010 and AA (f) as stability rating to the Fund.

The Fund consists of a 'Perpetual' (the Scheme) and one sub-scheme as at June 30, 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]	December 31, 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]	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.

These financial statements are the financial statements of the 'Perpetual' scheme. The Scheme can directly invest in Pakistan rupee denominated bonds and debt securities issued by the Government of Pakistan, enter into reverse repurchase transactions in Government Securities and invest any otherwise un-invested funds in deposits with banks and financial institutions. In addition, the Scheme can also invest in sub-schemes of the Fund.

Title to the assets of the scheme is held in the name of Central Depository Company of Pakistan Limited as a trustee of the Metrobank Pakistan Sovereign Fund.

METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

2. BASIS OF PREPARATION

2.1 Statement of compliance

These 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 (Establishment and Regulation) Rules, 2003 (the NBFC Rules), 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 Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain new standards, amendments and interpretations that became effective during the year and are mandatory for accounting periods beginning on or after January 1, 2010 but are considered not to be relevant or did not have any significant effect on the Scheme's operations and are, therefore, not detailed in these financial statements.

2.3 New and amended standards and interpretations that are not yet effective and have not been early adopted

The following revised standard has been published and is mandatory for accounting periods beginning on or after January 1, 2011:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Scheme will apply the revised standard from July 1, 2011. The Scheme is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.

There are other amendments to the standards, improvements to International Financial Reporting Standards 2010 and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect on the Scheme's operations and are therefore not detailed in these financial statements.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Scheme's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments (note 3.2 and note 5).

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except that certain financial assets have been carried at fair value.

2.6 Functional and presentation currency

The financial statements are presented in Pak Rupees, which is the Scheme's functional and presentation currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below:

METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

3.1 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of assets and liabilities at cost. Cash and cash equivalents comprise of bank balances and other short term investments having original maturities of less than three months.

3.2 Financial assets

3.2.1 Classification

The Scheme classifies its financial assets in the following categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Available for sale

The classification depends on the purpose for which the financial assets were acquired. Management determines the appropriate classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

(a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in market prices, interest rate movements or are financial assets included in a portfolio in which a pattern of short-term profit taking exists.

(b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Scheme's loans and receivables comprise of cash and bank balances, receivable against sale of investments, deposits and dividend and profit receivable.

(c) Available for sale

These are non-derivatives that are either designated in this category or not classified in any of the other categories.

3.2.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Scheme commits to purchase or sell the asset.

3.2.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

3.2.4 Subsequent measurement

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss and available for sale are valued as follows:

Basis of valuation of government securities

The investment of the Scheme in government securities is valued on the basis of rates announced by the Financial Market Association.

METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

3.2.5 Impairment

The carrying amounts of the Scheme's assets are revalued at each reporting date to determine whether there is any indication of impairment in any asset or group of assets. If such indication exists, the recoverable amount of the assets is estimated and impairment losses are recognised immediately as an expense in the income statement. If any impairment evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in other comprehensive income is reclassified from other comprehensive income, and is recognised in the income statement.

Provision for non-performing exposures is made in accordance with the criteria specified in circular 1 dated January 6, 2009 and circular 13 dated May 4, 2009 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company.

3.2.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired, have been realised or have been transferred and the Scheme has transferred substantially all risks and rewards of ownership.

3.2.7 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Assets and Liabilities only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

3.3 Financial liabilities

All financial liabilities are recognised at the time when the Scheme becomes a party to the contractual provisions of the instrument. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Financial liabilities include payable to management company, payable to trustee and other liabilities.

3.4 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the income statement.

3.5 Securities under repurchase / resale agreements

Transactions of purchase under resale (reverse-repo) of marketable and government securities are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repo) are not recognised in the Statement of Assets and Liabilities. Amount paid under these agreements are included in receivable in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the reverse-repo agreement.

All reverse repo transactions are accounted for on the settlement date.

3.6 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. The sales load is payable to the investment facilitators, distributors and the Management Company. Transaction costs are recorded as the income of the Scheme.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption request during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

3.7 Proposed distribution

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

3.8 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of income per unit and distribution of income already paid out on redemption.

The Scheme records that portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period which pertains to unrealised gains / (losses) held in the Unit Holder's Funds in a separate reserve account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognised in the Income Statement.

3.9 Provisions

Provisions are recognised when the Scheme has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimates.

3.10 Net asset value per unit

The net asset value (NAV) per unit, as disclosed on the Statement of Assets and Liabilities, is calculated by dividing the net assets of the Scheme by the number of units in circulation at the year end.

3.11 Earnings per unit

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

3.12 Taxation

No provision for taxation has been made as the scheme is exempt from Income Tax as per clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders.

The Scheme provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Scheme also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Scheme has not recognised any amount in respect of deferred tax in these financial statements as the Scheme intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

3.13 Revenue recognition

Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.

Unrealised capital gains / (losses) arising on marking to market of investments classified as 'Financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.

Profit on bank deposits is recognised on an accrual basis.

Profit on investment is recognised on an accrual basis.

**METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

3.14 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in income statement.

4. BALANCES WITH BANKS

	Note	June 30, 2011	June 30, 2010
		(Rupees)	
In deposit accounts		3,059,757	6,683,309
In current accounts	4.1	5,000	-
		<u>3,064,757</u>	<u>6,683,309</u>

4.1 These carry a rate of return ranging from 9 % to 10.5 % (2010 5% to 9%) per annum.

5. INVESTMENTS

	Note	June 30, 2011	June 30, 2010
		(Rupees)	
Investments 'Available for sale'			
Pakistan Investment Bonds	5.1	-	146,217,993
Investments 'at fair value through profit or loss'			
Pakistan Investment Bonds	5.2	-	614,430,749
Treasury Bills	5.2	2,782,091,674	614,195,235
Ijara Sukuk	5.2	50,078,152	-
Investment in Sub Scheme	5.3	111,212,148	100,975,640
		<u>2,943,381,974</u>	<u>1,475,819,617</u>

**METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

5.1 Investments - 'available for sale'

Issue Date	Tenor	Face Value				Balance as at June 30, 2011			Market value	
		Balance as at 1 July, 2010	Purchases during the year	Sales / Matured during the year	Balance as at June 30, 2011	Cost	Market value	Appreciation / (Diminution)	as a percentage of net assets	as a percentage of total investment
		------(Rupees in 000)-----				------(Rupees)-----				
Pakistan Investment Bond										
May 19, 2006	5 Years	150,000	-	150,000	-	-	-	-	-	-
Total						-	-	-	-	-
Total as at June 30, 2011						-	-	-	-	-
Total as at June 30, 2010						149,458,534	146,217,993	(3,20,541)		

63

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

Issue Date	Tenor	Face Value				Balance as at June 30, 2011			Market value	
		Balance as at 1 July, 2010	Purchases during the year	Sales / Matured during the year	Balance as at June 30, 2011	Cost	Market value	Appreciation / (Diminution)	as a percentage of net assets	as a percentage of total investment
		------(Rupees in 000)-----				------(Rupees)-----				
Pakistan Investment Bond										
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	-	-	-	-	-	-
September 3, 2009	3 Years	25,000	-	25,000	-	-	-	-	-	-
July 22,2010	3 Years	-	50,000	50,000	-	-	-	-	-	-
July 22,2010	5 Years	-	100,000	100,000	-	-	-	-	-	-
July 22,2010	10 Years	-	100,000	100,000	-	-	-	-	-	-
Total as at June 30, 2011						-	-	-	-	-
Total as at June 30, 2010						619,190,729	614,430,749	(4,759,980)		

**METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Issue Date	Tenor	Face Value				Balance as at June 30, 2011			Market value	
		Balance as at 1 July, 2010	Purchases during the year	Sales / Matured during the year	Balance as at June 30, 2011	Cost	Market value	Appreciation / (Diminution)	as a percentage of net assets	as a percentage of total investment
Total of Pakistan Investment Bond Treasury Bills		------(Rupees in 000)-----				------(Rupees)-----				
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	-	-	-	-	-	-
April 8, 2010	3 Months	10,000	-	10,000	-	-	-	-	-	-
April 22, 2010	3 Months	50,000	-	50,000	-	-	-	-	-	-
May 20, 2010	3 Months	150,000	-	150,000	-	-	-	-	-	-
May 20, 2010	1 Year	100,000	-	100,000	-	-	-	-	-	-
May 20, 2010	3 Months	65,000	-	65,000	-	-	-	-	-	-
June 3, 2010	3 Months	75,000	-	75,000	-	-	-	-	-	-
June 3, 2010	3 Months	15,000	-	15,000	-	-	-	-	-	-
June 17, 2010	3 Months	40,000	-	40,000	-	-	-	-	-	-
July 15, 2010	3 Months	-	60,000	60,000	-	-	-	-	-	-
August 13, 2010	3 Months	-	512,000	512,000	-	-	-	-	-	-
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	-	-	-	-	-	-
June 17, 2010	1 Year	-	517,000	517,000	-	-	-	-	-	-

**METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Issue Date	Tenor	Face Value				Balance as at June 30, 2011			Market value	
		Balance as at 1 July, 2010	Purchases during the year	Sales / Matured during the year	Balance as at June 30, 2011	Cost	Market value	Appreciation / (Diminution)	as a percentage of net assets	as a percentage of total investment
		------(Rupees in 000)-----				------(Rupees)-----				
December 2, 2010	3 Months	-	833,000	833,000	-	-	-	-	-	-
December 18, 2010	3 Months	-	13,000	13,000	-	-	-	-	-	-
December 18, 2010	6 Months	-	90,000	90,000	-	-	-	-	-	-
January 27, 2011	3 Months	-	400,000	400,000	-	-	-	-	-	-
August 3, 2010	6 Months	-	107,000	107,000	-	-	-	-	-	-
December 30, 2010	3 Months	-	105,200	105,200	-	-	-	-	-	-
February 10, 2011	3 Months	-	315,000	315,000	-	-	-	-	-	-
January 13, 2011	3 Months	-	355,500	355,500	-	-	-	-	-	-
February 24, 2011	3 Months	-	405,000	405,000	-	-	-	-	-	-
March 25, 2011	1 Year	-	55,000	55,000	-	-	-	-	-	-
March 10, 2011	3 Months	-	83,000	83,000	-	-	-	-	-	-
March 24, 2011	3 Months	-	126,000	126,000	-	-	-	-	-	-
April 7, 2011	1 Year	-	354,000	300,000	54,000	48,983,519	48,830,472	(153,047)	1.66%	1.66%
April 21, 2011	1 Year	-	170,000	160,000	10,000	9,024,407	8,999,450	(24,957)	0.31%	0.31%
April 21, 2011	6 Months	-	235,000	235,000	-	-	-	-	-	-
May 5, 2011	6 Months	-	194,000	194,000	-	-	-	-	-	-
May 5, 2011	3 Months	-	100,000	100,000	-	-	-	-	-	-
May 6, 2011	3 Months	-	10,000	10,000	-	-	-	-	-	-
May 19, 2011	3 Months	-	48,000	48,000	-	-	-	-	-	-
June 2, 2011	3 Months	-	75,000	-	75,000	73,526,786	73,513,425	(13,361)	2.50%	2.50%
June 13, 2011	1 Year	-	10,000	-	10,000	9,954,202	9,952,876	(1,326)	0.34%	0.34%
June 16, 2011	3 Months	-	405,000	405,000	-	-	-	-	-	-
June 16, 2011	6 Months	-	365,000	365,000	-	-	-	-	-	-
July 15, 2010	1 Year	-	16,300	-	16,300	16,223,716	16,223,211	(505)	0.55%	0.55%
June 30, 2011	6 Months	-	2,200,000	-	2,200,000	2,059,888,497	2,059,567,400	(321,097)	69.95%	69.97%
June 30, 2011	1 Year	-	600,000	-	600,000	527,149,208	527,361,000	211,792	17.91%	17.92%
June 16, 2011	6 Months	-	40,000	-	40,000	37,647,924	37,643,840	(4,084)	1.28%	1.28%
Total of Treasury Bills						2,782,398,259	2,782,091,674	(306,585)		

**METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Issue Date	Tenor	Face Value				Balance as at June 30, 2011			Market value	
		Balance as at 1 July, 2010	Purchases during the year	Sales / Matured during the year	Balance as at June 30, 2011	Cost	Market value	Appreciation / (Diminution)	as a percentage of net assets	as a percentage of total investment
------(Rupees in 000)-----						------(Rupees)-----				
Total as at June 30, 2011						2,782,398,259	2,782,091,674	(306,585)		
Total as at June 30, 2010						614,907,980	614,195,235	(712,745)		
Investment in Ijara Sukuk November 15, 2010		-	10,000	-	10,000	50,000,000	50,078,152	78,152	1.70%	1.70%
Total as at June 30, 2011						50,000,000	50,078,152	78,152		
Total as at June 30, 2010						-	-	-		
Total of investment in Government Securities - 'at fair value through profit or loss'						2,832,398,259	2,832,169,826	(228,433)		

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

Name	Units					Balance as at June 30, 2011			Market value	
	Balance as at 1 July, 2010	Purchases during the year	Bonus / Reinvest-ment	Sales during the year	Balance as at June 30, 2011	Carrying value	Market value	Appreciation / (Diminution)	as a percentage of net assets	as a percentage of total investment
------(Rupees)-----										
MSF December 2012	1,676,223	6,348	498,915	-	2,181,486	94,909,955	111,212,148	16,302,193	3.78%	3.78%
Total as at June 30, 2011						94,909,955	111,212,148	16,302,193		
Total as at June 30, 2010						92,809,120	100,975,640	8,166,520		

**METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

5.4 Movement in unrealised surplus in value of investments classified as 'available for sale' - net during the year	Note	30 June 2011	30 June 2010
		------(Rupees)-----	
Market value of investments	5.1	-	146,217,993
Cost of investments	5.1	-	(149,458,534)
		-	(3,240,541)
Less: Net unrealised diminution / (appreciation) in the fair value of investments at the beginning of the year		<u>3,240,541</u>	5,100,760
		<u>3,240,541</u>	<u>1,860,219</u>
5.5 Net unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss'			
Market value of investments	5.2&5.3	2,943,381,974	1,329,601,624
Cost of investments	5.2&5.3	<u>(2,927,308,214)</u>	(1,326,907,829)
		16,073,760	2,693,795
Realised on disposal of investments during the year		(5,472,725)	3,866,069
Net unrealised (appreciation) / diminution in value of investments at fair value through profit or loss at the beginning of the year		<u>(2,693,795)</u>	(12,045,728)
		<u>7,907,240</u>	<u>(5,485,864)</u>
6. INCOME AND OTHER RECEIVABLES			
Accrued profit on bank deposits		1,157,644	-
Income accrued on government securities		<u>867,326</u>	26,434,795
		<u>2,024,970</u>	<u>26,434,795</u>

7. PAYABLE TO ARIF HABIB INVESTMENTS LIMITED - MANAGEMENT COMPANY

Under the provisions of the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non Banking Finance Companies and Notified Entities Regulation, 2008, the Management Company of the Scheme is entitled to a remuneration during the first five years of the Scheme, of an amount not exceeding three percent of the average annual net assets of the Scheme and thereafter of an amount equal to two percent of such assets of the Scheme.

The management fees is being calculated on the lower of 10% of the Scheme's operating revenue or 1.5 % of average daily net assets subject to minimum fee of 0.5% of average daily net assets.

8. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

The Trustee is entitled to a monthly remuneration for services rendered to the Scheme under the provisions of the Trust Deed as per the tariff specified therein based on the daily net assets of the Scheme.

Based on the Trust Deed, the tariff structure applicable to the Scheme as at June 30, 2011 is as follows:

Amount of Funds Under Management (Average NAV)	Tariff per annum
Upto Rs. 1,000 million	1.5 million per annum
On an amount exceeding Rs 1,000 million	0.075% of net assets

9. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), a collective investment scheme classified as 'Income Fund', is required to pay as annual fee to the SECP, an amount equal to 0.075 percent of the average annual net assets of the Scheme.

**METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

10. ACCRUED EXPENSES AND OTHER LIABILITIES

	30 June 2011	30 June 2010
	----- (Rupees) -----	
Auditors' remuneration	294,188	271,200
Brokerage payable	146,680	36,694
Printing and publication charges payable	93,098	93,709
Others	405,905	118,651
	939,871	520,254

11. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2011 and as at June 30, 2010 except as explained in note 12.

12. CONTRIBUTION TO WORKERS WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In light of this, Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honorable Sindh High Court challenging the applicability of WWF on CISs which was dismissed mainly on the ground that MUFAP is not an aggrieved party.

Subsequently, clarifications were issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. These clarifications were forwarded by the Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on these clarifications, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Other mutual funds to whom notices were issued by the FBR also took up the matter with FBR for their withdrawal.

Further, a fresh Constitutional Petition has been filed with the Honorable High Court of Sindh by a CIS / mutual fund and a pension fund through their trustee and an asset management company inter alia praying to declare that mutual funds / voluntary pension funds being pass through vehicles / entities are not industrial establishments and hence, are not liable to contribute to the WWF under the WWF Ordinance. The proceedings of the Honorable Court in this matter have concluded and the Honorable Court has reserved its decision.

Subsequent to the year ended June 30, 2011, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company believes that the Metrobank Pakistan Sovereign Fund (pertaining to scheme's operations) is not liable to contribute to WWF and hence no provision has been recognised by the Management Company. The aggregate unrecognised amount of WWF as at June 30, 2011 amounted to Rs 7.54 million (including Rs 0.30 million for the year ended June 30, 2009 and Rs 2.93 million for the year ended June 30, 2010).

13. AUDITORS' REMUNERATION

	30 June 2011	30 June 2010
	----- (Rupees) -----	
Annual audit fee	232,049	213,132
Half yearly review fee	138,974	118,841
Other certifications and services	64,890	38,176
Out of pocket expenses	32,314	35,031
	468,227	405,180

14. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include the Management Company(AMC), other collective investment schemes being managed by the Management Company, the Trustee, directors and key management personnel and other associated undertakings.

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

**METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Performance fee payable to the Management Company and the Trustee is determined in accordance with the provisions of the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulation, 2008 and the Trust Deed respectively.

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

	30 June 2011	30 June 2010
	------(Rupees)-----	
Details of the transactions and balances with connected persons are as follows		
Arif Habib Investment Limited - Management Company		
Balance at the beginning of the year	1,327,206	1,424,675
Remuneration for the year	20,345,500	13,330,424
	<u>21,672,706</u>	<u>14,755,099</u>
Amounts paid during the year	19,991,608	(13,427,893)
Balance at the end of the year	<u>1,681,098</u>	<u>1,327,206</u>
Habib Metropolitan Bank Limited		
Units issued 101,813,297 units (2010: 4,846,133 units)	4,250,884,132	250,000,000
Units redeemed 105,064,282 units (2010: 4,659,836 units)	5,432,884,132	250,000,000
Bonus units 2,787,686 units (2010: 38,683 units)	136,652,397	1,897,385
Units held 26,867,181 (2010: 27,330,480)	1,409,720,979	1,476,392,530
Trustee fee		
Balance at the beginning of the year	-	712,336
Remuneration for the year *	-	1,618,963
	<u>-</u>	<u>2,331,299</u>
Amounts paid during the year	-	(2,331,299)
Balance at end of the year	<u>-</u>	<u>-</u>
Deposits		
- Balance at the end of the year	<u>2,996,935</u>	<u>6,616,878</u>
Profit receivable		
	<u>1,157,644</u>	<u>-</u>
Profit on bank deposits		
	<u>2,346,264</u>	<u>934,649</u>
Central Depository Company of Pakistan Limited - Trustee		
Balance at the beginning of the year	145,450	-
Remuneration for the year	1,914,238	1,154,390
	<u>2,059,688</u>	<u>1,154,390</u>
Amounts paid during the year	1,911,546	(1,008,940)
Balance at end of the year	<u>148,142</u>	<u>145,450</u>
Transactions and balances with connected persons - Scheme and Sub Schemes		
Investment in Sub-Schemes - MSF Dec 2012		
Investment : 43,983 units(2010:1,809,670)	2,100,835	100,196,768
Bonus Units:461,281	21,790,892	-
Redemption during the year : Nil units(2010:133,447 units)	-	7,800,000
Investment held 2,181,486 units(2010:1,676,222)	<u>111,212,148</u>	<u>100,975,640</u>
Other payable	-	8,497
MCB Bank Limited		
Investments:57,186,428 units	3,000,000,000	-
Redemption:28,593,214 units	1,500,000,000	-
Units Held:28,593,214 units	1,500,285,932	-

**METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

15. TAXATION

The income of the Scheme is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Scheme has not recorded a tax liability in respect of income relating to the current year as the Management Company has distributed subsequently the required minimum percentage of the Scheme's accounting income for the year as reduced by capital gains (whether realised or unrealised) to its unit holders.

16. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the investment committee of the Scheme are as follow:

Name	Designation	Qualification	Experience in years
1 Mr. Yasir Qadri	Chief Executive	MBA	16
2 Mr. Kashif Rafi	Fund Manager - Fixed Income	MBA and CFA Level 1	10
3 Mr. Muhammad Asim	Fund Manager - Equity Funds	MBA & CFA	8
4 Mr. Syed Akbar Ali	Senior Research Analyst	MBA & CFA	6
5 Mr. Mohsin Pervez	Senior Research Analyst	MBA	10

16.1 Other Funds managed by the Fund Manager

- a) MCB Dynamic Cash Fund ; and
- b) MCB Cash Management Optimizer

17. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

	2011 (Percentage)
1) Invest Capital and Securities (Private) Limited	30.41
2) ICON Securities (Private) Limited	19.53
3) Atlas Capital Markets (Private) Limited	14.83
4) First Capital Securities Corporation Limited	8.12
5) KASB Securities Limited	7.20
6) Elixir Securities Pakistan (Private) Limited	5.11
7) JS Global Capital Limited	3.53
8) Al Falah Securities	3.45
9) BMA Capital Management Limited	3.38
10) Invest and Finance Securities (Private) limited	2.17
	2010 (Percentage)
1) Invest Capital and Securities (Private) Limited	53.03
2) Elixir Securities Pakistan (Private) Limited	11.80
3) JS Global Capital Limited	7.64
4) First Capital Securities Corporation Limited	6.83
5) Atlas Capital Markets (Private) Limited	5.41
6) Alfalah Securities (Private) Limited	3.97
7) Invisor Securities (Private) Limited	3.87
8) BMA Capital Management Limited	3.77
9) Global Securities Pakistan Limited	2.65
10) KASB Securities Limited	0.64

**METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

18. DETAILS OF PATTERN OF UNIT HOLDING

As at June 30, 2011			
	Number of Investors	Amount of Investment	% of Total
Individuals	88	8,828,448	0.30%
Associated companies	1	1,500,285,932	50.95%
Directors	-	-	-
Insurance companies	-	-	-
Bank / DFIs	1	1,409,982,412	47.89%
NBFCs	-	-	-
Retirement funds	-	-	-
Public Limited companies	1	25,365,640	0.86%
Others	-	-	-
Total	91	2,944,462,432	100%

As at June 30, 2010			
	Number of Investors	Amount of Investment	% of Total
Individuals	97	29,435,385	1.95%
Associated companies	1	1,476,312,810	98.05%
Directors	-	-	-
Insurance companies	-	-	-
Bank / DFIs	-	-	-
NBFCs	-	-	-
Retirement funds	-	-	-
Public Limited companies	-	-	-
Others	-	-	-
Total	98	1,505,748,195	100%

19. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 74th, 75th, 76th, 77th, 78th, 79th, 80th, 81st, 82nd, 83rd, 84th, 85th, 86th, 87th and 88th Board meetings were held on July 5, 2010, August 3, 2010, August 4, 2010, October 22, 2010, October 25, 2010, November 12, 2010, December 20, 2010, December 30, 2010, February 17, 2011, February 19, 2011, April 16, 2011, April 21, 2011, April 23, 2011, June 15, 2011 and June 27, 2011 respectively. Information in respect of attendance by Directors in the meetings is given below:

For the year ended June 30 2011				
Name of Director	Number of Meetings			Meeting not attended
	Held	Attended	Leave Granted	
Mr. Shafi Malik*	15	15	-	-
Mr. Nasim Beg	15	15	-	-
Mr. Sirajuddin Cassim*	15	4	11	74th to 83rd and 88th meeting
Mr. S. Gulrez Yazdani *	15	13	2	75th and 76th meeting
Mr. Muhammad Akmal Jameel*	15	15	-	-
Mr. Syed Ajaz Ahmed*	15	13	2	74th and 88th meeting
Mr. Muhammad Kashif Habib*	15	11	4	74th, 77th, 87th and 88th meeting
Mr. Samad A. Habib**	5	5	-	-
Mr. Mian Mohammad Mansha***	1	1	-	-
Mr. Yasir Qadri***	1	1	-	-
Mr. Syed Salman Ali Shah***	1	1	-	-
Mr. Haroun Rashid***	1	1	-	-
Mr. Ahmed Jahangir***	1	1	-	-
Mr. Mirza Mahmood Ahmad***	1	1	-	-

METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

- * The above directors retired in the 88th meeting held on June 27, 2011
- ** Mr.Samad A.habib was appointed as director during the year in the extraordinary general meeting held on February 7, 2011 and approved by SECP on March 31,2011
- *** The above directors are appointed in place of retiring directors in the 88th meeting held on June 27, 2011

20. FINANCIAL RISK MANAGEMENT

The sub-scheme primarily invests in a portfolio of money market investments such as government securities and Reverse repurchase transactions. These activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk.

20.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Board and regulations laid down by the Securities and Exchange Commission of Pakistan.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

20.1.1 Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The sub-scheme, at present is not exposed to currency risk as all transactions are carried out in Pak Rupees.

20.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

a) Sensitivity analysis for variable rate instruments

Presently, the Scheme holds GOP Ijarah Sukuk exposing the Scheme to cashflow interest rate risk. In case of 100 basis points increase/ decrease in 6 months weighted average yield of market treasury bills on June 30, 2011 with all other variables held constant, the net assets of the Scheme and net income for the period would have been higher / lower by Rs 64,400.

b) Sensitivity analysis for fixed rate instruments

Investments in Treasury Bills and Pakistan Investment Bonds are not subject to cash flow interest rate risk.

As at June 30, 2011, the Scheme holds Treasury Bills which are classified as fair value through profit or loss, exposing the Scheme to fair value interest rate risk. In case of 100 basis points increase in rates announced by Financial Market Association on June 30, 2011, the net income for the year and net assets would be lower by Rs 14,764,116 (2010: Rs 24,738,059). In case of 100 basis points decrease in rates announced by Financial Market Association on June 30, 2010, the net income for the year and net assets would be higher by Rs. 14,943,590 (2010: Rs 25,977,804).

The composition of the scheme's investment portfolio and rates announced by the Financial Market Association is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2011 is not necessarily indicative of the impact on the Scheme's net assets of future movements in interest rates.

Yield / interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

**METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

----- June 30, 2011-----				
Exposed to yield / interest rate risk			Not exposed to Yield / interest rate risk	Total
Up to three months	More than three months and up to one year	More than one year		

------(Rupees)-----

On-balance sheet financial instruments

Financial assets

Balances with banks	3,059,757	-	-	5,000	3,064,757
Investment in government securities	2,782,091,674	50,078,152	-	-	2,832,169,826
Investment in Sub-Scheme	-	-	-	111,212,148	111,212,148
Income and other receivable	-	-	-	2,024,970	2,024,970
Sub Total	<u>2,785,151,431</u>	<u>50,078,152</u>	<u>-</u>	<u>113,242,118</u>	<u>2,948,471,701</u>

Financial liabilities

Payable to Management Company	-	-	-	1,681,098	1,681,098
Payable to Trustee	-	-	-	148,142	148,142
Payable against redemption request	-	-	-	27,000	27,000
Accrued expenses and other liabilities	-	-	-	732,129	732,129
Sub Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,588,369</u>	<u>2,588,369</u>

On-balance sheet gap

	<u>2,785,151,431</u>	<u>50,078,152</u>	<u>-</u>	<u>110,653,749</u>	<u>2,945,883,332</u>
--	----------------------	-------------------	----------	--------------------	----------------------

----- June 30, 2010-----				
Exposed to yield / interest rate risk			Not exposed to Yield / interest rate risk	Total
Up to three months	More than three months and up to one year	More than one year		

------(Rupees)-----

On-balance sheet financial instruments

Financial assets

Balances with banks - in deposit account	6,683,309	-	-	-	6,683,309
Investment in government securities	1,228,625,984	146,217,993	-	-	1,374,843,977
Investment in Sub-Scheme	-	-	-	100,975,640	100,975,640
Income and other receivable	-	-	-	26,434,795	26,434,795
Sub Total	<u>1,235,309,293</u>	<u>146,217,993</u>	<u>-</u>	<u>127,410,435</u>	<u>1,508,937,721</u>

Financial liabilities

Payable to Management Company	-	-	-	1,327,206	1,327,206
Payable to Trustee	-	-	-	145,450	145,450
Accrued expenses and other liabilities	-	-	-	520,254	520,254
Sub Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,992,910</u>	<u>1,992,910</u>

On-balance sheet gap

	<u>1,235,309,293</u>	<u>146,217,993</u>	<u>-</u>	<u>125,417,525</u>	<u>1,506,944,811</u>
--	----------------------	--------------------	----------	--------------------	----------------------

METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

20.1.3 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Since the Scheme is not allowed to invest in equity securities, hence it is not exposed to equity price risk.

