



Bachat ka Doosra Naam

**Annual Report
2012**



METROBANK

PAKISTAN SOVEREIGN

FUND

Kum Risk, Bala Nasheen

METROBANK - PAKISTAN SOVEREIGN FUND

CONTENTS

1	Vision, Mission & Core Values	2
2	Fund's Information	3
3	Report of the Director of Management Company	5
4	Report of the Fund Manager	9
5	Trustee Report to the Unit Holders	10
6	Statement of Compliance with the Code of Corporate Governance	11
7	Review Report to the Unit Holders on the Statement of Compliance with the best Practices of the Code of Corporate Governance	13
8	Independent Auditors Report to the Unit Holders	14
9	Statements of Assets and Liabilities	16
10	Income Statement	17
11	Distribution Statement	18
12	Statement of Movement in Unit Holders' Fund	19
13	Cash Flow Statement	20
14	Notes to and Forming part of the Financial Statements	21
15	Performance Table	41

Vision

To become synonymous with Savings

Mission

To become a preferred Savings and Investment Manager in the domestic and regional markets, while maximizing stakeholder's value.

Core Values

The Company takes pride in its orientation towards client service. It believes that its key success factors include continuous investment in staff, systems and capacity building, and its insistence on universal best practices at all times.

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 Mr. Nasim Beg Mr. Yasir Qadri Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman(subject to the approval of SECP) Executive Vice Chairman Chief Executive (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director Director (subject to the approval of SECP)
Audit Committee	Mr. Haroun Rashid Mr. Nasim Beg Mr. Samad A. Habib Mr. Ali Munir	Chairman Member Member Member
Human Resource Committee	Dr. Salman Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Yasir Qadri	Chairman Member Member Member Member
Company Secretary & CFO of the Management Company	Mr. Muhammad Saqib Saleem	
Trustee	Central Depository Company of Pakistan Limited CDC House, 990B, Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
Bankers	MCB Bank Limited Bank Al-Falah Limited Habib Metro Bank Limited Standard Chartered Bank Limited Faysal Bank Limited	
Auditors	A.F. Ferguson & Company 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	
Transfer Agent	Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Rating	AM2 - Management Quality Rating assigned by PACRA	

METROBANK - PAKISTAN SOVEREIGN FUND REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2012

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 ended June 30, 2012.

Economy and Money Market Overview

Despite continued macro-economic challenges throughout the period, the year under review (July '11-June '12) could be classified as a mixed bag for the economy and capital markets as some of the key macroeconomic indicators have depicted positive trend during the period under review despite having burgeoning fiscal challenges.

The external account, which was the top performing sector during the previous year, couldn't maintain its positive trend during FY12 owing to widening trade deficit on the back of lower cotton and higher oil prices despite having record-high workers' remittances. During the year, export dipped by 3% while imports grew by 12% causing the overall trade deficit to widen to around US\$ 15.4 billion, 46% higher YoY. Despite record-high level of workers' remittances flow of US\$ 13.2 billion, higher trade and income deficit caused the current account balance to post a deficit of US\$ 4.5 billion as against a surplus of US\$ 214 million last year. Given higher current account deficit coupled with meager financial account flows, country's balance of payment position declined significantly during the year by around US\$ 3.3 billion - taking the FX reserves down to a level of US\$ 15.3 billion, while also causing sizeable depreciation of 10% in the PKR-USD exchange rate during the year.

Inflationary pressures, on the other hand, have remained largely on the lower side during the period with YoY CPI Inflation averaging 11.0% amid change in CPI methodology as well as high base-effect of last year. Moreover, real economy has shown a relatively improved picture during the year with FY12 real GDP growth stood at 3.7%, slightly higher than the revised GDP growth of 3.0% during the last year.

Fiscal indiscipline continued to remain a cause of concern for the economic managers as the country is expected to witness a higher deficit of over 8% of the GDP during FY12 (including one-off circular debt adjustments). Even during the first 9M of the fiscal year, the country witnessed a fiscal deficit of Rs. 895 billion, 4.3% of the GDP. Although growth in tax revenue collection has been strong, lower non-tax revenue on the back of non-realization of CSF proceeds 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. Government borrowing from Central Bank has gone up by Rs. 508 billion during FY12, which is staggering 44% of total outstanding stock.

Considering the volatility in the macroeconomic variables, the State Bank of Pakistan has also altered its monetary stance at least twice during the year. Given benign YoY CPI Inflation coupled with lower GoP borrowing from SBP as well as contained external current account deficit during the earlier part of the year, the SBP cut its policy discount rate cumulatively by 200 bps to 12.0%. However, gradual deterioration in the macro-economic environment lately has compelled the central bank to keep its policy DR unchanged for the next 4 policies during the latter part of the year. Due to an overall relatively lower interest rate environment, 1 year PKRV averaged at around 12.4% during FY12, much lower than the average 13.4% a year ago.

During FY12, key monetary indicators have shown reasonable improvement with money supply (M2) posting a strong growth of 14.4%. Although Net Domestic Asset (NDA) growth has been a key contributor behind M2 growth during this year as well, sizeable YoY decline of 32% in Net Foreign Assets (NFA) has been very alarming - also reflecting weak BOP position.

Significant credit demand by the government coupled with an attractive risk-return profile has kept government papers a very attractive investment vehicle for the investors during this year also. Moreover, GoP Ijarah Sukuk (GIS), like previous year, has remained 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 this year also in both primary as well as secondary markets.

Future outlook

Although medium term macroeconomic picture remains gloomy, benign CPI inflation trend coupled with the release of US\$ 1.18 billion under Coalition Support Fund by the US does provide a short term breather thereby creates a potential room for monetary easing by the State Bank of Pakistan in the upcoming monetary policy announcement. We continue to emphasize that the realization of sizeable foreign inflows holds the key in rejuvenating economic engine, while a potential return to IMF program in the next 6-8 months would adversely affect the liquidity and interest rate scenario.

Fund's Performance

The net assets of the fund were grown by a staggering 107% to a size of around PKR 6.1 billion as on June 30, 2012. 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 11.3% during the period under review as against the benchmark return of 13.3% during the same period.

The fund continued to deploy assets cautiously, without aggressively chasing available instruments. 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.

The yields for both MSF-Perpetual and its sub-fund MSF 12-12 alongside its benchmark for the period under review remained as follows:

**METROBANK - PAKISTAN SOVEREIGN FUND
REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY
FOR THE YEAR ENDED JUNE 30, 2012**

Performance Information (%)	Perpetual	12/12	Benchmark
Last 12 Months Return(Annualized)	11.3%	12.0%	13.3%
Since Inception (CAGR)	6.3 %	7.3 %	9.1 %

MetroBank Pakistan Sovereign Fund - Perpetual

During the year your fund earned net income of Rs 631.240 million. The Board in the meeting held on 25th June, 2012 has declared final distribution amounting to Rs. 85.332 million (i.e. Rs. 0.71 per unit). In addition to Final distribution, the Board has approved following interim distribution during the year ended 30th June, 2012.

Date of distribution	Distribution PKR / Unit
September 28, 2011	1.53
January 27, 2012	2.05
March 29, 2012	0.75

During the period, units worth Rs.10.573 billion (including Rs. 333.491 million worth of bonus units) were issued and units with a value of Rs. 7.225 billion were redeemed. As on 30th June, 2012 the NAV of the Fund was Rs. 50.07 per unit.

MetroBank Pakistan Sovereign Fund - December 2012

During the year your fund earned net income of Rs 28.442 million. The Board in the meeting held on 25th June, 2012 has declared final distribution amounting to Rs. 5.030 million (i.e. Rs. 0.93 per unit). In addition to Final distribution, the Board has approved following interim distribution during the year ended 30th June, 2012.

Date of distribution	Date of distribution
Date of distribution	Distribution PKR / Unit
September 28, 2011	1.70
January 27, 2012	2.09
March 29, 2012	0.76

During the period, units worth Rs.288.958 million (including Rs. 35.755 million worth of bonus units) were issued and units with a value of Rs. 177.299 million were redeemed. As on 30th June, 2011 the NAV of the Fund was Rs. 48.22 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.

The Management Company is hopeful that the decision of the LHC will lend further support to the constitutional petition which is pending in the Sindh High Court (SHC). However, considering the unit holding structure of the Funds concentrated on few large ticket investors coupled with the recent changes in tax laws, the Management Company as a matter of abundant caution has decided to retain the provision for WWF in these financial statements in order to protect the interests of small investor/unit holders.

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.

**METROBANK - PAKISTAN SOVEREIGN FUND
REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY
FOR THE YEAR ENDED JUNE 30, 2012**

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 appropriate 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. The details of attendance of Board of Directors meeting is disclosed in note 35 to the consolidated financial statements. During the year four meetings of Audit Committee were held on 19th September 2011, 26th October 2012, 26 January 2012 and 24th April 2012, the details of attendance is as follows:

S. No.	Name	Designation	Attendance required	Attended	Leave granted
1.	Mr. Haroun Rashid	Chairman	4	3	1
2.	Mr. Nasim Beg	Member - Executive Vice Chairman	4	4	-
3.	Mr. Samad A. Habib	Member	4	2	2
4.	Mr. Ali Munir	Member	4	2	2

- m. As required by the Code, all the directors of the Management Company will attend the training Program for directors by the year 2016. Currently, two of the directors are exempt from obtaining mandatory training having the requisite qualification and experience. Further Directors' have also being briefed about the recent changes made in laws and regulations to enable them to effectively manage the affairs of the management company.
- n. The trades in Units of the Fund carried out by Directors, CE, CFO/Company Secretary of the Management Company and their spouses and minor children are as under:

S. No.	Name	Designation	Investment	Redemption	Bonus
			(Number of Units)		
1.	Mr. Nasim Beg	Executive Vice Chairman	-	-	-
2.	Mr. Yasir Qadri	Chief Executive Officer	102,443	51,221	3,686
3.	Mr. Muhammad Saqib Saleem	Company Secretary & Chief Financial Officer	-	-	-

**METROBANK - PAKISTAN SOVEREIGN FUND
REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY
FOR THE YEAR ENDED JUNE 30, 2012**

External Auditors

The fund's external auditors, A.F. Ferguson & Co., Chartered Accountants, have retired after the conclusion of audit for current year. Since AFF have consented to act as the External Auditors of the Management Company, they are not eligible for reappointment as statutory auditors of the Fund. The audit committee of the Board has recommended appointment of KPMG Taseer Hadi & Co., Chartered Accountants, (who have given consent to such appointment) as auditors for the year ending June 30, 2013.

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 Officer

Karachi: August 15, 2012

METROBANK - PAKISTAN SOVEREIGN FUND REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2012

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 6-month T-Bill Rate.

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.

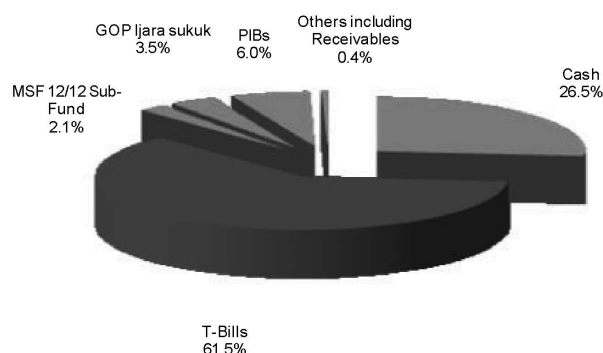
Manager's Review

MSF Perpetual was able to generate an annualized return of 11.3% during the year under review as against the fund's benchmark return of 13.3% during the same period, an under-performance of 2.0%. MSF-12/12, a sub-fund, was able to generate an annualized return of 12.0% during the year under review.

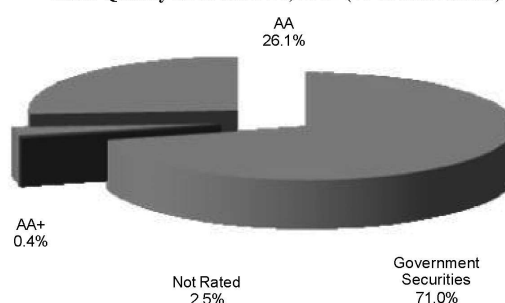
During the year, the fund capitalized strongly on both PIBs and T-Bills owing to better risk-return proposition while maintaining a marginal exposure in GoP Ijarah Sukuk (GIS). The fund's year end allocations were around 62% in Treasury Bills, 2% in its sub-fund MSF-12/12, 4% in GoP Ijarah Sukuk, 6% in PIBs and the rest in cash & bank deposits. During the earlier part of the year, the fund gradually increased its portfolio WAM to take advantage of monetary easing by the SBP and took it to a level of around 383 days at the end of 1H FY12. However, given rising macroeconomic imbalances, the SBP maintained a status quo during the latter half of the year and hence the fund kept on bringing its portfolio WAM down gradually and it ended the year at a level of 87 days.

During the year under review, the net assets of the fund grew significantly to a size of around PKR 6.1 billion as against PKR 2.9 billion a year ago.

Asset Allocation as on June 30, 2012 (% of total assets)



Asset Quality as of June 30, 2012 (% of total assets)



Mr. Kashif Rafi
Fund Manager

Karachi: August 15, 2012

**METROBANK - PAKISTAN SOVEREIGN FUND
TRUSTEE REPORT TO THE UNIT HOLDERS
FOR THE YEAR ENDED JUNE 30, 2012**

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

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



ISO 27001 Certified

TRUSTEE REPORT TO THE UNIT HOLDERS

METROBANK - PAKISTAN SOVEREIGN FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of Metrobank – Pakistan Sovereign Fund (the Fund) are of the opinion that Arif Habib Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2012 in accordance with the provisions of the following:

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


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

Karachi: October 17, 2012



METROBANK - PAKISTAN SOVEREIGN FUND

STATEMENT OF THE COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2012

This statement is being presented by the Board of Directors of Arif Habib Investments Limited ("the Management Company"), the Management Company of MetroBank 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.

MetroBank Pakistan Sovereign Fund is an open end mutual fund and is listed at Islamabad Stock Exchange. The Fund, being a unit trust scheme, does not have its own Board of Directors. The Management Company, Arif Habib Investments Limited, on behalf of the Fund, 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

Category	Names
Independent Directors	1. Dr. Salman Shah 2. Mr. Haroun Rashid 3. Mr. Mirza Mehmood
Executive Directors	1. Mr. Nasim Beg - Executive Vice Chairman 2. Mr. Yasir Qadri - Chief Executive Officer
Non - Executive Directors	1. Mian Mohammad Mansha 2. Mr. Ahmed Jehangir 3. Mr. Samad Habib

The independent directors meets the criteria of independence under clause i (b) of the Code.

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 period no casual vacancy occurred on the board of the Management Company
5. The Management Company had prepared a 'Code of Conduct' and ensured that appropriate steps had been taken to disseminate it throughout the company along with its supporting policies and procedures.
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 Officer, other executive and non-executive directors, have been taken by the Board. No new appointment of Chief Executive Officer, other executive and non-executive directors were made during the year.
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. The minutes of the meetings were appropriately recorded and circulated.
9. As required by the Code, all the directors of the Management Company will attend the training Program for directors by the year 2016. Currently, two of the directors are exempt from obtaining mandatory training having the requisite qualification and experience. Accordingly, the Management Company is compliant with this requirement for the current year. Further Directors' have also being briefed about the recent changes made in laws and regulations to enable them to effectively manage the affairs of the management company.
10. No new appointments of Chief Financial Officer and Company Secretary were made during the year. The Board has approved the remuneration and terms and conditions of employment, as determined by the Chief Executive Officer. Subsequent to the year end, the Management Company has appointed Head of Internal Audit who is also planned to be designated as the secretary to the Audit Committee in the upcoming Audit Committee meeting.
11. The Directors' Report of the fund for the year ended June 30, 2012 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by Chief Executive Officer and Chief Financial Officer of the Management Company before approval of the Board.
13. The Directors, Chief Executive Officer 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.

