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FUND'S INFORMATION

Management Company

Arif Habib Investments Limited
(Formerly: Arif Habib Investment Management Limited)
2 / 1, R. Y. 16, Old Queens Road, Karachi-74000.

Board of Directors of the Management Company

Mr. Salim Chamdia	Chairman
Mr. Nasim Beg	Chief Executive
Mr. Sirajuddin Cassim	Director
Mr. Muhammad Akmal Jameel	Director
Mr. Muhammad Kashif	Director
Mr. Muhammad Shafi Malik	Director
Syed Ajaz Ahmed	Director

Company Secretary & CFO of the Management Company

Mr. Zeeshan

Audit Committee

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

Trustee

Habib Metropolitan Bank Limited
HBZ Plaza Branch, Treasury Division,
7th Floor, HBZ Plaza,
I.I. Chundrigar Road, Karachi.

Bankers of the Fund

- Allied Bank Limited
- Bank Alfalah Limited
- Habib Metropolitan Bank Limited

Auditors

A.F. Ferguson & Co.
Chartered Accountants
State Life Building No. 1-C,
I.I Chundrigar Road
P.O. Box 4716, Karachi - 74000

Legal Adviser

• Tahir Ali Tayebi & Co.
310, Marine Point, Schon Circle
Block-9, Clifton, Karachi.

• M/s. Kabraji & Talibuddin
64-A/1, Gulshan-e-Faisal,
Bath Island, Karachi-75530

Registrar

M/s. Gangjees Registrar Services (Pvt.) Limited
Room No. 516, 5th Floor, Clifton Centre,
Kehkashan, Clifton, Karachi.

Distributor

Habib Metropolitan Bank Limited

Rating

- PACRA : 1 Star (Normal)
- PACRA : 2 Star (Long Term)
- PACRA : AM2 - Management Company

**REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY
FOR THE YEAR ENDED 30TH JUNE 2009**

The Board of Directors of Arif Habib Investments Limited (formerly: Arif Habib Investment Management Limited) the Management Company of MetroBank - Pakistan Sovereign Fund (MSF), is pleased to present the seventh annual report together with audited Financial Statements for the Financial Year ended 30th June 2009.

Fund Objective

The objective of the Fund is to deliver income and preservation of capital from government securities investments.

Fund Profile

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. Under the Non Banking Finance Companies and Notified Entities Regulations, 2008 it is only allowed to borrow up to 15% of net assets for up to 90 days to meet redemption needs.

Fund's Performance During Financial Year Ended 30th June 2009

The combined net assets of the Fund as at 30th June 2009 stood at Rs 1,954.11 million.

MSF Perpetual

The ex-dividend Net Assets Value (NAV) per unit at the start of the year was Rs 43.11. With an increase of Rs 6.01 in the NAV per unit during the year, the NAV per unit as on 30th June 2009 was Rs 49.12 The scheme earned a total return of 13.96% per annum during the year.

MSF 12-12

The ex-dividend NAV per unit at the start of the year was Rs 51.78. With an increase of Rs 5.76 in the NAV per unit during the year, the NAV per unit as on 30th June 2008 was Rs 57.54 The scheme earned a total return of 11.12% per annum during the year.

Earnings Per Unit (EPU)

EPU have not been disclosed as determination of weighted average units for calculating EPU is not practicable for open-end funds.

Income Distribution

The Board in the meeting held on 6th July 2009 has declared final distribution in the form of bonus units for the year ended 30th June 2009 at Re 0.07 per unit for MSF Perpetual and Rs 2.75 for MSF 12-12.

Corporate Governance

The Fund being listed on the Islamabad Stock Exchange, the Management Company is committed to observe Code of Corporate Governance prescribed for listed companies. The Financial Statements prepared by the Management Company present fairly the state of affairs of the Fund and results of its operations, cash flows and movement in unit holders' fund. Proper books of account of the Fund have been maintained and appropriate accounting policies have been consistently applied in preparation of Financial Statements and accounting estimates are based on reasonable and prudent judgment. International Financial Reporting Standards as applicable in Pakistan have been followed in the preparation of Financial Statements. The system of internal control is sound in design and has been effectively implemented and monitored. There is no doubt upon the Fund's ability to continue as going concern. There has been no material departure from the best practices of Corporate Governance, as detailed in listing regulations. Key financial data is summarized in the Financial Statements. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements. The statement as to the value of investments of provident fund is not applicable in the case of the Fund as such expenses are borne by the Management Company. The detailed pattern of Unit Holding, as required by the NBFC Regulation and Code of Corporate Governance is given in the annual report.