20.2 Credit Risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Scheme's credit risk is attributable to its balances with banks. The credit risk on these funds is limited because the counter parties are financial institutions with reasonably high credit ratings.

Bank Balances by rating category	2011
Habib Metropolitan Bank Limited	AA+
Bank Alfalah Limited	AA
	2010
Habib Metropolitan Bank Limited	AA+
Bank Alfalah Limited	AA

20.2.1 Investment in government securities

Since these securities are issued by Government of Pakistan they are considered free from credit risk.

20.3 Liquidity risk

Liquidity risk is the risk that the Scheme may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous.

The Scheme is exposed to daily cash redemptions, if any. The Scheme's approach to managing liquidity is to ensure, as far as possible, that the Scheme will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

For the purpose of making redemptions the Scheme has the ability to borrow in the short term. However, such need did not arise during the year. The maximum amount available to the Scheme from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates.

In order to manage the Scheme's overall liquidity, the Scheme also has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption request qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Scheme did not withhold any significant redemption requests during the year.

For effective Scheme's management, the Fund Manager monitor the Scheme's liquidity position on a daily basis, and on a regular basis the "Investment Committee" also reviews the same.

The table below analyses the Scheme's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

**METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

----- June 30, 2011-----			
Up to three months	More than three months and upto one	More than one year	Total

-----Rupees-----

LIABILITIES

Remuneration payable to Management Company	1,681,098	-	-	1,681,098
Remuneration payable to Trustee	148,142	-	-	148,142
Payable against redemption request	27,000	-	-	27,000
Accrued expenses and other liabilities	732,129	-	-	732,129
	<u>2,588,369</u>	<u>-</u>	<u>-</u>	<u>2,588,369</u>

----- June 30, 2010-----			
Up to three months	More than three months and upto one	More than one year	Total

-----Rupees-----

LIABILITIES

Remuneration payable to Management Company	1,327,206	-	-	1,327,206
Remuneration payable to Trustee	145,450	-	-	145,450
Payable against redemption request	-	-	-	-
Accrued expenses and other liabilities	520,254	-	-	520,254
	<u>1,992,910</u>	<u>-</u>	<u>-</u>	<u>1,992,910</u>

20.4 Financial instruments by category

----- June 30, 2011-----			
Loans and receivables	At fair value through profit or loss	Available for sale investments	Total

-----Rupees-----

Assets

Balances with banks	3,064,757	-	-	3,064,757
Investments	-	2,943,381,974	-	2,943,381,974
Income and other receivables	2,024,970	-	-	2,024,970
	<u>5,089,727</u>	<u>2,943,381,974</u>	<u>-</u>	<u>2,948,471,701</u>

----- June 30, 2011-----		
Laibilities at fair value through profit or loss	Other financial liabilities	Total

-----Rupees-----

Liabilities

Payable to Management Company	-	1,681,098	1,681,098
Payable to Central Depository Company- Trustee	-	148,142	148,142
Payable against redemption request	-	27,000	27,000
Accrued expenses and other liabilities	-	732,129	732,129
	<u>-</u>	<u>2,588,369</u>	<u>2,588,369</u>

**METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

----- June 30, 2010-----			
Loans and receivables	At fair value through profit or loss	Available for sale investments	Total
-----Rupees-----			
Assets			
Balances with banks - in deposit account	6,683,309	-	6,683,309
Investment in Government Securities	-	1,329,601,624	1,475,819,617
Income and other receivables	26,434,795	-	26,434,795
	<u>33,118,104</u>	<u>1,329,601,624</u>	<u>1,508,937,721</u>

----- June 30, 2010-----		
Laibilities at fair value through profit or loss	Other financial liabilities	Total
-----Rupees-----		
Liabilities		
Payable to Management Company	-	1,327,206
Payable to Habib Metropolitan Bank Limited - Trustee	-	145,450
Accrued expenses and other liabilities	-	520,254
	<u>-</u>	<u>1,992,910</u>

21. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Scheme is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are tradeable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book values as the items are either short term in nature or periodically repriced.

According to the amendments to International Financial Reporting Standard 7, Financial Instruments : Disclosure - Improving disclosures about financial instruments, an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

**METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

----- June 30, 2011-----			
Level 1	Level 2	Level 3	Total

-----Rupees-----

ASSETS

Investment in government securities - at fair value through profit or loss	-	2,832,169,826	-	2,832,169,826
Investment in sub scheme - at fair value through profit or loss	111,212,148	-	-	111,212,148
Investment in government securities - available for sale	-	-	-	-
	<u>111,212,148</u>	<u>2,832,169,826</u>	<u>-</u>	<u>2,943,381,974</u>

22. UNIT HOLDERS'S FUND RISK MANAGEMENT

The Scheme capital is represented by redeemable units of the Scheme. They are entitled to distribution and to payment of a proportionate share based on the Scheme's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund.

The Scheme's objectives when managing unit holders fund are to safeguard its ability to continue as a going concern so that it can continue to provide returns for unit holders and to maintain a strong capital base to meet unexpected losses or opportunities. In accordance with the NBFC Regulations the Scheme is required to distribute at least ninety percent of its income from sources other than unrealised capital gains as reduced by such expenses as are chargeable to the Scheme.

In accordance with the risk management policies stated in note 20, the Scheme endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, such liquidity being augmented by disposal of investments, where necessary.

23. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the management company has declared a final distribution of Rs. 2.7739 per unit (2010: Rs. 5 per unit) for the year ended June 30 2011, amounting to Rs. 155,649,146 (2010: Rs. 139,376,887) in total in their meeting held on July 4, 2011. The financial statements for the year ended June 30, 2011 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending June 30, 2012.

24. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 20, 2011 by the Board of Directors of the Management Company.

25. CORRESPONDING FIGURES

No reclassifications of corresponding figures have been made during the current year.

26. GENERAL

26.1 Figures have been rounded off to the nearest rupee.

26.2 The Scheme has elected to present all non-owner changes in equity (i.e. comprehensive income) in the income statement.

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

Chief Executive

Director

**METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL
PATTERN OF HOLDING AS PER REQUIREMENT OF
CODE OF CORPORATE GOVERNANCE
AS AT JUNE 30, 2011**

Category	No. of Unit Holders	Units
Associated Company, Undertakings, and Related Parties		
MCB Bank Limited	1	28,593,214
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarbas and Mutual Funds.	1	26,867,181
Corporate	1	483,389
Individuals	88	168,241
	91	56,112,025

**METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL
PATTERN OF UNIT HOLDING (SIZE)
AS AT JUNE 30, 2011**

No. of Unit Holders	Units Size	Total Units Held
84	1 - 10000	95,049
4	10001 - 100000	73,193
1	100001 - 1000000	483,389
2	1000001 - onwards	55,460,395
<u>91</u>		<u>56,112,025</u>

METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL PERFORMANCE TABLE

Performance Information	2011	2010	2009	2008	2007	2006	2005	2004	2003
------(Rupees in '000)-----									
Net assets	2,944,462	1,505,748	1,953,347	364,448	792,218	479,103	464,406	462,230	271,473
Net income / (loss) after taxation	217,323	146,525	15,050	56,852	31,680	34,375	(51,093)	9,471	(153)
------(Rupees)-----									
Net assets value per unit	52.47	54.02	49.12	49.96	48.97	48.01	44.70	44.46	50.16
Dividend distribution per unit - 1st Interim	1.49	-	-	-	-	-	-	1.5938	-
Dividend distribution per unit - 2nd Interim	-	-	-	-	-	-	-	0.1433	-
Dividend distribution per unit - Final	2.7739	5.0000	0.0700	6.8500	1.7900	3.1093	-	-	-
Total distribution per unit	4.2639	5.0000	0.0700	6.8500	1.7900	3.1093	-	1.7371	-
Selling price per unit at end of the year	52.52	54.07	49.17	50.00	49.02	48.03	44.73	44.68	49.98
Reperchase price per unit at end of the year	52.47	54.02	49.12	49.95	48.97	47.98	44.69	44.59	49.88
Highest offer price per unit	52.52	54.09	49.17	50.29	49.02	48.03	44.74	51.18	52.60
Lowest offer price per unit	49.03	49.42	42.72	47.28	44.90	44.73	42.33	44.57	48.85
Highest repurchase price per unit	52.47	54.04	49.12	50.24	48.97	47.98	44.70	51.08	52.49
Lowest repurchase price per unit	48.98	49.37	42.68	47.23	44.86	44.69	42.25	44.48	48.75
------(Announcement date of distribution)-----									
Dividend distribution per unit - Final	7/4/2011	7/5/2010	7/6/2009	7/3/2008	7/4/2007	7/4/2006	-	-	-
Dividend distribution per unit - 1st Interim	12/11/2010	-	-	-	-	-	-	9/24/2003	-
Dividend distribution per unit - 2nd Interim	-	-	-	-	-	-	-	12/24/2003	-
------(Percentage)-----									
Total return of the fund	10.30	10.13	13.94	5.89	9.06	7.43	0.52	(7.98)	0.32
Annual dividend distribution	8.70	10.13	0.14	14.52	3.99	6.96	-	3.46	-
Capital growth	1.60	-	13.8	(8.63)	5.08	0.47	0.52	(11.44)	0.32
Average annual return (CAGR):									
One Year	10.30	10.13	13.94	5.89	9.06	7.43	0.52	(7.98)	0.96
Second Year	10.20	12.02	9.83	7.48	8.24	3.92	(3.82)	-	-
Third Year	11.40	9.93	9.57	7.47	5.60	(0.21)	-	-	-

Fund keeps the average duration of its portfolio 1.08 years.