**METROBANK - PAKISTAN SOVEREIGN FUND
STATEMENT OF THE COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2012**

14. The Management Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee for the Management Company. It comprises of four members, three of whom are the directors of the Management Company. Two are non-executive directors and the Chairman of the Committee is an independent director.
16. 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.
17. The Board has formed an HR and Remuneration Committee. It comprises four members, of whom two are non-executive directors and the chairman of the committee is an independent director.
18. During the year, the Management Company has outsourced the internal audit function to Ernst & Young Ford Rhodes Sidat Hyder & Co. Chartered Accountants who are considered to be suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Management Company.
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 (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and units of the fund. The firm and all its partners are also in compliance with International Federation of Accountants guidelines on code of ethics as adopted by ICAP.
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 International Federation of Accountants guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities and Fund's unit, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the Code have been complied with towards which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

On behalf of the Board

Yasir Qadri
Chief Executive Officer

Karachi: August 15, 2012

**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, 2012**



A. F. FERGUSON & CO.

**REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE
WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE**

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 of **MetroBank - Pakistan Sovereign Fund**, to comply with the Listing Regulation No. 35 (Chapter XI) 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. 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 Company's personnel and review of various documents prepared by the 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.

Regulation 35 (x) of the Listing Regulations 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 price 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, 2012.

We draw attention to paragraph 10 of the annexed statement which highlights that subsequent to the year end the Management Company has appointed the Head of Internal Audit who is also planned to be designated as the secretary to the Audit Committee in the upcoming Audit Committee meeting.

Chartered Accountants

Karachi

Dated: September 17, 2012

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O.Box 39, Lahore-54660, Pakistan; Tel: +92 (42) 35715864-71; Fax: +92 (42) 35715872
Islamabad: PLA Building, 3rd Floor, 49 Blue Area, Fuzul-Haq Road, P.O.Box 3021, Islamabad-44000, Pakistan; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924
Kabul: House No. 1, Street No. 3, Darulaman Road, Ayoub Khan Meina, Opposite Ayoub Khan Mosque, Kabul, Afghanistan; Tel: +93 (799) 315320, +93 (799) 315320

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



A. F. FERGUSON & CO.

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

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, 2012, 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 auditor's 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, 2012, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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.

Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: September 17, 2012

Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O.Box 39, Lahore-54660, Pakistan; Tel: +92 (42) 35715864-71; Fax: +92 (42) 35715872
Islamabad: FIA Building, 3rd Floor, 49 Blue Area, Fazi-ul-Haq Road, P.O.Box 3021, Islamabad-44000, Pakistan; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924
Kabul: House No. 1, Street No. 3, Darulaman Road, Ayoub Khan Meina, Opposite Ayoub Khan Mosque, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320

FINANCIAL STATEMENTS

**METROBANK - PAKISTAN SOVEREIGN FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2012**

	Note	2012 ------(Rupees in '000)-----	2011
ASSETS			
Balances with banks	4	1,627,171	3,952
Investments	5	4,623,350	2,991,425
Income and other receivable	6	27,817	7,908
Advances, prepayments and other receivables		1,955	-
Total Assets		6,280,293	3,003,285
LIABILITIES			
Payable to Management Company	7	6,636	1,855
Payable to Trustee	8	428	164
Payable to Securities and Exchange Commission of Pakistan	9	4,098	1,301
Payable against redemption request		-	27
Accrued expenses and other liabilities	10	24,314	987
Total liabilities		35,476	4,334
Net Assets		<u>6,244,817</u>	<u>2,998,951</u>
Unit holders' fund (as per statement attached)		<u>6,244,817</u>	<u>2,998,951</u>
		(Number of Units)	
Number of units in issue		<u>124,828,354</u>	<u>57,180,743</u>
		(Rupees)	
Net Asset Value per unit	29	<u>50.03</u>	<u>52.45</u>
CONTINGENCIES AND COMMITMENTS	11		

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


Chief Executive Officer

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


Director

**METROBANK - PAKISTAN SOVEREIGN FUND
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012**

	Note	2012	2011
		------(Rupees in '000)-----	
INCOME			
Income from investment in government securities	13	609,059	214,728
Capital gain / (loss) on sale of government securities	14	21,825	(19,389)
Unrealised diminution in value of investments' classified as 'at fair value through profit or loss'	5.4	(222)	(1,572)
Income from reverse repurchase transactions of government securities	16	6,225	323
Profit on bank deposits	17	37,057	2,575
Total income		<u>673,944</u>	<u>196,665</u>
OPERATING EXPENSES			
Remuneration of the Management Company	18	62,202	21,730
Sindh Sales Tax on Management Company's remuneration	19	9,953	-
Remuneration of Trustees	20	4,850	2,050
Annual Fee - Securities and Exchange Commission of Pakistan	21	4,099	1,300
Brokerage	22	1,744	405
Bank charges	23	514	185
Printing and publication charges	24	115	170
Fees and subscription	25	160	152
Legal and professional charges	26	76	100
Auditors' remuneration	28	781	503
Total operating expenses		<u>84,494</u>	<u>26,595</u>
Net income from operating activities		<u>589,450</u>	<u>170,070</u>
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed		80,034	47,253
Workers' Welfare Fund	27	(23,137)	-
Net income for the year before taxation		<u>646,347</u>	<u>217,323</u>
Taxation	31	-	-
Net income for the year after taxation		<u>646,347</u>	<u>217,323</u>
Other comprehensive income / (loss) for the year			
Reclassification of unrealised deficit upon disposal of investments classified as 'available for sale'	5.3	-	3,266
Total comprehensive income for the year		<u>636,347</u>	<u>220,589</u>
Earnings per unit	3.11		

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



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



Director

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

	Note	2012	2011
		------(Rupees in '000)-----	
Undistributed income / (accumulated losses) brought forward			
- Realised gain		142,559	121,311
- Unrealised loss		(1,572)	(5,922)
		<u>140,987</u>	<u>115,389</u>
Net income for the year		646,347	217,323
Final Distributions during the year ended June 30, 2012			
- Bonus units		(167,309)	(139,558)
- Cash Distribution		(79,315)	
Interim Distributions during the year ended June 30, 2012			
- Bonus units		(182,606)	(52,706)
- Cash Distribution		(331,866)	
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed		(24,637)	539
Undistributed income carried forward		<u>1,601</u>	<u>140,987</u>
Undistributed income carried forward comprising of			
- Realised gain		1,823	142,559
- Unrealised loss	5.4	(222)	(1,572)
		<u>1,601</u>	<u>140,987</u>

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



Chief Executive Officer

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



Director

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

	Note	2012 ------(Rupees in '000)-----	2011
Net assets at the beginning of the year		2,998,951	1,506,591
Issue of units 203,723,573 (2011: 105,826,720)		10,493,447	5,485,503
Redemption of units 143,116,784 (2011: 79,843,660 units)		(7,402,713)	(4,113,773)
		3,090,734	1,371,730
Element of (income) / loss and capital (gains) / losses included in prices of units sold less those in units redeemed			
- amount representing income and capital gains - transferred to the Income Statement		(80,034)	(47,253)
- amount representing loss / (income) and capital losses / (gains) that form part of the unit holders' fund - transferred to Distribution Statement		24,637	(539)
		(55,397)	(47,792)
Movement in unrealised surplus / deficit in value of investments classified as 'available for sale' - net	5.3	-	3,266
Distributions:			
Issue of 7,040,822 units (2011: 2,847,098 units) bonus units during the year ended June 30, 2012		349,915	139,558
Distributions:			
Issue of 7,040,822 units (2011: 2,847,098 units) bonus units during the year ended June 30, 2012			
- Bonus units		(349,915)	(139,558)
Final Cash Distribution		(79,315)	-
Interim Cash Distribution		(331,866)	(52,706)
Capital gain / (loss) on sale of investments		21,825	(19,389)
Unrealised diminution in value of investments' classified as 'at fair value through profit or loss'		(222)	(1,573)
Other net income for the year		624,744	238,285
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - amount representing unrealised gains / (losses) - net		(24,637)	539
		(139,386)	25,598
Net assets at the end of the year		6,244,817	2,998,951

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



Chief Executive Officer

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



Director

**METROBANK - PAKISTAN SOVEREIGN FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012**

	2012	2011
	------(Rupees in '000)-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	646,347	217,323
Adjustments for:		
Element of income and capital gains included in the prices of units issued less those in units redeemed	(80,034)	(47,253)
Unrealised diminution in value of investments' classified as 'at fair value through profit or loss'	222	1,573
	<u>566,535</u>	<u>171,643</u>
(Increase) / decrease in assets		
Investments	828,395	(1,443,197)
Income and other receivable	(19,909)	22,239
Advances and Prepayments	(1,955)	-
	<u>806,531</u>	<u>(1,420,958)</u>
Increase / (decrease) in liabilities		
Payable to Management Company	4,781	434
Payable to Trustee	263	9
Payable to Securities and Exchange Commission of Pakistan - Annual fee	2,797	41
Payable against purchase of investments	(27)	-
Payable against redemption request	23,327	27
Accrued expenses and other liabilities	-	440
	<u>31,142</u>	<u>951</u>
Net cash used in operating activities	<u>1,404,208</u>	<u>(1,248,364)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issuance of units	10,493,447	5,485,503
Payment on redemption of units	(7,402,713)	(4,113,773)
Cash distributions	(411,181)	(52,706)
Net cash generated from financing activities	2,679,553	1,319,024
Net decrease in cash and cash equivalents	<u>4,083,761</u>	<u>70,660</u>
Cash and cash equivalents at beginning of the year	77,465	6,805
Cash and cash equivalents at end of the year	<u><u>4,161,226</u></u>	<u><u>77,465</u></u>

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



Chief Executive Officer

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



Director

METROBANK - PAKISTAN SOVEREIGN FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

1 LEGAL STATUS AND NATURE OF BUSINESS

MetroBank - Pakistan Sovereign Fund was established under a Trust Deed executed between Arif Habib Investments Limited (AHIL), as Management Company and Habib Metropolitan Bank Limited as Trustee. The Trust Deed was executed on 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)].

In year ended June 30, 2010, Habib Metropolitan Bank Limited retired as the Trustee of the Fund and Central Depository Company of Pakistan Limited (CDC) was appointed as the new Trustee with effect from November 23, 2009. The SECP approved the appointment of CDC as the Trustee in place of Habib Metropolitan Bank Limited and further approved the amendments to the Trust Deed vide its letter number SCD/NBFC-11/MF-RS/MSPF/981/2009 dated November 3, 2009. Accordingly, the Trust Deed of the Fund was revised through a supplemental Deed executed between the Management Company, Habib Metropolitan Bank Limited and CDC.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by SECP. The registered office of the management company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.

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

The 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' to the Management Company as of June 30, 2012 and AA (f) as stability rating to the Fund.

The board of directors have approved that the fund should be categorised as "Income Scheme" as per the categories defined by the Securities and Exchange Commission of Pakistan.

The Fund consists of a 'Perpetual' (the Scheme) and one sub-scheme as at June 30, 2012 with pre-determined maturity date as follows:

Name of Fund	Maturity date of Fund
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 subschemes which were matured as follows:

Name of Fund	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, 2012

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

The following standards, amendments and interpretations to approved accounting standards have been published and are mandatory for the Fund's accounting period beginning on or after July 1, 2011:

- a) IFRS 7, 'Financial Instruments: Disclosures'. This amendment is effective from January 1, 2011. The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment does not have any impact on the Fund's financial statements during the current year.
- b) IFRS 7, 'Financial instruments: Disclosures'. This amendment is effective from July 1, 2011. The amendment aims to promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The amendment does not have any impact on the Fund's financial statements during the current year.
- c) IAS 1, 'Presentation of financial statements' (effective January 1, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment does not have any impact on the Fund's financial statements.
- d) IAS 24 (revised), 'Related party disclosures', issued in November 2009. It superseded IAS 24, 'Related Party Disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. 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 revised standard does not have any impact on the Fund's financial statements.

There are other new and amended standards and 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.

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

The following standards and amendments to standards have been published and are mandatory for accounting periods beginning on or after July 1, 2012:

- a) IAS 1, 'Financial statement presentation' (effective July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendment will not have any effect on the Fund's financial statements.
- b) IAS 32, 'Financial instruments: Presentation', (effective January 1, 2014). This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The management of the Fund is in the process of assessing the impact of this amendment on the Fund's financial statements.

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2012 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.

METROBANK - PAKISTAN SOVEREIGN FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of its accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. 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 in accordance with the requirements of International Accounting Standard (IAS) 39 ; 'Financial Instruments Recognition and Measurement.'

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.

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.

METROBANK - PAKISTAN SOVEREIGN FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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

a) Financial assets 'at fair value through profit or loss' and 'available for sale'

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 of Pakistan in accordance with the requirements of the NBFC Regulations.

Net gains and losses arising from changes in the fair value of financial assets 'at fair value through profit or loss' are taken to the 'income statement'.

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are taken to the 'statement of comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the 'statement of comprehensive income' is transferred to the 'income before taxation'.

b) Loans and receivable

Subsequent to initial recognition financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest method.

Gain or loss is also recognised in the 'income statement' when financial assets carried at amortised cost are derecognised or impaired.

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 before taxation.

Provision for non-performing exposures is made in accordance with the criteria specified in circular No. 1 dated January 6, 2009 and circular No. 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 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 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.

METROBANK - PAKISTAN SOVEREIGN FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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.

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

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 among the unit holders.

METROBANK - PAKISTAN SOVEREIGN FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

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 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.

Income on Pakistan Investment Bonds and Sukuks are recognised on an accrual basis.

Dividend income is recognised when the Fund's right to receive the dividend is established.

Income on issue and purchase of units is recognised when the units are issued and redeemed at the transaction date.

Discount on purchase of Market Treasury Bills is amortised to income statement using straight line method.

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 BALANCE WITH BANKS - IN DEPOSIT ACCOUNT

Note	June 30, 2012			June 30, 2011
	MSF Perpetual	MSF 12/12	Total	Total
	------(Rupees in '000)-----			
In deposit accounts	1,625,814	1,348	1,627,162	3,952
In current accounts	5	4	9	-
	<u>1,625,819</u>	<u>1,352</u>	<u>1,627,171</u>	<u>3,952</u>

4.1 These carry a rate of return ranging from 6 % to 11 % (2011: 5% to 10.5%) per annum.

4.2 Cash and Cash equivalents

Note	June 30, 2012			June 30, 2011
	MSF Perpetual	MSF 12/12	Total	Total
	------(Rupees in '000)-----			
Balances with banks	1,625,819	1,352	1,627,171	3,952
Treasury Bills having maturity of 3 months or less	2,534,055	-	2,534,055	73,513
	<u>4,159,874</u>	<u>1,352</u>	<u>4,161,226</u>	<u>77,465</u>

5 INVESTMENTS IN GOVERNMENT SECURITIES

Note	June 30, 2012			June 30, 2011
	MSF Perpetual	MSF 12/12	Total	Total
	------(Rupees in '000)-----			
Investments 'at fair value through profit or loss'	4,362,474	260,876	4,623,350	2,991,425
	<u>4,362,474</u>	<u>260,876</u>	<u>4,623,350</u>	<u>2,991,425</u>

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

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

Issue date	Tenor	Face value				Balance as at June 30, 2012			Market value as a percentage of net assets	Market value as a percentage of total investments
		Balance as at July 1, 2011	Purchases during the year	Sales / matured during the year	Balance as at June 30, 2012	Cost	Market Value	Appreciation / (diminution)		

Rupees in '000

Rupees in '000

PAKISTAN INVESTMENT BONDS

MSF PERPETUAL

August 18, 2011	10 Years	-	1,475,000	1,465,000	10,000	9,282	9,339	57	0.15%	0.20%
October 6, 2003	10 Years	-	31,000	15,500	15,500	14,540	14,773	233	0.24%	0.32%
July 22, 2010	5 Years	-	300,000	200,000	100,000	97,849	97,208	(641)	1.56%	2.10%
July 22, 2010	3 Years	-	250,000	-	250,000	247,551	248,158	607	3.97%	5.37%
August 18, 2011	3 Years	-	850,000	850,000	-	-	-	-	-	-
August 18, 2011	5 Years	-	1,100,000	1,100,000	-	-	-	-	-	-
August 18, 2011	7 Years	-	100,000	100,000	-	-	-	-	-	-
August 30, 2008	10 Years	-	25,000	25,000	-	-	-	-	-	-