Statement showing attendance of Board meeting is as under

**ATTENDANCE OF BOARD MEETINGS
FROM 01ST JULY 2008 TO 30TH JUNE 2009**

S. No.	Name	Designation	Meetings		
			Total	Attended	Leave Granted
1.	Mr. Salim Chamdia	Chairman	11	9	2
2.	Mr. Nasim Beg	Chief Executive	11	10	1
3.	Mr. Sirajuddin Cassim	Director	11	3	8
4.	Mr. Muhammad Akmal Jameel	Director	11	9	2
5.	Mr. Muhammad Kashif	Director	11	7	4
6.	Mr. Muhammad Shafi Malik	Director	11	10	1
7.	Syed Ajaz Ahmed	Director	4	4	-
8.	Mr. Yacoob Memon	Former Director	2	2	-
9.	Mr. Mirza Qamar Baig	Former Director	1	1	-

During the year Mr. Yacoob Memon was appointed as a Director in place of Mr. Mirza Qamar Beg, whose appointment was not cleared by the SECP. Syed Ajaz Ahmed was then appointed to fill the casual vacancy after the gap of 3 months.

There have not been any trades in the units of the Fund carried out by its Directors, CE, CFO, and Company Secretary of the Management Company and their spouses and minor children.

External Auditor

As recommended by the Audit Committee the Board of Directors of the Management Company has reappointed A. F. Fergusons & Co., Chartered Accountants as the Fund's auditors for the year ending 30th June 2010.

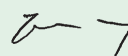
Future Outlook

In view of a lowering headline inflation rate and stable foreign exchange reserves, interest rates are expected to ease between 200 to 300 basis points during the course of the year. Lowering of interest rates amid improving liquidity in the system bode well for the bond and fixed income market during the current year.

Acknowledgment

The Board is thankful to the Fund's valued investors, the Securities and Exchange Commission of Pakistan, the Islamabad Stock Exchange, the State Bank of Pakistan and the Trustees of the Fund for their continued cooperation and support. The Directors of the Management Company also acknowledge the efforts put in by the team of the Management Company.

For and on behalf of the Board



Nasim Beg
Chief Executive

Karachi
28th July 2009

**REPORT OF THE FUND MANAGER
FOR THE YEAR ENDED 30TH JUNE 2009**

Objective

The objective of the Fund is to deliver income and preservation of capital from government securities investments.

Fund Profile

Metrobank - Pakistan Sovereign Fund (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. Under the NBFC Regulations, it is only allowed to borrow a maximum of 15% of net assets for up to 90 days to meet redemption needs.

Fund Performance

MSF earned an annualized return of 13.94% during the year ended 30th June 2009. During second half of financial year 2009, MSF earned an annualized return of 24.06% as compared to 4.80% during first half of the financial year ended 31st December 2008. The return of the Fund increased in the last couple of months due to rising prices of Government securities amid falling interest rates. Consistent performance of MSF continued to attract inflows with net assets of the Fund increasing by 436% to Rs 1.95 billion. Average portfolio duration of the Fund was 1.08 years at the end of June 2009.

MSF declared a dividend of Re 0.07 per unit (0.16% on the opening Ex-NAV) on 30th June 2009.

Asset allocation

During Financial Year 2009, volatility in interest rates and availability of high yields in short term were the driving factors in diversifying the allocation from long term PIBs towards short term T-bills. Investment in T-bills was increased to 60.2% of net assets at year end, while exposure in PIBs was reduced to 20.7% from 77.2% (30th June 2008). Bank deposits were 18.6% of net assets.

Market Review

During the first half of Financial Year 2009, interest rates moved up due to rising inflation and fiscal deficit. SBP increased its policy discount rate on 30th July 2008 by 100 basis points to 13.0%, which on 13th November 2008 further increased by 200 basis points to 15.0%. In T-bill auctions, interest was mostly seen in 3-months tenor and the cut-offs were increased up to 250 basis points in all the tenors. Similarly in PIB auction held on 29th August 2008, the cut-off of bench mark 10-year bond was increased by 113 basis points to 14.55%.