* First year of operations from 7 January 2003 to 30 June 2003.

Disclaimer :-

The past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.

METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012)
CONTENTS

1	Independent Auditor's Report to the Unit Holders	82
2	Statement of Assets and Liabilities	84
3	Income Statement	85
4	Distribution Statement	86
5	Statement of Movement in Unit Holders' Fund	87
6	Cash Flow Statement	88
7	Notes to and Forming part of the Financial Statements	89
8	Details of Pattern Holding (Units)	107
9	Pattern of Unit Holding (Size)	108
10	Performance Table	109

METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012) INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2011

We have audited the accompanying financial statements of **Metrobank Pakistan Sovereign Fund - (December 2012)**, (here in after referred to as the "the Sub-Scheme"), **December 2012**, which comprise the statement of assets and liabilities as at June 30, 2011, and the related income statement, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the international standards on Auditing as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Scheme as at June 30, 2011, and of its financial performance, cash flows and transactions for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Other matters

In our opinion, the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Emphasis of matter paragraph

We draw attention to note 12 to the accompanying financial statements which refers to an uncertainty relating to the future outcome of the litigation regarding contribution to the Workers Welfare Fund which is currently pending adjudication at the honorable High Court of Sindh. Our opinion is not qualified in respect of this matter.

A.F. Ferguson & Co.
Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: October 25, 2011
Karachi

FINANCIAL STATEMENTS

METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012)
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2011

	Note	2011	2010
----- (Rupees) -----			
ASSETS			
Balances with banks	4	887,651	121,805
Investments	5	159,254,816	98,177,207
Income and other receivables	6	5,884,317	3,712,785
Receivable from MSF Perpetual		-	8,497
Total assets		166,026,784	102,020,294
LIABILITIES			
Payable to Management Company	7	174,199	93,568
Payable to Trustee	8	16,314	10,360
Payable to Securities and Exchange Commission of Pakistan	9	87,827	63,612
Accrued expenses and other liabilities	10	47,522	33,933
Total liabilities		325,862	201,473
Net Assets		165,700,922	101,818,821
Unit holders' fund (as per statement attached)		165,700,922	101,818,821
----- (Number of units) -----			
Number of units in issue		3,250,204	1,690,150
----- (Rupees) -----			
Net asset value per unit		50.98	60.24

CONTINGENCIES AND COMMITMENTS

11

The annexed notes 1 to 26 form an integral part of these financial statements.

For Arif Habib Investments Limited
(Mangement Company)

Chief Executive

Director

METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012)
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
----- (Rupees) -----			
INCOME			
Income from investments in government securities		13,822,122	9,908,222
Income from reverse repurchase transactions		-	31,500
Profit on bank deposits		227,527	144,352
Capital loss on sale of government securities		(2,827)	-
Unrealised diminution in value of investments classified as 'at fair value through profit or loss'	5.3	(1,344,275)	(449,374)
Total Income		12,702,547	9,634,700
OPERATING EXPENSES			
Remuneration of the Management Company	7	1,384,140	745,523
Remuneration of Trustees	8	135,985	139,683
Annual Fee - Securities and Exchange Commission of Pakistan	9	86,433	63,612
Brokerage		1,300	5,975
Printing and publications		10,149	8,555
Fees and subscriptions		3,215	8,010
Bank charges		17,368	
Legal and professional charges		6,646	9,219
Auditors' remuneration	13	35,004	20,732
Total expenses		1,680,240	1,001,309
Net income from operating activities		11,022,307	8,633,391
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed		(1,377,375)	15,090,985
Net income for the year before taxation		9,644,932	23,724,376
Taxation	15	-	-
Net income for the year after taxation		9,644,932	23,724,376
Other comprehensive income for the year			
Unrealised surplus in value of investments classified as 'available for sale' - net	5.4	-	25,907
Reclassification of unrealised diminution upon disposal of investments classified as 'available for sale'	5.4	25,186	-
Total comprehensive income for the year		9,670,118	23,750,283
Earnings per unit	3.11		

The annexed notes 1 to 26 form an integral part of these financial statements.

For Arif Habib Investments Limited
(Mangement Company)

Chief Executive

Director

**METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012)
DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011**

	Note	2011	2010
------(Rupees)-----			
Undistributed income brought forward			
-Realised gain		17,785,884	151,125
-Unrealised loss		(449,374)	-
		17,336,510	151,125
Net income for the year		9,644,932	23,724,376
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)
Interim cash distribution for the period from July 1, 2010 to December 11, 2010			
-Cash Distribution		(1,815,753)	-
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed		(3,027)	(6,502,521)
Undistributed income carried forward		3,190,714	17,336,510
Undistributed income carried forward comprising of			
-Realised gain		4,984,363	17,785,884
-Unrealised loss	5.3	(1,793,649)	(449,374)
		3,190,714	17,336,510

The annexed notes 1 to 26 form an integral part of these financial statements.

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

Chief Executive

Director

**METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012)
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2011**

Note	2011	2010
------(Rupees)-----		
Net assets at the beginning of the year	101,818,821	763,124
Issue of 1,143,971 units (2010: 1,810,169)	57,131,731	100,225,084
Redemption of 49,030 units (2010: 133,946 units)	(2,481,370)	(7,828,685)
	54,650,361	92,396,399
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		
- amount representing (income) / loss and capital gains / (losses) - transferred to the Income Statement	1,377,375	(15,090,985)
- amount representing unrealised capital (gains) / losses and capital (gains) / losses that form part of the unit holders' fund - transferred to Distribution Statement	3,027	6,502,521
	1,380,402	(8,588,464)
Movement in unrealised surplus / deficit in value of investments classified as 'available for sale' - net	5.4 25,186	25,907
Distributions:		
Issue of 465,113 bonus units for the year ended June 30, 2010 (Date of distribution July 5, 2010) (2009 :665 bonus unit)	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)
Interim cash distribution for the period from July 1, 2010 to December 11, 2010 -Cash Distribution	(1,815,753)	
Capital loss on sale of investments	(2,827)	-
Unrealised diminution on re-measurement of investments classified as 'at fair value through profit or loss'	(1,344,275)	(449,374)
Other net income for the year	10,992,034	24,173,750
Element of loss and capital losses included in prices of units issued less those in units redeemed - amount representing unrealised losses - net	(3,027)	(6,502,521)
	(14,145,796)	17,185,385
Net assets at the end of the year	165,700,922	101,818,821

The annexed notes 1 to 26 form an integral part of these financial statements.

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

Chief Executive

Director

METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012)
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011

Note	2011	2010
------(Rupees)-----		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	9,644,932	23,724,376
Adjustments for :		
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed	1,377,375	(15,090,985)
Unrealised diminution in value of investments classified as 'at fair value through profit or loss'	5.3 1,344,275	449,374
	<u>12,366,582</u>	<u>9,082,765</u>
(Increase) / decrease in assets		
Investments	(62,396,698)	(98,083,575)
Income and other receivables	(2,171,532)	(3,697,674)
Receivable from MSF Perpetual	8,497	(8,497)
Advances and prepayments	-	63
	<u>(64,559,733)</u>	<u>(101,789,683)</u>
Increase / (decrease) in liabilities		
Payable to Management Company	80,631	93,383
Payable to Trustee	5,954	10,267
Payable to Securities and Exchange Commission of Pakistan - Annual fee	24,215	63,010
Accrued expense and other liabilities	13,589	32,879
	<u>124,389</u>	<u>199,539</u>
Net cash used in operating activities	<u>(52,068,762)</u>	<u>(92,507,379)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issuance of units	57,131,731	100,225,084
Payment against redemption of units	(2,481,370)	(7,828,685)
Interim Distribution	(1,815,753)	-
Net cash generated from financing activities	<u>52,834,608</u>	<u>92,396,399</u>
Net increase / (decrease) in cash and cash equivalents	<u>765,846</u>	<u>(110,980)</u>
Cash and cash equivalents at beginning of the year	121,805	232,785
Cash and cash equivalents at end of the year	<u>887,651</u>	<u>121,805</u>

The annexed notes 1 to 26 form an integral part of these financial statements.

For Arif Habib Investments Limited
(Management Company)

Chief Executive

Director

METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012) NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

1. LEGAL STATUS AND NATURE OF BUSINESS

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

During last year, 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 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 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.

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

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

Pakistan Credit Rating Agency (PACRA) has 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 June 30, 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]	December 31, 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]	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.

These financial statements are the financial statements of the sub-scheme. The sub-scheme can directly invest in Pakistan rupee denominated bonds and debt securities issued by the Government of Pakistan, enter into reverse repurchase transactions in Government Securities and invest any otherwise un-invested funds in deposits with banks and financial institutions.

Title to the assets of the sub-scheme is held in the name of Central Depository Company of Pakistan Limited as trustee of the Metrobank Pakistan Sovereign Fund.

METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012) NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

2. BASIS OF PREPARATION

2.1 Statement of compliance

These 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 (Establishment and Regulation) Rules, 2003 (the NBFC Rules), 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 Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain new standards, amendments and interpretations that became effective during the year and are mandatory for accounting periods beginning on or after January 1, 2010 but are considered not to be relevant or did not have any significant effect on the sub-scheme's operations and are, therefore, not detailed in these financial statements.

2.3 New and amended standards and interpretations that are not yet effective and have not been early adopted

The following revised standard has been published and is mandatory for accounting periods beginning on or after January 1, 2011:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The sub-scheme will apply the revised standard from July 1, 2011. The sub-scheme is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.

There are other amendments to the standards, improvements to International Financial Reporting Standards 2010 and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect on the sub-scheme's operations and are therefore not detailed in these financial statements.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the sub-scheme's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the sub-scheme's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments (notes 3.2 and 5).

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except that certain financial assets have been carried at fair value.

2.6 Functional and presentation currency

The financial statements are presented in Pak Rupees, which is the sub-scheme's functional and presentation currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below:

**METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

3.1 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of assets and liabilities at cost. Cash and cash equivalents comprise of bank balances and other short term investments having original maturities of less than three months.