MSF December 2012

September 3, 2009	3 Years	126,500	-	-	126,500	125,067	126,258	1,191	2.02%	2.73%
August 22, 2007	3 Years	31,000	-	12,000	19,000	18,651	18,918	267	0.30%	0.41%
October 24, 2002	10 Years	7,000	-	-	7,000	6,889	6,975	86	0.11%	0.15%

Total of Pakistan Investment Bond

519,829 521,629 1,800

TREASURY BILLS

MSF PERPETUAL

April 19, 2012	3 months	-	1,793,000	1,008,000	785,000	782,270	782,191	(79)	12.53%	16.92%
May 3, 2012	3 months	-	1,690,000	500,000	1,190,000	1,180,589	1,180,355	(234)	18.90%	25.53%
May 17, 2012	3 months	-	550,000	105,000	445,000	439,504	439,400	(104)	7.04%	9.50%
June 14, 2012	3 months	-	135,000	-	135,000	132,135	132,109	(26)	2.12%	2.86%
January 26, 2012	6 months	-	187,500	180,000	7,500	7,443	7,439	(4)	0.12%	0.16%
July 14, 2011	12 month	-	2,203,000	1,933,000	270,000	269,049	269,034	(15)	4.31%	5.82%
August 11, 2011	12 month	-	4,354,500	3,731,500	623,000	615,294	615,160	(134)	9.85%	13.31%
October 20, 2011	12 month	-	764,000	675,000	89,000	85,984	85,938	(46)	1.38%	1.86%
November 17, 2011	12 month	-	1,061,900	933,000	128,900	123,701	123,370	(331)	1.98%	2.67%
January 26, 2012	12 month	-	3,387,300	3,320,000	67,300	63,295	63,028	(267)	1.01%	1.36%
February 9, 2012	12 month	-	83,500	-	83,500	77,944	77,864	(80)	1.25%	1.68%
April 21, 2011	3 months	10,000	-	10,000	-	-	-	-	-	-
May 19, 2011	3 months	-	65,800	65,800	-	-	-	-	-	-
June 2, 2011	3 months	75,000	-	75,000	-	-	-	-	-	-
July 28, 2011	3 months	-	650,000	650,000	-	-	-	-	-	-
October 6, 2011	3 months	-	40,000	40,000	-	-	-	-	-	-
November 3, 2011	3 months	-	1,000,000	1,000,000	-	-	-	-	-	-
November 17, 2011	3 months	-	455,000	455,000	-	-	-	-	-	-
December 1, 2011	3 months	-	125,000	125,000	-	-	-	-	-	-
January 26, 2012	3 months	-	187,500	187,500	-	-	-	-	-	-
February 9, 2012	3 months	-	28,800	28,800	-	-	-	-	-	-
February 23, 2012	3 months	-	742,500	742,500	-	-	-	-	-	-
March 8, 2012	3 months	-	800,000	800,000	-	-	-	-	-	-
March 22, 2012	3 months	-	1,850,000	1,850,000	-	-	-	-	-	-
April 5, 2012	3 months	-	1,340,000	1,340,000	-	-	-	-	-	-
February 10, 2011	6 months	-	29,000	29,000	-	-	-	-	-	-
April 7, 2011	6 months	-	1,660,000	1,660,000	-	-	-	-	-	-
April 21, 2011	6 months	-	270,000	270,000	-	-	-	-	-	-
May 5, 2011	6 months	-	1,645,000	1,645,000	-	-	-	-	-	-
May 19, 2011	6 months	-	125,000	125,000	-	-	-	-	-	-
June 2, 2011	6 months	-	218,000	218,000	-	-	-	-	-	-
June 16, 2011	6 months	40,000	3,345,000	3,385,000	-	-	-	-	-	-
June 30, 2011	6 months	2,200,000	625,000	2,825,000	-	-	-	-	-	-
July 14, 2011	6 months	-	550,000	550,000	-	-	-	-	-	-
July 28, 2011	6 months	-	200,000	200,000	-	-	-	-	-	-
August 11, 2011	6 months	-	995,000	995,000	-	-	-	-	-	-

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

Issue date	Tenor	Face value				Balance as at 30 June 2012			Market value as a percentage of net assets	Market value as a percentage of total investments
		Balance as at July 1, 2011	Purchases during the year	Sales / matured during the year	Balance as at June 30, 2012	Cost	Market Value	Appreciation / (diminution)		
Rupees in '000					Rupees in '000					
August 25, 2011	6 months	-	150,000	150,000	-	-	-	-	-	
October 6, 2011	6 months	-	1,275,000	1,275,000	-	-	-	-	-	
November 3, 2011	6 months	-	300,000	300,000	-	-	-	-	-	
November 17, 2011	6 months	-	475,000	475,000	-	-	-	-	-	
December 1, 2011	6 months	-	250,000	250,000	-	-	-	-	-	
July 15, 2010	12 month	16,300	-	16,300	-	-	-	-	-	
August 13, 2010	12 month	-	65,500	65,500	-	-	-	-	-	
February 24, 2011	12 month	-	1,306,000	1,306,000	-	-	-	-	-	
March 24, 2011	12 month	-	675,000	675,000	-	-	-	-	-	
April 7, 2011	12 month	54,000	1,250,000	1,304,000	-	-	-	-	-	
April 21, 2011	12 month	10,000	-	10,000	-	-	-	-	-	
May 5, 2011	12 month	-	1,056,200	1,056,200	-	-	-	-	-	
May 19, 2011	12 month	-	50,000	50,000	-	-	-	-	-	
June 16, 2011	12 month	-	104,900	104,900	-	-	-	-	-	
June 30, 2011	12 month	600,000	200,000	800,000	-	-	-	-	-	
July 28, 2011	12 month	-	100,000	100,000	-	-	-	-	-	
August 25, 2011	12 month	-	3,884,500	3,884,500	-	-	-	-	-	
September 8, 2011	12 month	-	2,100,000	2,100,000	-	-	-	-	-	
September 22, 2011	12 month	-	3,675,000	3,675,000	-	-	-	-	-	
October 6, 2011	12 month	-	1,747,000	1,747,000	-	-	-	-	-	
November 3, 2011	12 month	-	1,635,000	1,635,000	-	-	-	-	-	
December 1, 2011	12 month	-	1,379,000	1,379,000	-	-	-	-	-	
MSF December 2012										
June 14, 2012	3 months	-	40,000	-	40,000	39,151	39,144	(7)	0.63%	0.85%
May 17, 2012	3 months	-	139,000	116,000	23,000	22,713	22,711	(2)	0.36%	0.49%
October 6, 2011	12 month	-	120,000	90,000	30,000	29,142	29,097	(45)	0.47%	0.63%
August 11, 2011	12 month	-	18,000	-	18,000	17,783	17,773	(10)	0.28%	0.38%
November 3, 2011	3 months	-	9,000	9,000	-	-	-	-	-	-
October 6, 2011	3 months	-	15,000	15,000	-	-	-	-	-	-
February 23, 2012	3 months	-	109,000	109,000	-	-	-	-	-	-
August 11, 2011	6 months	-	57,000	57,000	-	-	-	-	-	-
June 16, 2011	6 months	-	20,000	20,000	-	-	-	-	-	-
May 11, 2011	6 months	-	83,000	83,000	-	-	-	-	-	-
September 22, 2011	6 months	-	10,000	10,000	-	-	-	-	-	-
August 25, 2011	6 months	-	110,000	110,000	-	-	-	-	-	-
January 26, 2012	6 months	-	54,000	54,000	-	-	-	-	-	-
July 28, 2011	6 months	-	35,000	35,000	-	-	-	-	-	-
June 30, 2011	6 months	-	85,000	85,000	-	-	-	-	-	-
April 7, 2011	12 month	-	2,000	2,000	-	-	-	-	-	-
November 17, 2011	12 month	-	100,000	100,000	-	-	-	-	-	-
August 25, 2011	12 month	-	5,800	5,800	-	-	-	-	-	-
Total of Treasury Bills						3,885,997	3,884,613	(1,384)		
Investment in Ijara Sukuk										
November 15, 2010	3 Years	50,000	-	-	50,000	50,078	50,025	(53)	0.80%	1.08%
May 16, 2011	3 Years	-	167,000	-	167,000	167,668	167,083	(585)	2.68%	3.61%
Total of Investment in Ijara Sukuk						217,746	217,108	(638)		
Total as at June 30, 2012						4,623,572	4,623,350	(222)		
Total as at June 30, 2011						2,992,997	2,991,425	(1,572)		

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

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

	Note	2012			2011
		MSF Perpetual	MSF 12/12	Total	Total
------(Rupees in '000)-----					
Market value of investments		-	-	-	-
Cost of investments		-	-	-	-
Less: Net unrealised diminution / (appreciation) in the fair value of investments at the beginning of the year		-	-	-	3,266
		-	-	-	3,266

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

Market value of investments	4,362,474	260,876	4,623,350	2,991,425
Cost of investments	(4,364,176)	(259,396)	(4,623,572)	(2,992,997)
	(1,702)	1,480	(222)	(1,572)

6 INCOME AND OTHER RECEIVABLE

Profit on bank deposits	1,044	22	1,066	1,201
Income receivable on government securities	21,336	5,415	26,751	6,707
	22,380	5,437	27,817	7,908

7 PAYABLE TO MANAGEMENT COMPANY

Management Company's remuneration	7.1 & 7.2	5,477	244	5,721	1,855
Sindh Sales Tax on Management Company's remuneration	7.3	876	39	915	-
		6,353	283	6,636	1,855

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.

7.2 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.

7.3 During the current year, the Provincial Government of Sindh levied Sindh Sales Tax at the rate of 16% on the remuneration of the Management Company through the Sindh Sales Tax on Services Act 2011 effective from July 1, 2011.

8 PAYABLE TO TRUSTEES

	2012			2011
	MSF Perpetual	MSF 12/12	Total	Total
------(Rupees in '000)-----				
Central Depository Company	410	18	428	164
	410	18	428	164

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.

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2012 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

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

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

2012			2011
MSF Perpetual	MSF 12/12	Total	Total
------(Rupees in '000)-----			
3,908	190	4,098	1,301

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.

		2012			2011
Note		MSF Perpetual	MSF 12/12	Total	Total
------(Rupees in '000)-----					
10	ACCRUED EXPENSES AND OTHER LIABILITIES				
	Auditors' remuneration	557	31	588	319
	Legal fee	96	5	101	199
	Brokerage	196	4	200	147
	Provision for Workers' Welfare Fund	21,858	1,279	23,137	-
	Printing and publication charges payable	111	2	113	99
	Others	156	19	175	223
		22,974	1,340	24,314	987
11	CONTINGENCIES AND COMMITMENTS				

There were no contingencies and commitments outstanding as at June 30, 2012.

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 this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

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

Subsequent to the year ended 30 June 2011, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC. Considering the unit holding structure of the Funds concentrated on few large ticket investors coupled with the recent changes in tax laws, the Management company as a matter of abundant caution has decided to charge the provision for WWF amounting to Rs 23.137 million (including Rs 9.465 million for the year 2007-2011) in these financial statements in order to protect the interest of small investor/unit holder.

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

	2012			2011
	MSF Perpetual	MSF 12/12	Total	Total
13	------(Rupees in '000)-----			
INCOME FROM INVESTMENT IN GOVERNMENT SECURITIES - NET OF AMORTISATION OF PREMIUM / DISCOUNT	579,234	29,825	609,059	214,728
14	21,691	134	21,825	(19,389)
CAPITAL GAIN / (LOSS) ON SALE OF GOVERNMENT INVESTMENTS				
15	(1,702)	1,480	(222)	(1,573)
UNREALISED (DIMINUTION) / APPRECIATION IN FAIR VALUE OF INVESTMENTS CLASSIFIED AS 'AT FAIR VALUE THROUGH PROFIT AND LOSS'				
16	6,225	-	6,225	323
INCOME FROM REVERSE REPURCHASE TRANSACTIONS IN GOVERNMENT SECURITIES				
17	36,132	925	37,057	2,575
PROFIT ON BANK DEPOSITS				
18	59,268	2,934	62,202	21,730
REMUNERATION OF ARIF HABIB INVESTMENTS LIMITED - MANAGEMENT COMPANY				
19	9,484	469	9,953	-
SINDH SALES TAX ON MANAGEMENT COMPANY'S REMUNERATION				
20	4,623	227	4,850	2,050
REMUNERATION OF TRUSTEE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED				
21	3,908	191	4,099	1,300
ANNUAL FEE - SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN				
22	1,725	19	1,744	405
BROKERAGE				
23	465	49	514	185
BANK CHARGES				
24	95	20	115	170
PRINTING AND PUBLICATION				
25	152	8	160	152
FEES AND SUBSCRIPTION				
26	75	1	76	100
LEGAL AND PROFESSIONAL CHARGES				
27	21,858	1,279	23,137	-
WORKERS' WELFARE FUND				

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

	2012			2011
	MSF Perpetual	MSF 12/12	Total	Total
28 AUDITORS' REMUNERATION	------(Rupees in '000)-----			
Annual audit fee	286	14	300	249
Half yearly review fee	190	10	200	150
Other certifications and services	238	12	250	70
Out of pocket expenses	31	-	31	34
	<u>745</u>	<u>36</u>	<u>781</u>	<u>503</u>

	2012		
	MSF Perpetual	MSF 12/12	MSF
29 NET ASSET VALUE AND NET ASSET VALUE PER UNIT OF ALL SUB-SCHEMES	------(Rupees in '000)-----		
Net Asset Value	<u>6,103,531</u>	<u>265,834</u>	<u>6,244,817</u>
Number of units in issue and outstanding at the year end	<u>121,898,751</u>	<u>5,512,506</u>	<u>124,828,354</u>
Net Asset Value per unit	<u>50.07</u>	<u>48.22</u>	<u>50.03</u>

The Net Asset Value per unit of the Fund is Rs. 50.03 (2011: Rs. 52.45).

30 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.

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

	2012	2011
	------(Rupees in '000)-----	
Transactions and balances with connected persons		
Arif Habib Investments Limited - Management Company		
Balance at the beginning of the year	1,855	1,421
Remuneration for the year inclusive of Sindh Sales Tax	72,155	21,730
Amounts paid during the year	(67,375)	(21,296)
Balance at the end of the year	<u>6,635</u>	<u>1,855</u>
Issue of 3,036 bonus units (2011: 3,791 units)	<u>146</u>	<u>179</u>
Redemption of nil units (2011: 29 units)	<u>-</u>	<u>1</u>
Units held 19,536 units (2011:16,500 units)	<u>952</u>	<u>841</u>
Key Management Personnel		
Units issued 67,239 units (2011: 4,035 units)	<u>3,400</u>	<u>200</u>
Units redeemed 14,014 units (2011: 2,017 units)	<u>705</u>	<u>100</u>
Bonus units Issued 4,202 units (2011: Nil)	<u>209</u>	<u>-</u>
Investment held 59,445 units (2011: 2,018 units)	<u>2,971</u>	<u>103</u>
Habib Metropolitan Bank Limited		
Units 34,840,776 issued units (2011: 101,813,297 units)	<u>1,751,400</u>	<u>4,250,884</u>
Units redeemed 27,983,210 units (2011: 105,064,282 units)	<u>1,400,000</u>	<u>5,432,884</u>
Bonus units 4,970,711 units (2011: 2,787,686 units)	<u>247,207</u>	<u>136,652</u>
Units held 38,695,458 units (2011: 26,867,181 units)	<u>1,937,095</u>	<u>1,409,721</u>
Deposits		
- Balance at the end of the year	<u>23,605</u>	<u>3,843</u>
Profit receivable	<u>258</u>	<u>1,200</u>
Profit on bank deposits	<u>4,950</u>	<u>2,541</u>

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

	2012	2011
	------(Rupees in '000)-----	
MCB Bank Limited		
Investments: 48,868,459 units (2011: 57,186,428 units)	2,500,000	3,000,000
Redemption: nil units (2011: 28,593,214 units)	-	1,500,000
Bonus units: 1,099,956 units (2011: nil units)	54,998	-
Units Held: 78,561,629 units (2011: 28,593,214 units)	3,933,620	1,500,286
Deposits		
Deposits at the end of the year	3,394	3,843
Profit Receivable	808	1,200
Profit on bank deposits	32,018	2,541
Other Receivables	1,955	-
Central Depository Company of Pakistan		
Limited - Trustee		
Balance at the beginning of the year	164	156
Remuneration for the year	4,850	2,050
	5,015	2,206
Amounts paid during the year	(4,586)	(2,042)
Balance at end of the year	428	164

31 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 provision for taxation as the Management Company has distributed more than ninety percent of the Fund's accounting income for the current year to its unit holders.

32 PARTICULARS OF INVESTMENT COMMITTEE

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

	Designation	Qualification	Experience in years
Mr. Yasir Qadri	Chief Executive	MBA	17 Years
Mr. Kashif Rafi	Senior Vice President - Investments /	MBA, CFA (Level I)	11 Years
Mr. Muhammad Asim	Vice President - Head of Equities /	MBA & CFA	9 Years
Mr. Syed Akbar Ali	Vice President - Head of Research	MBA & CFA	7 Years
Mr. Mohsin Pervez	Vice President - Investments	MBA, CFA (Level I)	11 Years

32.1 Other Funds managed by the Fund Manager Mr. Kashif Rafi

MCB Dynamic Cash Fund
 MCB Cash Management Optimizer

33 PERCENTAGE OF BROKERAGE PAID

	2012
1 Invest Capital Markets Limited	23.88%
2 BMA Capital Management Limited	19.96%
3 Invisor Markets (Private.) Limited	13.59%
4 JS Global Capital Limited	8.28%
5 KASB Securities Limited	7.31%
6 Invest One Markets (Private) Limited	5.59%
7 Invest & Finance Securities Limited	4.19%
8 Summit Capital (Private) Limited	4.06%
9 Elixer Securities Pakistan (Private) Limited.	3.95%
10 Icon Securities (Private) Limited	3.09%

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

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%

34 DETAILS OF PATTERN OF UNIT HOLDING

As at June 30, 2012			
	Number of Investors	Amount of investment	% of Total
(Rupees in '000)			
Individuals	130	117,235	1.88%
Associated companies	2	3,934,572	63.01%
Directors	1	2,749	0.04%
Insurance companies	1	31	-
Bank / DFIs	1	1,937,095	31.02%
NBFCs	-	-	-
Retirement funds	1	87	-
Public Limited companies	1	101,724	1.63%
Others	9	151,324	2.42%
	146	6,244,817	100%

As at June 30, 2011			
	Number of Investors	Amount of investment	% of Total
(Rupees in '000)			
Individuals	112	54,255	1.81%
Associated companies	2	1,501,127	50.05%
Directors	-	-	-
Insurance companies	-	-	-
Bank / DFIs	1	1,409,982	47.02%
NBFCs	-	-	-
Retirement funds	1	77	-
Public Limited companies	1	25,366	0.85%
Others	1	8,144	0.27%
	118	2,998,951	100%

35 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 89th, 90th, 91st, 92nd, 93rd, 94th, 95th, 96th and 97th BoD meetings of the Fund were held on July 4, 2011, August 8, 2011, September 10, 2011, September 29, 2011, October 26, 2011, January 27, 2012 and March 29, 2012, April 27, 2012 and June 25, 2012 respectively. Information in respect of attendance by Directors in the meetings is given below:

For the year ended June 30, 2012				
Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
Mian Muhammad Mansha	9	4	5	89th, 90th, 93rd, 96th and 97th meetings
Mr. Nasim Beg	9	9	-	-
Syed Salman Ali Shah	9	8	1	92nd meeting
Mr. Haroun Rashid	9	6	3	91st, 92nd and 95th meetings
Mr. Ahmed Jahangir	9	7	2	91st and 92nd meetings.
Mr. Samad A. Habib	9	6	3	89th, 91st, and 96th meetings
Mr. Mirza Mahmood Ahmad	9	7	2	89th and 97th meetings
Mr. Yasir Qadri (Chief Executive Officer)	9	9	-	-

METROBANK - PAKISTAN SOVEREIGN FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

36 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.

36.1 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.

36.1.1 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.

36.1.2 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, 2012 with all other variables held constant, the net assets of the Scheme and net income for the period would have been higher / lower by 2012 : Rs 274,840 (2011: 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, 2012, the Fund holds Pakistan Investment Bonds which are classified as at fair value through profit and 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, 2012, the net income for the year and net assets would be lower by Rs 5,712,823 (2011: Rs 1,683,284) . In case of 100 basis points decrease in rates announced by Financial Market Association on June 30, 2012, the net income for the year and net assets would be higher by Rs 5,867,898 (2011: Rs 1,709,521).

As at June 30, 2012, the Fund 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, 2012, the net income for the year and net assets would be lower by Rs 3,951,909 (2011: Rs 14,764,116). In case of 100 basis points decrease in rates announced by Financial Market Association on June 30, 2012, the net income for the year and net assets would be higher by Rs 4,272,647 (2011: Rs 14,943,590).

The composition of the Fund'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, 2012 is not necessarily indicative of the impact on the Fund'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.

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

-----As at June 30, 2012-----

Exposed to Yield / Interest risk			Not exposed to Yield / Interest rate risk	Total
Upto three months	More than three months and upto one year	More than one year		

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

On-balance sheet financial instruments

Financial assets

Balances with banks - in deposit account	1,627,162	-	-	9	1,627,171
Investment in government securities	4,005,197	618,153	-	-	4,623,350
Income receivable	-	-	-	27,817	27,817
Sub Total	5,632,359	618,153	-	27,826	6,278,338

Financial liabilities

Payable to Management Company	-	-	-	6,636	6,636
Payable to Trustees	-	-	-	428	428
Accrued expenses and other liabilities	-	-	-	1,177	1,177
Sub Total	-	-	-	8,241	8,241

On-balance sheet gap

	5,632,359	618,153	-	19,585	6,270,097
--	------------------	----------------	----------	---------------	------------------

-----As at June 30, 2011-----

Exposed to Yield / Interest risk			Not exposed to Yield / Interest rate risk	Total
Upto three months	More than three months and Upto one year	More than one year		

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

On-balance sheet financial instruments

Financial assets

Balances with banks - in deposit account	3,952	-	-	-	3,952
Receivable against reverse repurchase transactions in government securities	-	-	-	-	-
Investment in government securities	2,941,346	50,078	-	-	2,991,424
Income receivable	-	-	-	7,908	7,908
Sub Total	2,945,298	50,078	-	7,908	3,003,284

Financial liabilities

Payable to Management Company	-	-	-	1,855	1,855
Payable to Trustees	-	-	-	164	164
Redemption payable	-	-	-	27	27
Accrued expenses and other liabilities	-	-	-	776	776
Sub Total	-	-	-	2,822	2,822

On-balance sheet gap

	2,945,298	50,078	-	5,086	3,000,462
--	------------------	---------------	----------	--------------	------------------

36.1.3 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.

36.2 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.

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

Bank Balances by rating category	2012
A+1	100%
	2011
A+1	100%

36.2.1 Investment in government securities

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

36.3 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, 2012-----			
	Upto three months	More than three months and upto one year	More than one year	Total
	-----Rupees in '000-----			
Liabilities				
Payable to Management Company	6,636	-	-	6,636
Payable to Trustee	428	-	-	428
Accrued expenses and other liabilities	1,177	-	-	1,177
	8,241	-	-	8,241

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

-----As at June 30, 2011-----			
Upto three months	More than three months and upto one year	More than one year	Total
Liabilities			
-----Rupees in '000-----			
Remuneration payable to Management Company	1,855	-	1,855
Remuneration payable to Trustee	164	-	164
Redemption payable	27	-	27
Accrued expenses and other liabilities	776	-	776
	2,822	-	2,822

36.4 Financial instruments by category

-----As at June 30, 2012-----			
Loans and receivables	Assets at fair value through profit or loss	Available for Sale	Total
-----Rupees in '000-----			
Assets			
Balances with banks - in deposit account	1,627,171	-	1,627,171
Investments	-	4,623,350	4,623,350
Income and other receivables	27,817	-	27,817
	1,654,988	4,623,350	6,278,338

-----As at June 30, 2012-----			
Liabilities at fair value through profit or loss	Other financial liabilities	Total	
-----Rupees in '000-----			
Liabilities			
Payable to Management Company	-	6,636	6,636
Payable to Trustee	-	428	428
Accrued expenses and other liabilities	-	1,177	1,177
	-	8,241	8,241

-----As at June 30, 2011-----			
Loans and receivables	Assets at fair value through profit or loss	Available for Sale	Total
-----Rupees in '000-----			
Assets			
Balances with banks - in deposit account	3,952	-	3,952
Investment in government securities	-	2,991,425	2,991,425
Income and other receivable	7,908	-	7,908
	11,860	2,991,425	3,003,285

-----As at June 30, 2011-----			
Liabilities at fair value through profit or loss	Other financial liabilities	Total	
-----Rupees in '000-----			
Liabilities			
Payable to Management Company	-	1,855	1,855
Payable to Trustee	-	164	164
Redemption payable	-	27	27
Accrued expenses and other liabilities	-	776	776
	-	2,822	2,822

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

37 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 Fund 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, 2012 -----			
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
ASSETS				
Investment in government securities - at fair value through profit or loss	-	4,623,350	-	4,623,350
	-	4,623,350	-	4,623,350

38 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 36, 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.

39 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on **August 15, 2012** by the Board of Directors of the Management Company.

40 CORRESPONDING FIGURES

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

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

41 GENERAL AND CORRESPONDING FIGURES

41.1 Figures have been rounded off to the nearest thousand rupee.

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



Chief Executive Officer

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



Director

**METROBANK - PAKISTAN SOVEREIGN FUND
PERFORMANCE TABLE
FOR THE YEAR ENDED JUNE 30, 2012**

PERFORMANCE TABLE

	2012				
	MSF Perpetual	MSF 12/12	MSF 12/07	MSF 12/05	MSF 12/03
	------(Rupees in '000)-----				
Net assets	6,103,531	265,834	-	-	-
Net income / (loss) (Rs '000)	631,240	28,442	-	-	-
	------(Percentage)-----				
Total return of the fund	11.30	11.96	-	-	-
Annual dividend distribution	10.48	11.54	-	-	-
Capital growth	0.82	0.42	-	-	-
Average annual return (CAGR)					
One Year	11.30	11.96	-	-	-
Second Year	10.80	10.88	-	-	-
Third Year	10.60	10.57	-	-	-
	------(Rupees)-----				
Final dividend distribution declared on 4 th July 2011	0.7000	0.9124	-	-	-
Net asset value per unit	50.07	48.22	-	-	-
Selling price per unit at end of the year	50.12	48.27	-	-	-
Reperchase price per unit at end of the year	50.07	48.22	-	-	-
Highest offer price per unit	51.80	50.30	-	-	-
Lowest offer price per unit	49.77	48.23	-	-	-
Highest repurchase price per unit	51.75	50.25	-	-	-
Lowest repurchase price per unit	49.72	48.18	-	-	-

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	-	-	-

**METROBANK - PAKISTAN SOVEREIGN FUND
PERFORMANCE TABLE
FOR THE YEAR ENDED JUNE 30, 2012**

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	-	-	-

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	-	-	-

**METROBANK - PAKISTAN SOVEREIGN FUND
PERFORMANCE TABLE
FOR THE YEAR ENDED JUNE 30, 2012**

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	-	-

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	-	-

**METROBANK - PAKISTAN SOVEREIGN FUND
PERFORMANCE TABLE
FOR THE YEAR ENDED JUNE 30, 2012**

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	-

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	-

**METROBANK - PAKISTAN SOVEREIGN FUND
PERFORMANCE TABLE
FOR THE YEAR ENDED JUNE 30, 2012**

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

PERFORMANCE TABLE	2004				
	MSF Prepetual	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 Auditors' Report to the Unit Holders	48
2	Statements of Assets and Liabilities	50
3	Income Statement	51
4	Distribution Statement	52
5	Statement of Movement in Unit Holders' Fund	53
6	Cash Flow Statement	54
7	Notes to and Forming part of the Financial Statements	55
8	Pettern of holding as per Requirement of Code of Corporate Governance	73
9	Pattern of Unit Holding by Size	74
16	Performance Table	75

METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS



A. F. FERGUSON & CO.

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **Metrobank Pakistan Sovereign Fund-Perpetual (here in after referred to as "the Scheme")**, which comprise the statement of assets and liabilities as at June 30, 2012, 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 auditor's 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, 2012, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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.

Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: September 17, 2012

Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O.Box 39, Lahore-54660, Pakistan; Tel: +92 (42) 35715864-71; Fax: +92 (42) 35715872
Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fazi-ul-Haq Road, P.O.Box 3021, Islamabad-44000, Pakistan; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924
Kabul: House No. 1, Street No. 3, Darulaman Road, Ayoub Khan Meina, Opposite Ayoub Khan Mosque, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320

FINANCIAL STATEMENTS

**METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2012**

	Note	2012	2011
		------(Rupees in '000)-----	
Assets			
Balances with banks	4	1,625,819	3,064
Investments	5	4,487,022	2,943,382
Income and other receivables	6	22,380	2,025
Advances, prepayments and other receivables		1,955	-
Total Assets		6,137,176	2,948,471
Liabilities			
Payable to Management Company	7	6,353	1,681
Payable to Trustee	8	410	148
Payable to Securities and Exchange Commission of Pakistan	9	3,908	1,213
Accrued expenses and other liabilities	10	22,974	940
Payable against redemption request		-	27
Total Liabilities		33,645	4,009
Net Assets		6,103,531	2,944,462
Unit holders' fund (as per statement attached)		6,103,531	2,944,462
------(Number of Units)-----			
Number of units in issue		121,898,751	56,112,025
------(Rupees)-----			
Net asset value per unit		50.07	52.47
Contingencies and Commitments	11		

The annexed notes from 1 to 25 form an integral part of these financial statements.



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



Director

**METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012**

	Note	2012	2011
------(Rupees in '000)-----			
INCOME			
Income from investments in government securities		579,234	200,905
Capital gain / (loss) on sale of government securities		21,691	(19,386)
Unrealised appreciation in value of investments' classified as 'at fair value through profit or loss'	5.4	11,634	7,907
Income from reverse repurchase transactions of government securities		6,225	323
Dividend income		-	1,801
Profit on bank deposits		36,132	2,348
Total income		654,916	193,898
OPERATING EXPENSES			
Remuneration of the Management Company	7	59,268	20,346
Sindh Sales Tax on Management Company's remuneration		9,484	-
Remuneration of Trustees	8	4,623	1,914
Annual Fee - Securities and Exchange Commission of Pakistan	9	3,908	1,213
Brokerage		1,725	403
Bank charges		465	167
Printing and publication charges		95	160
Fees and subscriptions		152	149
Legal and professional charges		75	93
Auditors' remuneration	13	745	468
Total operating expenses		80,540	24,913
Net income from operating activities		574,376	168,985
Element of income and capital gains included in the prices of units issued less those in units redeemed		78,722	47,263
Workers' Welfare Fund	12	(21,858)	-
Net income for the year before taxation		631,240	216,248
Taxation	15	-	-
Net income for the year after taxation		631,240	216,248
Other comprehensive income for the year			
Reclassification of unrealised diminution upon disposal of investments classified as 'available for sale'		-	3,241
Total comprehensive income for the year		631,240	219,489
Earnings per unit	3.11		

The annexed notes from 1 to 25 form an integral part of these financial statements.