3.2 Financial assets

3.2.1 Classification

The sub-scheme classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss
- loans and receivables
- Available for sale

The classification depends on the purpose for which the financial assets were acquired. Management determines the appropriate classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the 'financial assets at fair value through profit or loss' category.

b) Loans and receivables

These are non-derivatives financial assets with fixed or determinable payments that are not quoted in an active market.

c) Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, or (b) financial assets at fair value through profit or loss.

3.2.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the sub-scheme commits to purchase or sell the asset.

3.2.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

3.2.4 Subsequent measurement

Basis of valuation of government securities

The investment of the sub-scheme in government securities is valued on the basis of rates announced by the Financial Market Association of Pakistan.

METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

3.2.5 Impairment

The carrying amounts of the sub-scheme's assets are revalued at each reporting date to determine whether there is any indication of impairment in any asset or group of assets. If such indication exists, the recoverable amount of the assets is estimated and impairment losses are recognised immediately as an expense in the Income Statement. If any impairment evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in other comprehensive income is reclassified from other comprehensive income and is recognised in the income statement.

Provision for non-performing exposures is made in accordance with the criteria specified in circular 1 dated January 6, 2009 and circular 13 dated May 4, 2009 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company.

3.2.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired, have been realised or have been transferred and the sub-scheme has transferred substantially all risks and rewards of ownership.

3.2.7 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Assets and Liabilities only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

3.3 Financial liabilities

All financial liabilities are recognised at the time when the sub-scheme becomes a party to the contractual provisions of the instrument. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Financial liabilities include payable to management company, unclaimed dividend, payable to trustee and other liabilities.

3.4 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the income statement.

3.5 Securities under repurchase / resale agreements

Transactions of purchase under resale (reverse-repo) of marketable and government securities are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repo) are not recognised in the Statement of Assets and Liabilities. Amount paid under these agreements are included in receivable in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the reverse-repo agreement.

All reverse repo transactions are accounted for on the settlement date.

3.6 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. The sales load is payable to the investment facilitators, distributors and the Management Company. Transaction costs are recorded as the income of the sub-scheme.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption request during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

**METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

3.7 Proposed distributions

Distribution declared and transfers between reserves made subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

3.8 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of income per unit and distribution of income already paid out on redemption.

The sub-scheme records that portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period which pertains to unrealised gains / (losses) held in the Unit Holder's Funds in a separate reserve account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognised in the Income Statement.

3.9 Provisions

Provisions are recognised when the sub-scheme has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimates.

3.10 Net asset value per unit

The net asset value (NAV) per unit, as disclosed on the Statement of Assets and Liabilities, is calculated by dividing the net assets of the sub-scheme by the number of units in circulation at the year end.

3.11 Earnings per unit

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

3.12 Taxation

No provision for taxation has been made as the sub-scheme is exempt from Income Tax as per clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders.

The sub-scheme provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the sub-scheme also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the sub-scheme has not recognised any amount in respect of deferred tax in these financial statements as it intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

3.13 Revenue recognition

Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.

Unrealised capital gains / (losses) arising on marking to market of investments classified as 'Financial assets at fair value through profit or loss' are included in the Income Statement in the period in which they arise.

Profit on bank deposits is recognised on an accrual basis.

Profit on investment is recognised on an accrual basis.

**METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012)
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2011**

3.14 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

4. BALANCES WITH BANKS

	Note	June 30, 2011	June 30, 2010
------(Rupees)-----			
In deposit accounts	4.1	883,925	121,805
In current accounts		3,726	-
		<u>887,651</u>	<u>121,805</u>

4.1 These carry a return of 10.5% (2010: 9%) per annum.

5. INVESTMENTS

	Note	June 30, 2011	June 30, 2010
------(Rupees)-----			
Investments 'Available for sale'			
Pakistan Investment Bonds	5.1	-	505,859
Investments 'at fair value through profit or loss'			
Pakistan Investment Bonds	5.2	159,254,816	97,671,348
		<u>159,254,816</u>	<u>98,177,207</u>

**METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

5.1 Investment in government securities - 'available for sale'

Issue Date	Tenor	Face Value Rs. in Thousands				June 30, 2011 (Rupees)			percentage of net assets	percentage of total investment
		As at 1 July, 2010	Purchases during the year	Sales / Matured during the year	As at June 30, 2011	Cost	Market value	Appreciation / (Diminution)		
						------(Rupees in 000)-----				
Pakistan Investment Bond										
18 April 2001	10 Years	500	-	500	-	-	-	-	-	-
Total as at June 30, 2011						<u>-</u>	<u>-</u>	<u>-</u>		
Total as at June 30, 2010						<u>531,045</u>	<u>505,589</u>	<u>(25,186)</u>		

5.2 Investment in government securities - 'at fair value through profit or loss'

Issue Date	Tenor	Face Value Rs. in Thousands				June 30, 2011 (Rupees)			percentage of net assets	percentage of total investment
		As at 1 July, 2010	Purchases during the year	Sales / Matured during the year	As at June 30, 2011	Cost	Market value	Appreciation / (Diminution)		
						------(Rupees in 000)-----				
Pakistan Investment Bond										
3 September 2009	3 Years	100,000	-	-	100,000	98,925,946	97,199,871	(1,726,075)	58.66%	61.03
3 September 2009	3 years	-	26,500	-	26,500	25,791,718	25,757,966	(33,752)	15.54%	16.17
24 October 2002	10 years	-	7,000	-	7,000	6,760,225	6,761,327	1,102	4.08%	4.25
22 August 2007	5 years	-	32,000	1,000	31,000	29,570,576	29,535,652	(34,924)	17.82%	18.55
						<u>161,048,465</u>	<u>159,254,816</u>	<u>(1,793,649)</u>	96.11%	100.00
Total as at June 30, 2011						<u>161,048,465</u>	<u>159,254,816</u>	<u>(1,793,649)</u>		
Total as at June 30, 2010						<u>98,120,722</u>	<u>97,671,348</u>	<u>(449,374)</u>		
Treasury Bills										
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	-	-	-	-	-	-
18 December 2010	3 Months	-	5,000	5,000	-	-	-	-	-	-
10 March 2011	3 Months	-	6,000	6,000	-	-	-	-	-	-
Total as at June 30, 2011						<u>-</u>	<u>-</u>	<u>-</u>		
Total as at June 30, 2010						<u>-</u>	<u>-</u>	<u>-</u>		

**METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

5.3 Net unrealised diminution in value of investments classified as - 'at fair value through profit or loss'	Note	30 June 2011	30 June 2010
		------(Rupees)-----	
Market value of investments	5.2	159,254,816	97,671,348
Cost of investments	5.2	(161,048,465)	(98,120,722)
		<u>(1,793,649)</u>	<u>(449,374)</u>
Net unrealised diminution in the value of securities at beginning of the year		449,374	-
		<u>(1,344,275)</u>	<u>(449,374)</u>

5.4 Movement in unrealised surplus in value of investments classified as 'available for sale' - net during the year

Market value of investments	-	505,859
Cost of investments	-	(531,045)
		<u>-(25,186)</u>
Net unrealised diminution in the value of securities at beginning of the year		51,093
		<u>25,186</u>

6. INCOME AND OTHER RECEIVABLES

Profit on bank deposits	43,575	-
Income receivable on government securities	5,840,742	3,712,785
	<u>5,884,317</u>	<u>3,712,785</u>

7. PAYABLE TO ARIF HABIB INVESTMENTS LIMITED - MANAGEMENT COMPANY

Under the provisions of the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non Banking Finance Companies and Notified Entities Regulation, 2008, the Management Company of the sub-scheme is entitled to a remuneration during the first five years of the sub-scheme, of an amount not exceeding three percent of the average annual net assets of the sub-scheme and thereafter of an amount equal to two percent of such assets of the sub-scheme.

The management fees is being calculated on the lower of 10% of the sub-scheme operating Revenue or 1.5 % of average daily net assets subject to minimum fee of 0.5% of average daily net assets.

8. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

The Trustee is entitled to a monthly remuneration for services rendered to the sub-scheme under the provisions of the Trust Deed as per the tariff specified therein based on the daily net assets of the sub-scheme.

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2011 is as follows:

Amount of Funds Under Management (Average NAV)	Tariff per annum
Upto Rs. 1,000 million	1.5 million per annum
On an amount exceeding Rs 1,000 million	0.075% of net assets

9. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - ANNUAL FEE

Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), a collective investment scheme classified as 'Income Fund', is required to pay as annual fee to the SECP, an amount equal to 0.075 percent of the average annual net assets of the sub-scheme.

10. ACCRUED EXPENSES AND OTHER LIABILITIES

	30 June 2011	30 June 2010
	------(Rupees)-----	
Auditors' remuneration	24,470	20,223
Printing and publication charges payable	6,645	6,291
Others	16,407	7,419
	<u>47,522</u>	<u>33,933</u>

**METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

11. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2011 and June 30, 2010 except as explained in note 12.

12. CONTRIBUTION TO WORKERS WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In light of this, Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honorable Sindh High Court challenging the applicability of WWF on CISs which was dismissed mainly on the ground that MUFAP is not an aggrieved party.

Subsequently, clarifications were issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. These clarifications were forwarded by the Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on these clarifications, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Other mutual funds to whom notices were issued by the FBR also took up the matter with FBR for their withdrawal.

Further, a fresh Constitutional Petition has been filed with the Honorable High Court of Sindh by a CIS / mutual fund and a pension fund through their trustee and an asset management company inter alia praying to declare that mutual funds / voluntary pension funds being pass through vehicles / entities are not industrial establishments and hence, are not liable to contribute to the WWF under the WWF Ordinance. The proceedings of the Honorable Court in this matter have concluded and the Honorable Court has reserved its decision.