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



Director

**METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL
DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012**

	Note	2012	2011
------(Rupees in '000)-----			
Undistributed income brought forward			
- Realised gain		130,952	112,523
- Unrealised gain		7,907	2,694
		<u>138,859</u>	<u>115,217</u>
Net income for the year		631,240	216,247
Final distribution for the year ended June 30, 2011 : Rs. 2.7739 (2010 : Rs 5) per unit (Date of distribution : July 4, 2011)			
- Bonus units		(76,334)	(139,377)
- Cash distribution		(79,315)	-
Final distribution for the year ended June 30, 2012 : Rs. 0.71 (Date of distribution : June 25, 2012)			
- Bonus units		(85,332)	-
Interim Distribution for the period from July 1, 2011 to March 31, 2012 (2010 : from July 1, 2010 to December 11, 2010): Rs. 1.70 (2010 : Rs. 1.44) per unit			
Date of distribution : September 28, 2011 (Rs. 1.53 per unit)			
- Bonus units		(48,944)	
- Cash distribution		(106,484)	
Date of distribution : January 27, 2012 (Rs. 2.05 per unit)			
- Bonus units		(93,261)	
- Cash distribution		(162,887)	(52,691)
Date of distribution : March 29, 2012 (Rs. 0.75 per unit)			
- Bonus units		(29,622)	
- Cash distribution		(59,593)	
Element of loss and capital losses included in the prices of units issued less those in units redeemed		(19,736)	(537)
Undistributed income carried forward		<u>8,591</u>	<u>138,859</u>
Undistributed income carried forward comprising of			
- Realised (loss) / gain		(3,043)	130,952
- Unrealised gain	5.4	<u>11,634</u>	<u>7,907</u>
		<u>8,591</u>	<u>138,859</u>

The annexed notes from 1 to 25 form an integral part of these financial statements.



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



Director

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

	Note	2012 ------(Rupees in '000)-----	2011 ------(Rupees in '000)-----
Net assets at the beginning of the year		2,944,462	1,505,748
Issue of 199,620,833 units (2011: 105,188,012 units)		10,240,243	5,430,472
Redemption of 140,533,942 units (2011: 79,794,630 units)		(7,225,414)	(4,111,292)
		3,014,829	1,319,180
Element of (income) / loss and capital (gains) / losses included in prices of units sold less those in units redeemed			
- amount representing income and capital gains - transferred to the Income Statement		(78,722)	(47,263)
- amount representing loss and capital losses that form part of the unit holders' fund - transferred to Distribution Statement		19,736	537
		(58,986)	(46,726)
Movement in unrealised surplus / diminution in value of investments classified as 'available for sale' - net	5.3	-	3,241
Distribution:			
Issue of 4,993,190 bonus units for the year ended June 30, 2011 (2010 : 2,843,266 bonus units)		248,162	139,377
Issue of 1,706,645 bonus units for the year ended June 30, 2012 (2011 : Nil bonus units)		85,332	-
Final Distribution of 4,993,190 bonus units for the year ended June 30, 2011 (2010 : 2,843,266 bonus units) : Rs. 2.7739 per unit			
- Bonus units		(76,334)	(139,377)
- Cash distribution		(79,315)	-
Final distribution for the year ended June 30, 2012 : Rs. 0.71 per unit (Date of distribution : June 25, 2012)			
- Bonus units		(85,332)	-
Interim Distributions during the year ended June 30, 2012 :			
Date of distribution : September 28, 2011			
- Bonus units		(48,944)	
- Cash distribution		(106,484)	
Date of distribution : January 27, 2012			
- Bonus units		(93,261)	
- Cash distribution		(162,887)	(52,691)
Date of distribution : March 29, 2012			
- Bonus units		(29,622)	
- Cash distribution		(59,593)	
Capital gain / (loss) on sale of investments		21,691	(19,387)
Unrealised appreciation on re-measurement of investments classified as 'at fair value through profit or loss'		11,634	7,907
Other net income for the year		597,915	227,727
Element of loss and capital losses included in prices of units issued less those in units redeemed - amount representing unrealised losses - net		(19,736)	(537)
		(130,268)	23,642
Net assets at the end of the year		6,103,531	2,944,462

The annexed notes from 1 to 25 form an integral part of these financial statements.



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



Director

**METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012**

	2012	2011
Note	------(Rupees in '000)-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	631,240	216,248
Adjustments for:		
Element of income and capital gains included in the prices of units issued less those in units redeemed	(78,722)	(47,263)
Unrealised appreciation in investments 'at fair value through profit or loss'	5.4 (11,634)	(7,907)
	<u>540,884</u>	<u>161,078</u>
(Increase) / decrease in assets		
Investments	1,002,049	97,923
Income and other receivables	(20,355)	(1,456,415)
Advances, prepayments and other receivables	(1,955)	-
	979,739	(1,358,492)
Increase / (decrease) in liabilities		
Payable to Management Company	4,672	354
Payable to Trustee	262	2
Payable to Securities and Exchange Commission of Pakistan	2,695	16
Accrued expenses and other liabilities	22,034	420
Payable against redemption request	(27)	27
	29,636	819
Net cash used in operating activities	<u>1,550,259</u>	<u>(1,196,595)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issuance of units	10,240,243	5,430,472
Payment on redemption of units	(7,225,414)	(4,111,292)
Interim distribution	(408,278)	(52,691)
Net cash generated from financing activities	<u>2,606,551</u>	<u>1,266,489</u>
Net decrease in cash and cash equivalents	<u>4,156,810</u>	<u>69,894</u>
Cash and cash equivalents at beginning of the year	3,064	6,683
Cash and cash equivalents at end of the year	4.2 <u><u>4,159,874</u></u>	<u><u>76,577</u></u>

The annexed notes from 1 to 25 form an integral part of these financial statements.



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



Director

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

1. LEGAL STATUS AND NATURE OF BUSINESS

MetroBank - Pakistan Sovereign Scheme 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)].

In year ended June 30, 2010, Habib Metropolitan Bank Limited retired as the Trustee of the Scheme and Central Depository Company of Pakistan Limited (CDC) was appointed as the new Trustee with effect from November 23, 2009. The SECP approved the appointment of CDC as the Trustee in place of Habib Metropolitan Bank Limited and further approved the amendments to the Trust Deed vide its letter number SCD/NBFC-11/MF-RS/MSPF/981/2009 dated November 3, 2009. Accordingly, the Trust Deed of the Scheme was revised through a supplemental Deed executed between the Management Company, Habib Metropolitan Bank Limited and CDC.

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

The Metro Bank - Pakistan Sovereign Fund is an open-ended fund Scheme 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' to the Management Company as of June 30, 2012 and AA (f) as stability rating to the Scheme.

The Fund consists of a 'Perpetual' (the Scheme) and one sub-scheme as at June 30, 2012 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 Scheme 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 Schemes in deposits with banks and financial institutions. In addition, the Scheme can also invest in sub-schemes of the Scheme.

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, 2012

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

The following standards, amendments and interpretations to approved accounting standards have been published and are mandatory for the Scheme's accounting period beginning on or after July 1, 2011:

- a) IFRS 7, 'Financial Instruments: Disclosures'. This amendment is effective from January 1, 2011. The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment does not have any impact on the Scheme's financial statements during the current year.
- b) IFRS 7, 'Financial instruments: Disclosures'. This amendment is effective from July 1, 2011. The amendment aims to promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The amendment does not have any impact on the Scheme's financial statements during the current year.
- c) IAS 1, 'Presentation of financial statements' (effective January 1, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment does not have any impact on the Scheme's financial statements.
- d) IAS 24 (revised), 'Related party disclosures', issued in November 2009. It superseded IAS 24, 'Related Party Disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. 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 revised standard does not have any impact on the Scheme's financial statements.

There are other new and amended standards and 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.

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

The following standards and amendments to standards have been published and are mandatory for accounting periods beginning on or after July 1, 2012:

- a) IAS 1, 'Financial statement presentation' (effective July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendment will not have any significant effect on the Scheme's financial statements.
- b) IAS 32, 'Financial instruments: Presentation', (effective January 1, 2014). This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The management of the Scheme is in the process of assessing the impact of this amendment on the Scheme's financial statements.

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2012 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.

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

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of its accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. 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 in accordance with the requirements of International Accounting Standard (IAS) 39 ; 'Financial Instruments Recognition and Measurement.'

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:

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.

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

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

a) Financial assets 'at fair value through profit or loss' and 'available for sale'

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 of Pakistan in accordance with the requirements of the NBFC Regulations.

Net gains and losses arising from changes in the fair value of financial assets 'at fair value through profit or loss' are taken to the 'income statement'.

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are taken to other comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised in other comprehensive income is transferred to income before taxation.

b) Loans and receivable

Subsequent to initial recognition financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest method.

Gain or loss is also recognised in the 'income statement' when financial assets carried at amortised cost are derecognised or impaired.

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 income before taxation.

Provision for non-performing exposures is made in accordance with the criteria specified in circular No. 1 dated January 6, 2009 and circular No. 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.

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

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.

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 Schemes 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.

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

3.12 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 among the unit holders.

The Scheme is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

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.

Income on Pakistan Investment Bonds and Sukuks are recognised on an accrual basis.

Dividend income is recognised when the Scheme's right to receive the dividend is established.

Income on issue and purchase of units is recognised when the units are issued and redeemed at the transaction date.

Discount on purchase of Market Treasury Bills is amortised to income statement using straight line method.

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.

	Note	June 30, 2012	June 30, 2011
------(Rupees in '000)-----			
4	BALANCES WITH BANKS		
	In deposit accounts	4.1 1,625,814	3,060
	In current accounts	5	4
		<u>1,625,819</u>	<u>3,064</u>
4.1	These carry a rate of return ranging from 6% to 11 % (2011: 9% to 10.5%) per annum.		
4.2	Cash and Cash equivalents		
	Balances with banks	1,625,819	3,064
	Treasury Bills having maturity of 3 months or less	5.1 2,534,055	73,513
		<u>4,159,874</u>	<u>76,577</u>
5	INVESTMENTS		
	Investments 'at fair value through profit or loss'		
	Pakistan Investment Bonds	5.1 369,478	-
	Treasury Bills	5.1 3,775,888	2,782,092
	Ijara Sukuks	5.1 217,108	50,078
	Investment in sub scheme	5.2 124,548	111,212
		<u>4,487,022</u>	<u>2,943,382</u>

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

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

Name	Units				Balance as at June 30, 2012			Market value as a percentage of net assets	Market value as a percentage of total investments	
	Balance as at July 1, 2011	Purchases during the year	Bonus / Reinvest-ment	Sales during the period	Balance as at June 30, 2012	Carrying value	Market Value			Appreciation / (diminution)
MSF December 2012	2,181,485	-	401,418	-	2,582,903	111,212	124,548	13,336	2.04%	2.78%
Total as at June 30, 2012						111,212	124,548	13,336		
Total as at June 30, 2011						103,077	111,212	8,135		

Rupees in '000

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

Market value of investments
Cost of investments

Less: Net unrealised diminution / (appreciation) in the fair value of investments at the beginning of the year

Note	June 30, 2012	June 30, 2011
	-	-
	-	-
	-	3,241
	-	3,241

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

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

Market value of investments
Carrying value of investments

5.1&5.2	4,487,022	2,943,382
5.1&5.2	(4,475,388)	(2,935,475)
	11,634	7,907

6 INCOME AND OTHER RECEIVABLES

Accrued profit on bank deposits
Income accrued on government securities

	1,044	1,158
	21,336	867
	22,380	2,025

7 PAYABLE TO ARIF HABIB INVESTMENTS LIMITED - MANAGEMENT COMPANY

Management Company's remuneration
Sindh Sales Tax on Management Company's remuneration

7.1&7.2	5,477	1,681
7.3	876	-
	6,353	1,681

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 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.

7.2 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.

7.3 During the current year, the Provincial Government of Sindh levied Sindh Sales Tax at the rate of 16% on the remuneration of the Management Company through the Sindh Sales Tax on Services Act 2011 effective from July 1, 2011.

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, 2012 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

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

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.

	Note	June 30, 2012	June 30, 2011
------(Rupees)-----			
10 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		557	294
Legal fee payable		96	-
Brokerage payable		196	147
Printing and publication charges payable		111	93
Provision for Workers' Welfare Fund	12	21,858	-
Others		156	406
		<u>22,974</u>	<u>940</u>

11 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2012.

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 this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

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

Subsequent to the year ended 30 June 2011, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC. Considering the unit holding structure of the Funds concentrated on few large ticket investors coupled with the recent changes in tax laws, the Management company as a matter of abundant caution has decided to charge the provision for WWF amounting to Rs 21.858 million (including Rs 8.795 million for the years 2007-2011) in these financial statements in order to protect the interest of small investor/unit holder.

	June 30, 2012	June 30, 2011
------(Rupees in '000)-----		
13 AUDITORS' REMUNERATION		
Annual audit fee	286	232
Half yearly review fee	190	139
Other certifications and services	238	65
Out of pocket expenses	31	32
	<u>745</u>	<u>468</u>

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.

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

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.

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

	2012	2011
	------(Rupees in '000)-----	
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	1,681	1,327
Remuneration for the year inclusive of Sindh Sales Tax	68,752	20,346
	<u>70,433</u>	<u>21,673</u>
Amounts paid during the year	64,080	19,992
Balance at the end of the year	<u>6,353</u>	<u>1,681</u>
Habib Metropolitan Bank Limited		
Units 34,840,776 issued units (2011: 101,813,297 units)	1,751,400	4,250,884
Units redeemed 27,983,210 units (2011: 105,064,282 units)	1,400,000	5,432,884
Bonus units 4,970,711 units (2011: 2,787,686 units)	247,207	136,652
Units held 38,695,458 units (2011: 26,867,181 units)	<u>1,937,095</u>	<u>1,409,721</u>
Deposits		
- Balance at the end of the year	<u>22,334</u>	<u>2,997</u>
Profit receivable	<u>236</u>	<u>1,158</u>
Profit on bank deposits	<u>4,109</u>	<u>2,346</u>
Central Depository Company of Pakistan Limited - Trustee		
Balance at the beginning of the year	148	145
Remuneration for the year	4,623	1,914
	<u>4,771</u>	<u>2,059</u>
Amounts paid during the year	4,361	1,911
Balance at end of the year	<u>410</u>	<u>148</u>
Transactions and balances with connected persons		
- Scheme and Sub Schemes		
Investment in Sub-Schemes - MSF Dec 2012		
Investment : nil units (2011: 43,983 units)	-	2,101
Bonus Units Issued 401,418 units (2011: 461,281 units)	19,333	21,791
Units redeemed nil units (2011: Nil)	-	-
Investment held 2,582,903 units (2011: 2,181,486 units)	<u>124,548</u>	<u>111,212</u>
MCB Bank Limited		
Investments: 48,868,459 units (2011: 57,186,428 units)	2,500,000	3,000,000
Redemption: nil units (2011: 28,593,214 units)	-	1,500,000
Bonus Units: 1,099,956 units (2011: Nil)	54,998	-
Units Held: 78,561,629 units (2011: 28,593,214 units)	<u>3,933,620</u>	<u>1,500,286</u>

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

	2012	2011
	------(Rupees in '000)-----	
Deposits		
- Balance at the end of the year	3,394	-
Profit receivable	808	-
Profit on bank deposits	32,018	-
Other Receivables	1,955	-
Key Management Personnel		
Units issued 67,239 units (2011: Nil)	3,400	-
Units redeemed 14,014 units (2011: Nil)	705	-
Bonus Units Issued 3,831 units (2011: Nil)	191	-
Investment held 57,056 units (2011: Nil)	2,856	-

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 provision for taxation as the Management Company has distributed more than ninety percent of the Fund's accounting income for the current year 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:

----- 2012 -----				
	Designation	Qualification	Experience in years	
1)	Mr. Yasir Qadri	Chief Executive	MBA	17 Years
2)	Mr. Kashif Rafi	Senior Vice President - Investments	MBA & CFA (Level I)	11 Years
3)	Mr. Muhammad Asim	Vice President - Head of Equities	MBA & CFA	9 Years
4)	Mr. Syed Akbar Ali	Vice President - Head of Research	MBA & CFA	7 Years
5)	Mr. Mohsin Pervez	Vice President - Investments	MBA & CFA (Level I)	11 Years

Other Funds managed by the Fund Manager Mr. Kashif Rafi

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

17 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

	2012 (Percentage)
1) Invest Capital Markets Limited	24.11%
2) BMA Capital Management Limited	19.94%
3) Invisor Markets (Private.) Limited	13.72%
4) JS Global Capital Limited	7.83%
5) KASB Securities Limited	7.31%
6) Invest One Markets (Private) Limited	5.64%
7) Invest & Finance Securities Limited	4.20%
8) Summit Capital (Private) Limited	4.10%
9) Elixer Securities Pakistan (Private) Limited.	3.99%
10) ICON Securities (Private) Limited	3.12%

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

	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%

18 DETAILS OF PATTERN OF UNIT HOLDING

	As at June 30, 2012		
	Number of unit holders	Amount of Investment	Percentage of investment
(Rupees in '000)			
Individuals	91	11,540	0.19%
Associated companies	1	3,933,620	64.45%
Directors	1	2,749	0.05%
Insurance companies	1	31	0.00%
Bank / DFIs	1	1,937,095	31.74%
NBFCs	-	-	-
Retirement funds	-	-	-
Public Limited companies	1	101,724	1.67%
Others	5	116,772	1.91%
Total	101	6,103,531	100%

	As at June 30, 2011		
	Number of unit holders	Amount of Investment	Percentage of investment
(Rupees in '000)			
Individuals	88	8,828	0.30%
Associated companie	1	1,500,286	50.95%
Director:	-	-	-
Insurance companie	-	-	-
Bank / DFI:	1	1,409,982	47.89%
NBFCs	-	-	-
Retirement fund	-	-	-
Public Limited companie	1	25,366	0.86%
Other:	-	-	-
Total	91	2,944,462	100%

19 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 89th, 90th, 91st, 92nd, 93rd, 94th, 95th, 96th and 97th BoD meetings of the Fund were held on July 4, 2011, August 8, 2011, September 10, 2011, September 29, 2011, October 26, 2011, January 27, 2012 and March 29, 2012, April 27, 2012 and June 25, 2012 respectively. Information in respect of attendance by Directors in the meetings is given below:

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

For the year ended June 30, 2012

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
Mian Muhammad Mansha	9	4	5	89th, 90th, 93rd, 96th and 97th meetings
Mr. Nasim Beg	9	9	-	-
Syed Salman Ali Shah	9	8	1	92nd meeting
Mr. Haroun Rashid	9	6	3	91st, 92nd and 95th meetings
Mr. Ahmed Jahangir	9	7	2	91st and 92nd meetings.
Mr. Samad A. Habib	9	5	4	89th, 91st, 93rd and 96th meetings
Mr. Mirza Mahmood Ahmad	9	7	2	89th and 97th meetings
Mr. Yasir Qadri (Chief Executive Officer)	9	9	-	-

20 FINANCIAL RISK MANAGEMENT

The 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 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, 2012 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 274,840 (2011: 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, 2012, the Scheme holds Pakistan Investment Bonds which are classified as at fair value through profit and 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, 2012, the net income for the year and net assets would be lower by Rs. 5,441,805 (2011: Nil) . In case of 100 basis points decrease in rates announced by Financial Market Association on June 30, 2012, the net income for the year and net assets would be higher by Rs. 5,591,236 (2011: Nil).

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

As at June 30, 2012, 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, 2012, the net income for the year and net assets would be lower by Rs. 3,928,046 (2011: Rs 14,764,116). In case of 100 basis points decrease in rates announced by Financial Market Association on June 30, 2012, the net income for the year and net assets would be higher by Rs. 3,947,898 (2011: Rs 14,943,590).

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, 2012 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.

June 30, 2012				
Exposed to Yield / Interest risk			Not exposed to Yield / Interest rate risk	Total
Upto three months	More than three months and upto one year	More than one year		
(Rupees in '000)				
On-balance sheet financial instruments				
Financial assets				
Balances with banks	1,625,814	-	5	1,625,819
Investment in government securities	3,780,393	582,081	-	4,362,474
Investment in Sub-Scheme	-	-	124,548	124,548
Income and other receivable	-	-	22,380	22,380
Advances, prepayments and other receivables	-	-	1,955	1,955
Sub Total	5,406,207	582,208	148,888	6,137,176
Financial liabilities				
Payable to Management Company	-	-	6,353	6,353
Payable to Trustee	-	-	410	410
Accrued expenses and other liabilities	-	-	1,116	1,116
Sub Total	-	-	7,879	7,879
On-balance sheet gap	5,406,207	582,081	141,009	6,129,297

June 30, 2011				
Exposed to Yield / Interest risk			Not exposed to Yield / Interest rate risk	Total
Upto three months	More than three months and upto one year	More than one year		
(Rupees in '000)				
On-balance sheet financial instruments				
Financial assets				
Balances with banks	3,060	-	5	3,065
Investment in government securities	2,782,092	50,078	-	2,832,170
Investment in Sub-Scheme	-	-	111,212	111,212
Income and other receivable	-	-	2,025	2,025
Sub Total	2,785,152	50,078	113,242	2,948,472
Financial liabilities				
Payable to Management Company	-	-	1,681	1,681
Payable to Trustee	-	-	148	148
Payable against redemption request	-	-	27	27
Accrued expenses and other liabilities	-	-	732	732
Sub Total	-	-	2,588	2,588
On-balance sheet gap	2,785,152	50,078	110,654	2,945,884

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

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	2012
A1+	100%
	2011
A1+	100%

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 management of the scheme 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, 2012

-----June 30, 2012-----				
	Upto three months	More than three months and upto one year	More than one year	Total
-----Liabilities-----				
------(Rupees in '000)-----				
Remuneration payable to Management Company	6,353	-	-	6,353
Remuneration payable to Trustee	410	-	-	410
Accrued expenses and other liabilities	1,116	-	-	1,116
	<u>7,879</u>	<u>-</u>	<u>-</u>	<u>7,879</u>

-----June 30, 2011-----				
	Upto three months	More than three months and upto one year	More than one year	Total
-----Liabilities-----				
------(Rupees in '000)-----				
Remuneration payable to Management Company	1,681	-	-	1,681
Remuneration payable to Trustee	148	-	-	148
Payable against redemption request	27	-	-	27
Accrued expenses and other liabilities	732	-	-	732
	<u>2,588</u>	<u>-</u>	<u>-</u>	<u>2,588</u>

20.4 Financial instruments by category

-----June 30, 2012-----				
	Loans and receivables	Assets at fair value through profit or loss	Available for Sale	Total
-----Assets-----				
------(Rupees in '000)-----				
Balances with banks	1,625,819	-	-	1,625,819
Investments	-	4,487,022	-	4,487,022
Income and other receivables	22,380	-	-	22,380
	<u>1,648,199</u>	<u>4,487,022</u>	<u>-</u>	<u>6,135,221</u>

-----June 30, 2012-----			
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
-----Liabilities-----			
------(Rupees in '000)-----			
Payable to Management Company	-	6,353	6,353
Payable to Trustee	-	410	410
Accrued expenses and other liabilities	-	1,116	1,116
	<u>-</u>	<u>7,879</u>	<u>7,879</u>

-----June 30, 2011-----				
	Loans and receivables	Assets at fair value through profit or loss	Available for Sale	Total
-----Assets-----				
------(Rupees in '000)-----				
Balances with banks	3,065	-	-	3,065
Investment in Government Securities	-	2,943,382	-	2,943,382
Income and other receivables	2,025	-	-	2,025
	<u>5,090</u>	<u>2,943,382</u>	<u>-</u>	<u>2,948,472</u>

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

	-----June 30, 2011-----		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	------(Rupees in '000)-----		
Liabilities			
Payable to Management Company	-	1,681	1,681
Payable to Central Depository Company of Pakistan - Trustee	-	148	148
Payable against redemption request	-	27	27
Accrued expenses and other liabilities	-	732	732
	-	2,588	2,588

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).

	-----As at June 30, 2012-----			
	Level 1	Level 2	Level 3	Total
	------(Rupees in '000)-----			
ASSETS				
Investment in government securities - at fair value through profit or loss		4,362,474	-	4,362,474
Investment in sub scheme - at fair value through profit or loss	124,548			124,548
	124,548	4,362,474	-	4,487,022

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.

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

23 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 15, 2012 by the Board of Directors of the Management Company.

24 CORRESPONDING FIGURES

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

25 GENERAL

25.1 Figures have been rounded off to the nearest thousand rupee.

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



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



Director

METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL
PATTERN OF HOLDING AS PER REQUIREMENT OF
CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2012

Category	No.of Unit Holders	Units
Associated Companies, undertakings and related Parties		
MCB Bank Limited	1	78,561,629
Directors		
Yasir Qadri	1	54,908
Public Sector Companies and Corporations	5	2,332,149
Banks and Insurance Companies	2	2,024,135
Individuals	91	230,472
Shareholders holding 5 percent or more voting interest in the listed company		
Habib Metro Bank Limited	1	38,695,458
	<u>101</u>	<u>121,898,751</u>

**METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL
 PATTERN OF UNIT HOLDING BY SIZE
 FOR THE YEAR ENDED JUNE 30, 2012**

No. of Unit Holders	Units Holdings	Total Units Held
74	(SHAREHOLDING FROM 1.0000 TO 5000.0000)	40,593.82
11	(SHAREHOLDING FROM 5001.0000 TO 10000.0000)	74,031.12
4	(SHAREHOLDING FROM 10001.0000 TO 15000.0000)	40,865.32
3	(SHAREHOLDING FROM 20001.0000 TO 25000.0000)	64,415.23
1	(SHAREHOLDING FROM 30001.0000 TO 35000.0000)	32,231.59
1	(SHAREHOLDING FROM 50001.0000 TO 55000.0000)	54,907.81
1	(SHAREHOLDING FROM 150001.0000 TO 155000.0000)	153,016.76
1	(SHAREHOLDING FROM 525001.0000 TO 530000.0000)	529,837.54
1	(SHAREHOLDING FROM 560001.0000 TO 565000.0000)	563,940.93
1	(SHAREHOLDING FROM 1060001.0000 TO 1065000.0000)	1,064,306.31
1	(SHAREHOLDING FROM 2020001.0000 TO 2025000.0000)	2,023,517.44
1	(SHAREHOLDING FROM 38695001.0000 TO 38700000.0000)	38,695,458.20
1	(SHAREHOLDING FROM 78560001.0000 TO 78565000.0000)	78,561,628.67
101	Total :	121,898,750.74

METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL PERFORMANCE TABLE FOR THE YEAR ENDED JUNE 30, 2012

PERFORMANCE TABLE	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003*
	------(Rupees in '000)-----									
Net assets	6,103,531	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	631,240	219,489	146,525	15,050	56,852	31,680	34,375	(51,093)	9,471	(153)
	------(Rupees)-----									
Net assets value per unit	50.07	52.47	54.02	49.12	49.96	48.97	48.01	44.70	44.46	50.16
Dividend distribution per unit - 1st Interim	1.53	1.70	-	-	-	-	-	-	1.5938	-
Dividend distribution per unit - 2nd Interim	2.05	-	-	-	-	-	-	-	0.1433	-
Dividend distribution per unit - 3rd Interim	0.75	-	-	-	-	-	-	-	-	-
Dividend distribution per unit - Final	0.70	2.7739	5.0000	0.0700	6.8500	1.7900	3.1093	-	-	-
Total distribution per unit	5.03	4.4739	5.0000	0.0700	6.8500	1.7900	3.1093	-	1.7371	-
Selling price per unit at end of the year	50.12	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	50.07	52.47	54.02	49.12	49.95	48.97	47.98	44.69	44.59	49.88
Highest offer price per unit	51.80	52.52	54.09	49.17	50.29	49.02	48.03	44.74	51.18	52.60
Lowest offer price per unit	49.77	49.03	49.42	42.72	47.28	44.90	44.73	42.33	44.57	48.85
Highest repurchase price per unit	51.75	52.47	54.04	49.12	50.24	48.97	47.98	44.70	51.08	52.49
Lowest repurchase price per unit	49.72	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	6/25/2012	7/4/2011	7/5/2010	7/6/2009	7/3/2008	7/4/2007	7/4/2006	-	-	-
Dividend distribution per unit - 1st Interim	9/28/2011	12/11/2010	-	-	-	-	-	-	9/24/2003	-
Dividend distribution per unit - 2nd Interim	1/27/2012	-	-	-	-	-	-	-	12/24/2003	-
Dividend distribution per unit - 2nd Interim	3/29/2012	-	-	-	-	-	-	-	12/24/2003	-
	------(Percentage)-----									
Total return of the fund	11.30	10.30	10.13	13.94	5.89	9.06	7.43	0.52	(7.98)	0.32
Annual dividend distribution	10.48	8.70	10.13	0.14	14.52	3.99	6.96	-	3.46	-
Capital growth	0.82	1.60	-	13.8	(8.63)	5.08	0.47	0.52	(11.44)	0.32
Average annual return (CAGR):										
One Year	11.30	10.30	10.13	13.94	5.89	9.06	7.43	0.52	(7.98)	0.96
Second Year	10.80	10.20	12.02	9.83	7.48	8.24	3.92	(3.82)	-	-
Third Year	10.60	11.40	9.93	9.57	7.47	5.60	(0.21)	-	-	-
Fund keeps the average duration of its portfolio 1.08 years.			54.02		43.11					

* 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 Auditors' Report to the Unit Holders	78
2	Statements of Assets and Liabilities	80
3	Income Statement	81
4	Distribution Statement	82
5	Statement of Movement in Unit Holders' Fund	83
6	Cash Flow Statement	84
7	Notes to and Forming part of the Financial Statements	85
8	Pettern of holding as per Requirement of Code of Corporate Governance	101
9	Pattern of Unit Holding by Size	102
16	Performance Table	103

METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012)
INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS



A. F. FERGUSON & CO.

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **Metrobank Pakistan Sovereign Fund-December 2012** (here in after referred to as "the Sub-scheme"), which comprise the statement of assets and liabilities as at June 30, 2012, 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 auditor's 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, 2012, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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.

Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: September 17, 2012

Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O.Box 39, Lahore-54660, Pakistan; Tel: +92 (42) 35715864-71; Fax: +92 (42) 35715872
Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O.Box 3021, Islamabad-44000, Pakistan; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924
Kabul: House No. 1, Street No. 3, Darulaman Road, Ayoub Khan Meina, Opposite Ayoub Khan Mosque, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320

FINANCIAL STATEMENTS

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

	Note	2012 ----- Rupees in '000-----	2011
ASSETS			
Balances with banks	4	1,352	888
Investments	5	260,876	159,255
Income and other receivables	6	5,437	5,884
Total assets		267,665	166,027
LIABILITIES			
Payable to Management Company	7	283	174
Payable to Trustee	8	18	16
Payable to Securities and Exchange Commission of Pakistan	9	190	88
Accrued expenses and other liabilities	10	1,340	48
Total liabilities		1,831	326
Net Assets		265,834	165,701
Unit holders' fund (as per statement attached)		265,834	165,701
		----- (Number of Units) -----	
Number of units in issue		5,512,506	3,250,204
		(Rupees)	
Net asset value per unit		48.22	50.98
CONTINGENCIES AND COMMITMENTS	11		

The annexed notes 1 to 25 form an integral part of these financial statements.


 Chief Executive Officer

For Arif Habib Investments Limited
 (Management Company)


 Director

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

	Note	2012	2011
		----- Rupees in '000-----	
INCOME			
Income from investments in government securities		29,825	13,822
Profit on bank deposits		925	227
Capital gain / (loss) on sale of government securities		134	(3)
Unrealised appreciation / (diminution) in value of investments' classified as 'at fair value through profit or loss'	5.3	1,480	(1,344)
Total Income		32,364	12,702
OPERATING EXPENSES			
Remuneration of the Management Company	7	2,934	1,384
Sindh Sales Tax on Management Company's remuneration		469	-
Remuneration of Trustees	8	227	136
Annual Fee - Securities and Exchange Commission of Pakistan	9	191	86
Brokerage		19	1
Printing and publications		20	10
Fees and subscriptions		8	4
Bank charges		49	17
Legal and professional charges		1	7
Auditors' remuneration	13	36	35
Total expenses		3,954	1,680
Net income from operating activities		28,410	11,022
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed		1,311	(1,377)
Workers' Welfare Fund		(1,279)	-
Net income for the year before taxation		28,442	9,645
Taxation	15	-	-
Net income for the year after taxation		28,442	9,645
Other comprehensive income for the year		-	-
Reclassification of unrealised diminution upon disposal of investments classified as 'available for sale'	5.4	-	25
Total comprehensive income for the year		28,442	9,670
Earnings per unit	3.11		

The annexed notes 1 to 25 form an integral part of these financial statements.