Subsequent to the year ended June 30, 2011, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company believes that the Metrobank Pakistan Sovereign Fund (pertaining to sub-scheme operations) is not liable to contribute to WWF and hence no provision has been recognised by the Management Company. The aggregate unrecognised amount of WWF as at June 30, 2011 amounted to Rs 0.66 million (including Rs 0.0008 million for the year ended June 30, 2009 and Rs 0.474 million for the year ended June 30, 2010).

13. AUDITORS' REMUNERATION

	30 June 2011	30 June 2010
	----- (Rupees) -----	
Annual audit fee	17,377	11,569
Half yearly review fee	10,710	6,159
Other certifications and services	4,957	1,915
Out of pocket expenses	1,960	1,089
	35,004	20,732

14. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include the Management Company (AMC), other collective investment schemes being managed by the Management Company, the Trustee, directors and key management personnel and other associated undertakings.

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

Performance fee payable to the Management Company and the Trustee is determined in accordance with the provisions of the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulation, 2008 and the Trust Deed respectively.

METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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

	30 June 2011	30 June 2010
	------(Rupees)-----	
Transactions and balances with connected persons		
Arif Habib Investments Limited - Management Company		
Balance at beginning of the year	93,568	185
Remuneration for the year	<u>1,384,140</u>	<u>745,523</u>
	1,477,708	745,708
Amounts paid during the year	<u>1,303,509</u>	<u>839,276</u>
Balance at the end of the year	<u>174,199</u>	<u>93,568</u>
Issue of 3,791 bonus units (2010: 609 units)	<u>179,233</u>	<u>33,354</u>
Redemption of 29 units (2010: Nil units)	<u>1,364</u>	<u>-</u>
Units held 16,500 units (2010: 12,738 units)	<u>841,145</u>	<u>767,313</u>
Central Depository Company of Pakistan Limited - Trustee		
Balance at beginning of the year	10,360	-
Remuneration for the year	<u>135,985</u>	<u>73,715</u>
	146,345	73,715
Amounts paid during the year	<u>130,031</u>	<u>63,355</u>
Balance at the end of the year	<u>16,314</u>	<u>10,360</u>
Habib Metropolitan Bank Limited - Trustee fee		
Balance at the beginning of the year	-	93
Remuneration for the year	<u>-</u>	<u>65,968</u>
	-	66,061
Amounts paid during the year	<u>-</u>	<u>66,061</u>
Balance at the end of the year	<u>-</u>	<u>-</u>
Deposits		
Balance at end of the year	<u>846,269</u>	<u>121,805</u>
Profit Receivable	<u>41,968</u>	<u>-</u>
Profit on bank deposits	<u>194,769</u>	<u>144,352</u>
Transactions and balances with connected persons		
- Scheme and Sub-schemes		
Receivable from MSF Perpetual	<u>-</u>	<u>8,497</u>
MSF Perpetual		
Units issued 43,983 units (2010: 1,809,670 units)	<u>2,100,835</u>	<u>100,196,768</u>
Bonus Units Issued 461,281	<u>21,790,892</u>	<u>-</u>
Units redeemed Nil units (2010: 133,447 units)	<u>-</u>	<u>7,800,000</u>
Units held 2,181,486 (2010: 1,676,222 units)	<u>111,212,148</u>	<u>100,975,640</u>
Directors and Executives		
Units issued 4,035 units (2010: 500 units)	<u>200,000</u>	<u>28,315</u>
Units redeemed 2,017 units (2010: 500 units)	<u>100,000</u>	<u>28,685</u>
Investment held 2,018 Units	<u>102,858</u>	<u>-</u>

**METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

15. TAXATION

The income of the sub-scheme is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The sub-scheme has not recorded a tax liability in respect of income relating to the current year as the Management Company has distributed subsequently the required minimum percentage of its accounting income for the year as reduced by capital gains (whether realised or unrealised) to its unit holders.

16. PARTICULARS OF INVESTMENT COMMITTEE

Details of members of investment committee of the Sub-scheme are as follow:

Name	Designation	Qualification	Experience in years
1 Mr. Yasir Qadri	Chief Executive Officer	MBA	16
2 Mr. Kashif Rafi	Fund Manager - Fixed Income	MBA and CFA Level 1	10
3 Mr. Muhammad Asim	Fund Manager - Equity Funds	MBA & CFA	8
4 Mr. Syed Akbar Ali	Senior Research Analyst	MBA & CFA	6
5 Mr. Mohsin Pervez	Senior Research Analyst	MBA	10

16.1 Other Funds managed by the Fund Manager

- a) MCB Dynamic Cash Fund ; and
- b) MCB Cash Management Optimizer

17. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

	2011 (Percentage)
1) Summit Capital (Private) Limited	50
2) Continental Exchange (Private) Limited	50
	2010 (Percentage)
1) KASB Securities Limited	83.68
2) First Capital Securities Corporation Limited	10.88
3) Finex Securities	5.44

18. DETAILS OF PATTERN OF UNIT HOLDING

	2011		
	Number of Investors	Amount of Investment	% of Total
Individuals	24	45,426,209	27.41%
Associated companies	1	841,173	0.51%
Directors	-	-	-
Insurance companies	-	-	-
Bank / DFIs	-	-	-
NBFCs	-	-	-
Retirement funds	1	77,352	0.05%
Public Limited companies	-	-	-
Others	2	119,356,188	72.03%
Total	28	165,700,922	100.00%

**METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

	2010		
	Number of Investors	Amount of Investment	% of Total
Individuals	-	-	-
Associated companies	-	-	-
Directors	-	-	-
Insurance companies	-	-	-
Bank / DFI's	-	-	-
NBFCs	2	101,742,954	99.93%
Retirement funds	1	75,867	0.07%
Public Limited companies	-	-	-
Others	-	-	-
Total	3	101,818,821	100.00%

19. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 74th, 75th, 76th, 77th, 78th, 79th, 80th, 81st, 82nd, 83rd, 84th, 85th, 86th, 87th and 88th Board meetings were held on July 5, 2010, August 3, 2010, August 4, 2010, October 22, 2010, October 25, 2010, November 12, 2010, December 20, 2010, December 30, 2010, February 17, 2011, February 19, 2011, April 16, 2011, April 21, 2011, April 23, 2011, June 15, 2011 and June 27, 2011 respectively. Information in respect of attendance by Directors in the meetings is given below:

For the year ended June 30 2011				
Name of Director	Number of Meetings			Meeting not attended
	Held	Attended	Leave Granted	
Mr. Shafi Malik*	15	15	-	-
Mr. Nasim Beg	15	15	-	-
Mr. Sirajuddin Cassim*	15	4	11	74th to 83rd and 88th meeting
Mr. S. Gulrez Yazdani *	15	13	2	75th and 76th meeting
Mr. Muhammad Akmal Jameel*	15	15	-	-
Mr. Syed Ajaz Ahmed*	15	13	2	74th and 88th meeting
Mr. Muhammad Kashif Habib*	15	11	4	74th, 77th, 87th and 88th meeting
Mr. Samad A. Habib**	5	5	-	-
Mr. Mian Mohammad Mansha***	1	1	-	-
Mr. Yasir Qadri***	1	1	-	-
Mr. Syed Salman Ali Shah***	1	1	-	-
Mr. Haroun Rashid***	1	1	-	-
Mr. Ahmed Jahangir***	1	1	-	-
Mr. Mirza Mahmood Ahmad***	1	1	-	-

* The above directors retired in the 88th meeting held on June 27, 2011

** Mr. Samad A. Habib was appointed as director during the year in the extraordinary general meeting held on February 7, 2011 and approved by SECP on March 31, 2011

*** The above directors are appointed in place of retiring directors in the 88th meeting held on June 27, 2011

20. FINANCIAL RISK MANAGEMENT

The sub-scheme primarily invests in a portfolio of money market investments such as government securities and Reverse repurchase transactions. These activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk.

20.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

**METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Board and regulations laid down by the Securities and Exchange Commission of Pakistan.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

20.1.1 Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The sub-scheme, at present is not exposed to currency risk as all transactions are carried out in Pak Rupees.

20.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Sensitivity analysis for fixed rate instruments

Investments in Pakistan Investment Bonds are not subject to cash flow interest rate risk.

As at June 30, 2011, the sub-scheme holds Pakistan Investment Bonds which are classified as at fair value through profit and loss, exposing the sub-scheme to fair value interest rate risk. In case of 100 basis points increase in rates announced by Financial Market Association on June 30, 2011, the net income for the year and net assets would be lower by Rs 1,683,284 (2010: Rs 1,812,863) . In case of 100 basis points decrease in rates announced by Financial Market Association on June 30, 2010, the net income for the year and net assets would be higher by Rs. 1,709,521 (2010: Rs 1,857,651).

Yield / interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

----- As at June 30, 2011-----				
Exposed to yield / interest rate risk			Not exposed to Yield / interest rate risk	Total
Up to three months	More than three months and up to one year	More than one year		

On-balance sheet financial instruments

------(Rupees)-----

Financial assets

Balances with banks	883,925	-	-	3,726	887,651
Investment in government securities	159,254,816	-	-	-	159,254,816
Income and other receivables	-	-	-	5,884,317	5,884,317
Sub Total	160,138,741	-	-	5,888,043	166,026,784

Financial liabilities

Payable to Management Company	-	-	-	174,199	174,199
Payable to CDC - Trustee	-	-	-	16,314	16,314
Accrued expenses and other liabilities	-	-	-	44,218	44,218
Sub Total	-	-	-	234,731	234,731

On-balance sheet gap

	160,138,741	-	-	5,653,312	165,792,053
--	--------------------	----------	----------	------------------	--------------------

METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

----- As at June 30, 2010-----				
Exposed to yield / interest rate risk			Not exposed to Yield / interest rate risk	Total
Up to three months	More than three months and up to one year	More than one year		
------(Rupees)-----				
On-balance sheet financial instruments				
Financial assets				
Balances with banks - in deposit account	121,805	-	-	121,805
Investment in government securities	97,671,348	505,859	-	98,177,207
Income and other receivables	-	-	3,712,785	3,712,785
Sub Total	<u>97,793,153</u>	<u>505,859</u>	<u>3,712,785</u>	<u>102,011,797</u>
Financial liabilities				
Payable to Management Company	-	-	93,568	93,568
Payable to Trustee	-	-	10,360	10,360
Accrued expenses and other liabilities	-	-	33,933	33,933
Sub Total	<u>-</u>	<u>-</u>	<u>137,861</u>	<u>137,861</u>
On-balance sheet gap	<u>97,793,153</u>	<u>505,859</u>	<u>3,574,924</u>	<u>101,873,936</u>

20.1.3 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Since the sub-scheme is not allowed to invest in equity securities, hence it is not exposed to equity price risk.