 Chief Executive Officer

For Arif Habib Investments Limited
 (Management Company)



 Director

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

	Note	2012 ----- Rupees in '000-----	2011
Undistributed income brought forward			
- Realised gain		4,535	17,786
- Unrealised loss		(1,344)	(449)
		3,191	17,337
Net income for the year		28,442	9,645
Final distribution for the year ended June 30, 2011 : Rs. 2.8224 (2010 : Rs. 1.3) per unit (Date of distribution : July 4, 2011)			
- Bonus units		(9,127)	(21,972)
Final distribution for the year ended June 30, 2012 : Rs. 0.93 per unit (Date of distribution : June 25, 2012)			
- Bonus units		(5,030)	-
Interim distribution for the period from July 1, 2011 to March 31, 2012 (July 1, 2010 to December 31, 2010) : Rs. 1.70 (2010 : Rs. 1.44 per unit)			
Date of distribution : September 28, 2011 (Rs. 1.70 per unit)			
- Bonus units		(5,612)	
- Cash distribution		-	
Date of distribution : January 27, 2012 (Rs. 2.09 per unit)			
- Bonus units		(11,546)	
- Cash distribution		(2,128)	(1,816)
Date of distribution : March 29, 2012 (Rs. 0.76 per unit)			
- Bonus units		(4,440)	
- Cash distribution		(774)	
Element of loss and capital losses included in the prices of units issued less those in units redeemed		(4,163)	(3)
Undistributed income carried forward		(11,187)	3,191
Undistributed income carried forward comprising of			
- Realised (loss) / gain		(12,667)	4,535
- Unrealised gain / (loss)	5.3	1,480	(1,344)
		(11,187)	3,191

The annexed notes 1 to 25 form an integral part of these financial statements.



 Chief Executive Officer

For Arif Habib Investments Limited
 (Management Company)



 Director

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

	Note	2012 ----- Rupees in '000-----	2011
Net assets at the beginning of the year		165,701	101,819
Issue of 4,102,740 units (2011: 1,143,971 units)		253,203	57,132
Redemption of 2,582,842 units (2011: 49,030 units)		(177,299)	(2,481)
		75,904	54,651
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		(1,311)	1,377
- amount representing unrealised capital loss that form part of the unit holders' fund - transferred to Distribution Statement		4,163	3
		2,852	1,380
Movement in unrealised deficit in value of investments classified as 'available for sale' - net	5.4	-	25
Distributions:			
Issue of 637,970 bonus units for the year ended June 30, 2011 (Date of distribution July 4, 2011) (2011 :465,113 bonus unit)		30,725	21,972
Issue of 104,434 bonus units for the year ended June 30, 2012 (Date of distribution June 25, 2012) (2011 : nil)		5,030	-
Final distribution for the year ended June 30, 2011 : Rs. 2.8224 (2010 : Rs. 13) per unit (Date of distribution : July 4, 2011)			
- Bonus units		(9,127)	(21,972)
Final distribution for the year ended June 30, 2012 : Rs. 0.93 (2011 : Rs. nil) per unit (Date of distribution : June 25, 2012)			
- Bonus units		(5,030)	-
Interim distributions during the year ended June 30, 2012 :			
Date of distribution : September 28, 2011			
- Bonus units		(5,612)	-
- Cash distribution		-	-
Date of distribution : January 27, 2012			
- Bonus units		(11,546)	-
- Cash distribution		(2,128)	(1,816)
Date of distribution : March 29, 2012			
- Bonus units		(4,440)	-
- Cash distribution		(774)	-
Capital gain / (loss) on sale of investments		134	(3)
Unrealised diminution on re-measurement of investments classified as 'at fair value through profit or loss'		1,480	(1,344)
Other net income for the year		26,828	10,992
Element of loss and capital losses included in prices of units issued less those in units redeemed - amount representing unrealised losses - net		(4,163)	(3)
		(14,378)	(14,146)
Net assets at the end of the year		265,834	165,701

The annexed notes 1 to 25 form an integral part of these financial statements.


 Chief Executive Officer

For Arif Habib Investments Limited
 (Management Company)


 Director

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

Note	2012	2011
	----- Rupees in '000-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	28,442	9,645
Adjustments for :		
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed	(1,311)	1,377
Unrealised (appreciation) / diminution in value of investments classified as 'at fair value through profit or loss'	5.3 <u>(1,480)</u>	<u>1,344</u>
	25,651	12,366
(Increase) / decrease in assets		
Investments	(38,286)	(62,397)
Receivable from MSF Perpetual	-	9
Income and other receivables	447	(2,172)
	(37,839)	(64,560)
Increase in liabilities		
Payable to Management Company	109	81
Payable to Trustee	2	6
Payable to Securities and Exchange Commission of Pakistan - Annual fee	102	24
Accrued expense and other liabilities	1,292	14
	1,505	125
Net cash used in operating activities	(10,683)	(52,069)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issuance of units	253,203	57,132
Payment against redemption of units	(177,299)	(2,481)
Interim Distribution	(2,902)	(1,816)
Net cash generated from financing activities	73,002	52,835
Net increase / (decrease) in cash and cash equivalents	62,319	766
Cash and cash equivalents at beginning of the year	888	122
Cash and cash equivalents at end of the year	4.2 <u>63,207</u>	<u>888</u>

The annexed notes 1 to 25 form an integral part of these financial statements.


 Chief Executive Officer

For Arif Habib Investments Limited
 (Management Company)


 Director

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

1. LEGAL STATUS AND NATURE OF BUSINESS

MetroBank - Pakistan Sovereign sub-scheme 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)].

In year ended June 30, 2010, Habib Metropolitan Bank Limited retired as the Trustee of the sub-scheme and Central Depository Company of Pakistan Limited (CDC) was appointed as the new Trustee with effect from November 23, 2009. The SECP approved the appointment of CDC as the Trustee in place of Habib Metropolitan Bank Limited and further approved the amendments to the Trust Deed vide its letter number SCD/NBFC-11/MF-RS/MSPF/981/2009 dated November 3, 2009. Accordingly, the Trust Deed of the sub-scheme 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-AMC and AHI the two companies have merged as of June 27, 2011 through operation of an order from the SECP issued under Section 282L of the Companies Ordinance 1984 (Order through letter no. SCD/NBFC-II/MCBAMCL & AHIL/271/2011 dated June 10, 2011). AHI being a listed company is the surviving entity and in compliance of SBP's approval, it is a subsidiary of MCB Bank. However subsequent to the completion of the merger, the SECP issued an order postponing the effective date of the merger to July 30, 2011 (through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AHI/348/2011 dated June 27, 2011). Since the merger had already taken place and the subsequent order of the SECP could not be complied with, the Company has sought a ruling by the honourable SHC. The honourable SHC has held the SECP's subsequent order in abeyance and instructed SECP to treat the companies as merged pending a final ruling. Irrespective of the final ruling, the sub-scheme'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' to the Management Company as of June 30, 2012 and AA (f) as stability rating to the sub-scheme.

The Fund consists of a 'perpetual' (Scheme) and one sub-scheme as at June 30, 2012 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 sub-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, 2012

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

The following standards, amendments and interpretations to approved accounting standards have been published and are mandatory for the sub-scheme's accounting period beginning on or after July 1, 2011:

- a) IFRS 7, 'Financial Instruments: Disclosures'. This amendment is effective from January 1, 2011. The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment does not have any impact on the sub-scheme's financial statements during the current year.
- b) IFRS 7, 'Financial instruments: Disclosures'. This amendment is effective from July 1, 2011. The amendment aims to promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The amendment does not have any impact on the sub-scheme's financial statements during the current year.
- c) IAS 1, 'Presentation of financial statements' (effective January 1, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment does not have any impact on the sub-scheme's financial statements.
- d) IAS 24 (revised), 'Related party disclosures', issued in November 2009. It superseded IAS 24, 'Related Party Disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. 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 revised standard does not have any impact on the sub-scheme's financial statements.

There are other new and amended standards and 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.

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

The following standards and amendments to standards have been published and are mandatory for accounting periods beginning on or after July 1, 2012:

- a) IAS 1, 'Financial statement presentation' (effective July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendment will not have any effect on the sub-scheme's financial statements.
- b) IAS 32, 'Financial instruments: Presentation', (effective January 1, 2014). This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The management of the sub-scheme is in the process of assessing the impact of this amendment on the sub-scheme's financial statements.

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2012 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.

METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of its accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. 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 (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 in accordance with the requirements of International Accounting Standard (IAS) 39 ; 'Financial Instruments Recognition and Measurement.'

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:

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 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 sub-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.

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

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

a) Financial assets 'at fair value through profit or loss' and 'available for sale'

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 sub-scheme in government securities is valued on the basis of rates announced by the Financial Market Association of Pakistan in accordance with the requirements of the NBFC Regulations.

Net gains and losses arising from changes in the fair value of financial assets 'at fair value through profit or loss' are taken to the 'income statement'.

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are taken to the 'statement of comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

b) Loans and receivable

Subsequent to initial recognition financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest method.

Gain or loss is also recognised in the 'income statement' when financial assets carried at amortised cost are derecognised or impaired.

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 before taxation.

Provision for non-performing exposures is made in accordance with the criteria specified in circular No. 1 dated January 6, 2009 and circular No. 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.

METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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.

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.

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

3.12 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 among the unit holders.

The sub-scheme is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

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 the sub-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.

Income on Pakistan Investment Bonds is recognised on an accrual basis.

Income on issue and purchase of units is recognised when the units are issued and redeemed at the transaction date.

Discount on purchase of Market Treasury Bills is amortised to income statement using straight line method.

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.

		Note	June 30, 2012	June 30, 2011
4	BALANCES WITH BANKS		----- Rupees in '000-----	
	In deposit accounts	4.1	1,348	884
	In current accounts		<u>4</u>	<u>4</u>
			<u>1,352</u>	<u>888</u>
4.1	These carry a rate of return ranging from 6% to 10.5 % (2011: 10.5%) per annum.			
		Note	June 30, 2012	June 30, 2011
4.2	CASH AND CASH EQUIVALENTS		----- Rupees in '000-----	
	Balances with banks		1,352	888
	Treasury Bills having maturity of 3 months or more	5.1	<u>61,855</u>	<u>-</u>
			<u>63,207</u>	<u>888</u>
5	INVESTMENTS			
	Investments 'at fair value through profit or loss'			
	Treasury Bills	5.1	108,725	-
	Pakistan Investment Bonds	5.2	<u>152,151</u>	<u>159,255</u>
			<u>260,876</u>	<u>159,255</u>

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

5.1 Investment in government securities - at fair value through profit or loss' - Treasury Bills

Issue date	Tenor	Face value				June 30, 2012			Percentage of net assets	Percentage of total investment
		As at July 1, 2011	Purchases during the year	Sales / Matured during the year	As at June 30, 2012	Carrying Value	Market Value	Appreciation / (Diminution)		
------(Rupees in '000)-----										
Treasury Bills										
14 June 2012	3 months	-	40,000	-	40,000	39,151	39,144	(7)	14.72%	15.00%
17 May 2012	3 months	-	139,000	116,000	23,000	22,713	22,711	(2)	8.54%	8.71%
06 October 2011	12 months	-	120,000	90,000	30,000	29,142	29,097	(45)	10.95%	11.15%
11 August 2011	12 months	-	18,000	-	18,000	17,783	17,773	(10)	6.69%	6.81%
03 November 2011	3 months	-	9,000	9,000	-	-	-	-	-	-
06 October 2011	3 months	-	15,000	15,000	-	-	-	-	-	-
23 February 2012	3 months	-	109,000	109,000	-	-	-	-	-	-
11 August 2011	6 months	-	57,000	57,000	-	-	-	-	-	-
16 June 2011	6 months	-	20,000	20,000	-	-	-	-	-	-
11 May 2011	6 months	-	83,000	83,000	-	-	-	-	-	-
22 September 2011	6 months	-	10,000	10,000	-	-	-	-	-	-
25 August 2011	6 months	-	110,000	110,000	-	-	-	-	-	-
26 January 2012	6 months	-	54,000	54,000	-	-	-	-	-	-
28 July 2011	6 months	-	35,000	35,000	-	-	-	-	-	-
30 June 2011	6 months	-	85,000	85,000	-	-	-	-	-	-
07 April 2011	12 months	-	2,000	2,000	-	-	-	-	-	-
17 November 2011	12 months	-	100,000	100,000	-	-	-	-	-	-
25 August 2011	12 months	-	5,800	5,800	-	-	-	-	-	-
						<u>108,789</u>	<u>108,725</u>	<u>(64)</u>	<u>40.90%</u>	<u>41.68%</u>
Total as at June 30, 2012						<u>108,789</u>	<u>108,725</u>	<u>(64)</u>		
Total as at June 30, 2011						-	-	-		

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

Issue date	Tenor	Face value				June 30, 2012			Percentage of net assets	Percentage of total investment
		As at July 1, 2011	Purchases during the year	Sales / Matured during the year	As at June 30, 2012	Carrying Value	Market Value	Appreciation / (Diminution)		
------(Rupees in '000)-----										
Pakistan Investment Bond										
3 September 2009	3 Years	126,500	-	-	126,500	125,067	126,258	1,191	47.50%	48.40%
22 August 2007	5 years	31,000	-	12,000	19,000	18,651	18,918	267	7.12%	7.25%
24 October 2002	10 years	7,000	-	-	7,000	6,889	6,975	86	2.62%	2.67%
						<u>150,607</u>	<u>152,151</u>	<u>1,544</u>	<u>57.24%</u>	<u>58.32%</u>
Total as at June 30, 2012						<u>150,607</u>	<u>152,151</u>	<u>1,544</u>		
Total as at June 30, 2011						<u>160,599</u>	<u>159,255</u>	<u>(1,344)</u>		

	Note	June 30, 2012	June 30, 2011
----- Rupees in '000-----			
5.3 Net unrealised Appreciation / (Diminution) in value of investments classified as - 'at fair value through profit or loss'			
Market value of investments	5.1 & 5.2	260,876	159,255
Carrying value of investments	5.1 & 5.2	(259,396)	(160,599)
		<u>1,480</u>	<u>(1,344)</u>
5.4 Movement in unrealised surplus in value of investments classified as 'available for sale' - net during the year			
Market value of investments		-	-
Cost of investments		-	-
		-	-
Net unrealised diminution in the value of securities at beginning of the year		-	25
		-	<u>25</u>
6 INCOME AND OTHER RECEIVABLES			
Profit on bank deposits		22	43
Income receivable on government securities		5,415	5,841
		<u>5,437</u>	<u>5,884</u>

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

	Note	June 30, 2012	June 30, 2011
----- Rupees in '000-----			
7	PAYABLE TO ARIF HABIB INVESTMENTS LIMITED - MANAGEMENT COMPANY		
	Management Company's remuneration	244	174
	Sindh Sales Tax on Management Company's remuneration	39	-
		<u>283</u>	<u>174</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 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.

7.2 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.

7.3 During the current year, the Provincial Government of Sindh levied Sindh Sales Tax at the rate of 16% on the remuneration of the Management Company through the Sindh Sales Tax on Services Act 2011 effective from July 1, 2011.

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, 2012 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.

	Note	June 30, 2012	June 30, 2011
----- Rupees in '000-----			
10	ACCRUED EXPENSES AND OTHER LIABILITIES		
	Auditors' remuneration	31	24
	Legal fee payable	5	-
	Brokerage payable	4	-
	Provision for Workers' Welfare Fund	1,279	-
	Printing and publication charges payable	2	7
	Others	19	17
		<u>1,340</u>	<u>48</u>

11 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2012.

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 this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

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

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

Subsequent to the year ended 30 June 2011, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC. Considering the unit holding structure of the Funds concentrated on few large ticket investors coupled with the recent changes in tax laws, the Management company as a matter of abundant caution has decided to charge the provision for WWF amounting to Rs 1.279 million (including Rs 0.670 million for the year 2007-2011) in these financial statements in order to protect the interest of small investor/unit holder.