20.2 Credit Risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The sub-scheme's credit risk is attributable to its balances with banks. The credit risk on these funds is low because the counter parties are financial institutions with high credit ratings.

Bank Balances by rating category

	2011
Habib Metropolitan Bank Limited	AA+
Standard Chartered Bank (Pakistan) Limited	AAA

2010

Habib Metropolitan Bank Limited	AA+
---------------------------------	-----

20.2.1 Investment in government securities

Since these securities are issued by the Government of Pakistan they are considered free from credit risk.

**METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

20.3 Liquidity risk

Liquidity risk is the risk that the sub-scheme may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The sub-scheme is exposed to daily cash redemptions, if any. The sub-scheme's approach to managing liquidity is to ensure, as far as possible, that the Sub-scheme will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the sub-scheme's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

For the purpose of making redemptions the sub-scheme has the ability to borrow in the short term, however such need did not arise during the year. The maximum amount available to the sub-scheme from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Sub-scheme. The facility would bear interest at commercial rates.

In order to manage the sub-scheme's overall liquidity, the sub-scheme may withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The sub-scheme did not withhold any redemptions during the year.

For effective Sub-scheme's management, the Fund Manager monitor the sub-scheme's liquidity position on a daily basis, and on a regular basis the "Investment Committee" also reviews the same.

The table below analyses the sub-scheme's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

----- As at June 30, 2011-----			
Up to three months	More than three months and upto one year	More than one year	Total

-----Rupees-----

LIABILITIES

Remuneration payable to Management Company	174,199	-	-	174,199
Remuneration payable toTrustee	16,314	-	-	16,314
Accrued expenses and other liabilities	44,218	-	-	44,218
	<u>234,731</u>	<u>-</u>	<u>-</u>	<u>234,731</u>

----- As at June 30, 2010-----			
Up to three months	More than three months and upto one year	More than one year	Total

-----Rupees-----

LIABILITIES

Remuneration payable to Management Company	93,568	-	-	93,568
Remuneration payable toTrustee	10,360	-	-	10,360
Accrued expenses and other liabilities	33,933	-	-	33,933
	<u>137,861</u>	<u>-</u>	<u>-</u>	<u>137,861</u>

METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

20.4 Financial instruments by category

----- As at June 30, 2011-----			
Loans and receivables	At fair value through profit or loss	Available for sale	Total
-----Rupees-----			
Assets			
Balances with banks - in deposit account	887,651	-	887,651
Investment in Government Securities	-	159,254,816	159,254,816
Income and other receivables	5,884,317	-	5,884,317
	<u>6,771,968</u>	<u>159,254,816</u>	<u>166,026,784</u>

-----As at June 30, 2011-----		
Laibilities at fair value through profit or loss	Other financial liabilities	Total
-----Rupees-----		
Financial liabilities		
Payable to Management Company	-	174,199
Payable to Trustee	-	16,314
Accrued expenses and other liabilities	-	44,218
	<u>-</u>	<u>234,731</u>

----- As at June 30, 2010-----			
Loans and receivables	At fair value through profit or loss	Available for sale	Total
-----Rupees-----			
Assets			
Balances with banks - in deposit account	121,805	-	121,805
Investment in Government Securities	-	97,671,348	98,177,207
Income and other receivables	3,712,785	-	3,712,785
	<u>3,834,590</u>	<u>97,671,348</u>	<u>102,011,797</u>

-----As at June 30, 2010-----		
Laibilities at fair value through profit or loss	Other financial liabilities	Total
-----Rupees-----		
Financial liabilities		
Payable to Management Company	-	93,568
Payable to Trustee	-	10,360
Accrued expenses and other liabilities	-	33,933
	<u>-</u>	<u>137,861</u>

21. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

**METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Underlying the definition of fair value is the presumption that the sub-scheme is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are tradeable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book values as the items are either short term in nature or periodically repriced.

According to the amendments to International Financial Reporting Standard 7, Financial Instruments : Disclosure - Improving disclosures about financial instruments, an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

----- June 30, 2011-----			
Level 1	Level 2	Level 3	Total

-----Rupees -----

ASSETS

Investment in government securities - at fair value through profit or loss	-	159,254,816	-	159,254,816
Investment in government securities - available for sale	-	-	-	-
	-	159,254,816	-	159,254,816

22. UNIT HOLDERS' FUND RISK MANAGEMENT

The Sub-Scheme's unit holders' fund is represented by redeemable units of the Sub-Scheme's (having pre-determined maturity as disclosed in note 1) . They are entitled to distribution and to payment of a proportionate share based on the sub-scheme's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund.

The sub-scheme's objectives when managing unit holders' fund are to safeguard its ability to continue as a going concern so that it can continue to provide returns for unit holders and to maintain a strong capital base to meet unexpected losses or opportunities. In accordance with the NBFC Regulations the sub-scheme is required to distribute at least ninety percent of its income from sources other than unrealised capital gains as reduced by such expenses as are chargeable to the sub-scheme.

In accordance with the risk management policies stated in note 20, the sub-scheme endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, such liquidity being augmented by disposal of investments.

23. NON-ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors of the Management Company has declared a final distribution of Rs. 2.8224 per unit (2010: 13 per units) for the year ended June 30, 2011, amounting to Rs.9,173,376 (2010: Rs. 21,971,948) in total in their meeting held on July 4, 2011. The financial statements for the year ended June 30, 2011 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending June 30, 2012.

**METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

24. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on September 20, 2011 by the Board of Directors of the Management Company.

25. CORRESPONDING FIGURES

No reclassifications of corresponding figures have been made during the current year.

26. GENERAL

26.1 Figures have been rounded off to the nearest rupee.

26.2 The Sub-scheme has elected to present all non-owner changes in equity (i.e. comprehensive income) in the income statement.

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

Chief Executive

Director

METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012)
PATTERN OF HOLDING AS PER REQUIREMENT OF
CODE OF CORPORATE GOVERNANCE
AS AT JUNE 30, 2011

Category	No. of Unit Holders	Units
Associated Company, Undertakings, and Related Parties		
Arif Habib Investments Limited	1	16,500
MetroBank Pakistan Sovereign Fund - Perpetual Scheme	1	2,181,486
Trust	1	1,517
Individuals	24	890,957
Others	1	159,744
	28	3,250,204

METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012)
PATTERN OF UNIT HOLDING (SIZE)
AS AT JUNE 30, 2011

No. of Unit Holders	Units Size	Total Units Held
11	1 - 10000	44,873
13	10001 - 100000	584,658
3	100001 - 1000000	439,187
1	1000001 - onwards	2,181,486
<u>28</u>		<u>3,250,204</u>

METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012) PERFORMANCE TABLE

Performance Information	2011	2010	2009	2008	2007	2006	2005	2004	2003
------(Rupees in '000)-----									
Net assets	165,700	101,819	763	687	673	635	598	444,933	154,763
Net income / (loss) after taxation	9,670	23,724	40	37	35	59	(600)	1,242	(604)
------(Rupees)-----									
Net assets value per unit	50.98	60.24	57.54	54.41	55.95	56.20	52.96	44.97	50.55
Dividend distribution per unit - Interim	0.84	-	-	-	-	-	-	1.2942	-
Dividend distribution per unit - Final	2.82	13.00	2.7500	2.6300	2.6300	4.6847	-	-	0.21
Selling price per unit at end of the year	51.03	60.30	57.60	54.42	56.02	56.33	52.91	45.19	50.37
Repurchase price per unit at end of the year	60.24	60.24	54.54	54.37	55.96	56.27	52.86	45.10	50.27
Highest offer price per unit	60.31	60.31	57.60	55.84	56.02	56.60	69.70	52.02	55.00
Lowest offer price per unit	55.19	55.19	51.23	53.42	51.57	51.98	42.76	45.08	48.66
Highest repurchase price per unit	60.25	60.25	57.54	55.78	55.96	56.54	69.56	51.92	54.89
Lowest repurchase price per unit	55.13	55.13	51.18	53.37	51.52	51.93	42.67	44.99	48.56
------(Announcement date of distribution)-----									
Dividend distribution per unit - Final	4-Jul-11	5-Jul-10	6-Jul-08	3-Jul-08	4-Jul-07	4-Jul-06	-	24-Sep-03	4-Jul-03
------(Percentage)-----									
Total return of the fund	9.81	9.95	13.94	2.04	8.61	6.12	17.77	(8.18)	1.10
Annual dividend distribution	7.75	23.58	0.14	4.93	5.11	8.85	-	2.55	0.42
Capital growth	2.06	(13.63)	13.8	(2.89)	3.50	(2.73)	17.77	(10.73)	0.68
Average annual return :									
One Year	9.81	9.95	13.94	2.04	8.61	6.12	17.77	8.18	3.30
Second Year	9.88	10.53	9.83	5.28	7.37	11.81	3.98	-	-
Third Year	10.29	7.62	9.57	5.57	10.73	4.69	-	-	-

Fund keeps the average duration of its portfolio 1.62 years.

* First year of operations from 7th January 2003 to 30th June 2003.

Disclaimer :-

The past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.