	2012	2011
	----- Rupees in '000-----	
13 AUDITORS' REMUNERATION		
Annual audit fee	14	17
Half yearly review fee	10	11
Other certifications and services	12	5
Out of pocket expenses	-	2
	<u>36</u>	<u>35</u>

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.

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

	2012	2011
	----- Rupees in '000-----	
Transactions and balances with connected persons		
Arif Habib Investments Limited - Management Company		
Balance at beginning of the year	174	94
Remuneration for the year inclusive of Sindh Sales Tax	<u>3,403</u>	<u>1,384</u>
	3,577	1,478
Amounts paid during the year	<u>(3,294)</u>	<u>(1,304)</u>
Balance at the end of the year	<u>283</u>	<u>174</u>
Issue of 3,036 bonus units (2011: 3,791 units)	<u>146</u>	<u>179</u>
Redemption of nil units (2011: 29 units)	<u>-</u>	<u>1</u>
Units held 19,536 units (2011:16,500 units)	<u>952</u>	<u>841</u>
Central Depository Company of Pakistan Limited - Trustee		
Balance at beginning of the year	16	10
Remuneration for the year	<u>227</u>	<u>136</u>
	243	146
Amounts paid during the year	<u>(225)</u>	<u>(130)</u>
Balance at the end of the year	<u>18</u>	<u>16</u>

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

Habib Metropolitan Bank Limited	2012	2011
	----- Rupees in '000-----	
Deposits		
Balance at end of the year	1,271	846
Profit Receivable	22	42
Profit on bank deposits	841	195
MSF Perpetual		
Units issued nil units (2011: 43,983 units)	-	2,101
Bonus units Issued 401,418 units (2011: 461,281 units)	19,333	21,791
Units held 2,582,903 units (2011: 2,181,486 units)	124,548	111,212
Key Management Personnel		
Units issued nil units (2011: 4,035 units)	-	200
Units redeemed nil units (2011: 2,017 units)	-	100
Bonus units Issued 371 units (2011: Nil)	18	-
Investment held 2,389 units (2011: 2,018 units)	115	103

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 provision for taxation as the Management Company has distributed more than ninety percent of the Fund's accounting income for the current year to its unit holders.

16 PARTICULARS OF INVESTMENT COMMITTEE

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

	Designation	Qualification	Experience in years
1) Mr. Yasir Qadri	Chief Executive	MBA	17 Years
2) Mr. Kashif Rafi	Senior Vice President - Investments	MBA & CFA (Level I)	11 Years
3) Mr. Muhammad Asim	Vice President - Head of Equities	MBA & CFA	9 Years
4) Mr. Syed Akbar Ali	Vice President - Head of Research	MBA & CFA	7 Years
5) Mr. Mohsin Pervez	Vice President - Investments	MBA & CFA (Level I)	11 Years

16.1 Other Funds managed by the Fund Manager Mr. Kashif Rafi

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

17 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

	2012 (Percentage)
1) JS Global Capital Limited	56.00%
2) BMA Capital Management Limited	21.84%
3) KASB Securities Limited	7.44%
4) Global Securities Pakistan Limited	5.48%
5) Invest & Finance Securities Limited	4.11%
6) Invest Capital and Securities (Private) Limited	3.08%
7) Al Falah Securities	2.06%
	2011 (Percentage)
1) Summit Capital (Private) Limited	50%
2) Continental Exchange (Private) Limited]	50%

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

18 DETAILS OF PATTERN OF UNIT HOLDING

	2012		
	Number of Investors	Amount of investment	% of Total
	Rupees in '000		
Individuals	39	105,695	39.76%
Associated companies	2	125,500	47.21%
Directors	-	-	-
Insurance companies	-	-	-
Bank / DFIs	-	-	-
NBFCs	-	-	-
Retirement funds	1	87	0.03%
Public Limited companies	-	-	-
Others	4	34,552	13.00%
Total	46	265,834	100.00%

	2011		
	Number of Investors	Amount of investment	% of Total
	Rupees in '000		
Individuals	24	45,426	27.41%
Associated companies	1	841	0.51%
Directors	-	-	-
Insurance companies	-	-	-
Bank / DFIs	-	-	-
NBFCs	-	-	-
Retirement funds	1	77	0.05%
Public Limited companies	-	-	-
Others	2	119,357	72.03%
Total	28	165,701	100.00%

19 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 89th, 90th, 91st, 92nd, 93rd, 94th, 95th, 96th and 97th BoD meetings of the Fund were held on July 4, 2011, August 8, 2011, September 10, 2011, September 29, 2011, October 26, 2011, January 27, 2012 and March 29, 2012, April 27, 2012 and June 25, 2012 respectively. Information in respect of attendance by Directors in the meetings is given below:

For the year ended June 30 2012

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
Mian Muhammad Mansha	9	4	5	89th, 90th, 93rd, 96th and 97th meetings
Mr. Nasim Beg	9	9	-	-
Syed Salman Ali Shah	9	8	1	92nd meeting
Mr. Haroun Rashid	9	6	3	91st, 92nd and 95th meetings
Mr. Ahmed Jahangir	9	7	2	91st and 92nd meetings.
Mr. Samad A. Habib	9	6	3	89th, 91st and 96th meetings
Mr. Mirza Mahmood Ahmad	9	7	2	89th and 97th meetings
Mr. Yasir Qadri (Chief Executive Officer)	9	9	-	-

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.

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

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

As at June 30, 2012, 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, 2012, the net income for the year and net assets would be lower by Rs 271,018 (2011: Rs 1,683,284) . In case of 100 basis points decrease in rates announced by Financial Market Association on June 30, 2012, the net income for the year and net assets would be higher by Rs. 276,662 (2011: Rs 1,709,521).

As at June 30, 2012, the sub-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, 2012, the net income for the year and net assets would be lower by Rs. 23,863 (2011: Nil). In case of 100 basis points decrease in rates announced by Financial Market Association on June 30, 2012, the net income for the year and net assets would be higher by Rs. 324,749 (2011: Nil).

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, 2012 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.

-----June 30, 2012-----				
Exposed to Yield / Interest risk			Not exposed to Yield / Interest rate risk	Total
Upto three months	More than three months and Upto one year	More than one year		
----- (Rupees in '000) -----				

On-balance sheet financial instruments

Financial assets

Balances with banks	1,348	-	-	4	1,352
Investment in government securities	224,804	36,072	-	-	260,876
Income and other receivables	-	-	-	5,437	5,437
Sub Total	226,152	36,072	-	5,441	267,665

Financial liabilities

Payable to Management Company	-	-	-	283	283
Payable to CDC - Trustee	-	-	-	18	18
Accrued expenses and other liabilities	-	-	-	61	61
Sub Total	-	-	-	362	362

On-balance sheet gap	226,152	36,072	-	5,079	267,303
-----------------------------	----------------	---------------	----------	--------------	----------------

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

-----June 30, 2011-----					
Exposed to Yield / Interest risk			Not exposed to Yield / Interest rate risk	Total	
Upto three months	More than three months and Upto one year	More than one year			
----- (Rupees in '000) -----					
On-balance sheet financial instruments					
Financial assets					
Balances with banks - in deposit account	884	-	-	4	888
Investment in government securities	159,255	-	-	-	159,255
Income and other receivables	-	-	-	5,884	5,884
Sub Total	<u>160,139</u>	<u>-</u>	<u>-</u>	<u>5,888</u>	<u>166,027</u>
Financial liabilities					
Payable to Management Company	-	-	-	174	174
Payable to Trustee	-	-	-	16	16
Accrued expenses and other liabilities	-	-	-	44	44
Sub Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>234</u>	<u>234</u>
On-balance sheet gap	<u>160,139</u>	<u>-</u>	<u>-</u>	<u>5,654</u>	<u>165,793</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	2012
A1+	100%
	2011
A1+	100%

20.2.1 Investment in government securities

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

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.

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

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.

-----June 30, 2012-----				
	Upto three months	More than three months and upto one year	More than one year	Total
-----LIABILITIES-----				
------(Rupees in '000)-----				
Remuneration payable to Management Company	283	-	-	283
Remuneration payable to Trustee	18	-	-	18
Accrued expenses and other liabilities	61	-	-	61
	<u>362</u>	<u>-</u>	<u>-</u>	<u>362</u>

-----June 30, 2011-----				
	Upto three months	More than three months and upto one year	More than one year	Total
-----LIABILITIES-----				
------(Rupees in '000)-----				
Remuneration payable to Management Company	174	-	-	174
Remuneration payable to Trustee	16	-	-	16
Accrued expenses and other liabilities	44	-	-	44
	<u>234</u>	<u>-</u>	<u>-</u>	<u>234</u>

20.4 Financial instruments by category

-----June 30, 2012-----				
	Loans and receivables	Assets at fair value through profit or loss	Available for Sale	Total
-----Assets-----				
------(Rupees in '000)-----				
Balances with banks - in deposit account	1,352	-	-	1,352
Investment in Government Securities	-	260,876	-	260,876
Income and other receivables	5,437	-	-	5,437
	<u>6,789</u>	<u>260,876</u>	<u>-</u>	<u>267,665</u>

-----June 30, 2012-----			
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
------(Rupees in '000)-----			
Financial liabilities			
Payable to Management Company	-	283	283
Payable to Trustee	-	18	18
Accrued expenses and other liabilities	-	61	61
	<u>-</u>	<u>362</u>	<u>362</u>

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

	-----June 30, 2011-----			
	Loans and receivables	Assets at fair value through profit or loss	Available for Sale	Total
	------(Rupees in '000)-----			
Assets				
Balances with banks - in deposit account	888	-	-	888
Investment in Government Securities	-	159,255	-	159,255
Income and other receivables	5,884	-	-	5,884
	<u>6,772</u>	<u>159,255</u>	<u>-</u>	<u>166,027</u>

	-----June 30, 2011-----			
	Liabilities at fair value through profit or loss	Other financial liabilities		Total
	------(Rupees in '000)-----			
Financial liabilities				
Payable to Management Company	-	174		174
Payable to Trustee	-	16		16
Accrued expenses and other liabilities	-	44		44
	<u>-</u>	<u>234</u>		<u>234</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 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.

	-----As at June 30, 2012-----			
	Level 1	Level 2	Level 3	Total
	------(Rupees in '000)-----			
ASSETS				
Investment in government securities - at fair value through profit or loss	-	260,876	-	260,876
	<u>-</u>	<u>260,876</u>	<u>-</u>	<u>260,876</u>

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

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 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on August 15, 2012 by the Board of Directors of the Management Company.

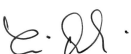
24 CORRESPONDING FIGURES

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

25 GENERAL

25.1 Figures have been rounded off to the nearest thousand rupee.

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



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



Director

METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012)
PATTERN OF HOLDING AS PER REQUIREMENT OF
CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2012

Category	No.of Unit Holders	Units
Associated Company, Undertakings, and Related Parties		
Arif Habib Investment Limited	1	19,536
CDC-Trustee Metrobank Pakistan Sovereign Fund	1	2,582,902
Trust	4	301,083
Individuals	39	2,191,756
Shareholders holding 5 percent or more voting interest in the listed company		
Hommie and Jamshed Nusserwanjee Charitable Trust	1	417,228
	<u>46</u>	<u>5,512,506</u>

METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012)
PETTERN OF UNIT HOLDING BY SIZE
FOR THE YEAR ENDED JUNE 30, 2012

No. of Unit Holders	Units Holdings	Total Units Held
7	(SHAREHOLDING FROM 1.0000 TO 5000.0000)	9,836.16
5	(SHAREHOLDING FROM 5001.0000 TO 10000.0000)	34,316.60
1	(SHAREHOLDING FROM 15001.0000 TO 20000.0000)	19,535.59
5	(SHAREHOLDING FROM 20001.0000 TO 25000.0000)	112,824.49
2	(SHAREHOLDING FROM 30001.0000 TO 35000.0000)	63,619.65
4	(SHAREHOLDING FROM 40001.0000 TO 45000.0000)	175,274.09
3	(SHAREHOLDING FROM 45001.0000 TO 50000.0000)	140,926.90
1	(SHAREHOLDING FROM 60001.0000 TO 65000.0000)	64,884.64
4	(SHAREHOLDING FROM 65001.0000 TO 70000.0000)	263,146.14
2	(SHAREHOLDING FROM 85001.0000 TO 90000.0000)	172,922.27
1	(SHAREHOLDING FROM 90001.0000 TO 95000.0000)	93,671.75
1	(SHAREHOLDING FROM 95001.0000 TO 100000.0000)	98,092.84
3	(SHAREHOLDING FROM 105001.0000 TO 110000.0000)	327,771.43
1	(SHAREHOLDING FROM 110001.0000 TO 115000.0000)	112,318.11
1	(SHAREHOLDING FROM 160001.0000 TO 165000.0000)	163,422.12
1	(SHAREHOLDING FROM 185001.0000 TO 190000.0000)	189,139.12
1	(SHAREHOLDING FROM 210001.0000 TO 215000.0000)	212,272.87
1	(SHAREHOLDING FROM 255001.0000 TO 260000.0000)	258,400.44
1	(SHAREHOLDING FROM 415001.0000 TO 420000.0000)	417,227.96
1	(SHAREHOLDING FROM 2580001.0000 TO 2585000.0000)	2,582,903.03
46	Total :	5,512,506.23

METROBANK - PAKISTAN SOVEREIGN FUND - (DECEMBER 2012)
PERFORMANCE TABLE
FOR THE YEAR ENDED JUNE 30, 2012

PERFORMANCE TABLE	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003*
	------(Rupees in '000)-----									
Net assets	265,834	165,700	101,819	763	687	673	635	598	444,933	154,763
Net income / (loss) after taxation	28,442	9,670	23,724	40	37	35	59	(600)	1,242	(604)
	------(Rupees)-----									
Net assets value per unit	48.22	50.98	60.24	57.54	54.41	55.95	56.20	52.96	44.97	50.55
Dividend distribution per unit - 1st Interim	1.70	0.84	-	-	-	-	-	-	1.2942	-
Dividend distribution per unit - 2nd Interim	2.09	-	-	-	-	-	-	-	-	-
Dividend distribution per unit - 3rd Interim	0.76	-	-	-	-	-	-	-	-	-
Dividend distribution per unit - Final	0.91	2.82	13.00	2.7500	2.6300	2.6300	4.6847	-	-	0.21
Total distribution per unit	5.46	3.66	-	-	-	-	-	-	-	-
Selling price per unit at end of the year	48.27	51.03	60.30	57.60	54.42	56.02	56.33	52.91	45.19	50.37
Reperchase price per unit at end of the year	48.22	60.24	60.24	54.54	54.37	55.96	56.27	52.86	45.10	50.27
Highest offer price per unit	50.30	60.31	60.31	57.60	55.84	56.02	56.60	69.70	52.02	55.00
Lowest offer price per unit	48.23	55.19	55.19	51.23	53.42	51.57	51.98	42.76	45.08	48.66
Highest repurchase price per unit	50.25	60.25	60.25	57.54	55.78	55.96	56.54	69.56	51.92	54.89
Lowest repurchase price per unit	48.18	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	25-Jun-12	4-Jul-11	5-Jul-10	6-Jul-08	3-Jul-08	4-Jul-07	4-Jul-06	-	24-Sep-03	4-Jul-03
Dividend distribution per unit - 1st Interim	28-Sept-11	11-Dec-10	-	-	-	-	-	-	-	-
Dividend distribution per unit - 2nd Interim	27-Jan-12	-	-	-	-	-	-	-	-	-
Dividend distribution per unit - 2nd Interim	29-Mar-12	-	-	-	-	-	-	-	-	-
	------(Percentage)-----									
Total return of the fund	11.96	9.81	9.95	13.94	2.04	8.61	6.12	17.77	(8.18)	1.10
Annual dividend distribution	11.54	7.75	23.58	0.14	4.93	5.11	8.85	-	2.55	0.42
Capital growth	0.42	2.06	(13.63)	13.8	(2.89)	3.50	(2.73)	17.77	(10.73)	0.68
Average annual return :										
One Year	11.96	9.81	9.95	13.94	2.04	8.61	6.12	17.77	8.18	3.30
Second Year	10.88	9.88	10.53	9.83	5.28	7.37	11.81	3.98	-	-
Third Year	10.57	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.