The second half of Financial Year 2009 witnessed a reversal in interest rates due to stable foreign exchange reserves coupled with declining inflation. SBP decreased its policy discount rate on 21st April 2009 by 100 basis points to 14.0%. In T-bill auctions, expectations of a further reduction in discount rate compelled banks to participate in longer tenors, cut-off of 1-year T-bill was decreased by 202 basis points to 12.24%. In PIB auction held on 27th May 2009, the cut-off of bench mark 10-year bond was decreased by 192 basis points to 12.63%.

During Financial Year 2009, 6-month KIBOR decreased by 143 basis points to 12.76%, after touching a low of 12.43% on 14th March 2009 and a high of 15.76% on 11th November 2008.

Government Bonds

During last quarter SBP conducted two PIB auctions (15th April 2009 and 27th May 2009) with the pre-auction targets of Rs 20 billion each. Expectations of a cut in discount rate attracted major participation in 10-year bond in both auctions. In the first auction, 10-year bond received a participation of Rs 27.4 billion, against which Rs 13.2 billion were accepted. The cut-off of 10-year bond was decreased by 170 basis points to 13.24%, whereas in the second auction during last quarter, 10-year bond witnessed a participation of Rs 32.2 billion, against which Rs 11.8 billion were accepted and the cut-off was further decreased by 61 basis points to 12.63%.

Treasury Bills

During last quarter SBP conducted six regular T-bill auctions. The pre-auction target for last quarter was Rs 350.0 billion against a T-bill maturity of Rs 250.5 billion in the same period. A cumulative amount of Rs 379.9 billion was accepted against total participation of Rs 713.1 billion during last quarter. In anticipation of further cut in

discount rate major participation was in 1-year T-bills. First auction of the last quarter (9th April 2009) witnessed an increase of 154 basis points in the cut-off of 1-year T-bills to 13.49%, while in the last auction (18th June 2009), cut-off of 1-year T-bills decreased by 125 basis points to 12.24%.

Future Outlook

In view of a lowering headline inflation rate and stable foreign exchange reserves, interest rates are expected to ease between 200-300 basis points during the course of the year. Lowering of interest rates amid improving liquidity in the system bode well for the bond and fixed income market during the current year.

Other Disclosures under NBFC Regulations 2008

The Fund Manager hereby makes the following disclosures as required under the NBFC Regulations 2008.

- a. The Management Company or any of its delegates did not receive any soft commission (goods & services) from any of its broker/dealer by virtue of transactions conducted by the Fund.
- b. There was no unit split undertaken during the year.
- c. The Fund Manager is not aware of any circumstances that can materially affect any interests of the unit holders other than those already disclosed in this report.



Habib Metropolitan Bank Ltd.

(Subsidiary of Habib Bank AG Zurich)

HEAD OFFICE : SPENCER'S BUILDING I.I. CHUNDRIGAR ROAD KARACHI – 74200 , PAKISTAN.

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

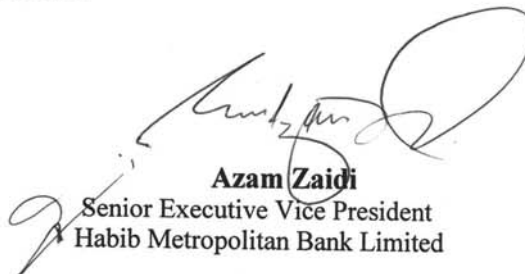
MetroBank-Pakistan Sovereign Fund, an open-end fund was established under a trust deed executed between Arif Habib Investments Limited (formerly Arif Habib Investment Management Limited), as the Management Company and Habib Metropolitan Bank Limited as Trustee on 24th December 2002. The Fund was authorized by the Securities and Exchange Commission of Pakistan (SECP) on 7th January 2003.

In our opinion, the Management Company has in all material respects managed the Fund during the year ended 30 June 2009 in accordance with the provisions of the following:

- (i) Investment limitations imposed on the Management Company and the Trustee under the Trust Deed and Non-Banking Finance Companies and Notified Entities Regulations, 2008;
- (ii) Valuation/pricing is carried out in accordance with the Trust Deed and Non-Banking Finance Companies and Notified Entities Regulations, 2008; and
- (iii) Creation and cancellation of units are carried out in accordance with the Trust Deed and Non-Banking Finance Companies and Notified Entities Regulations, 2008.
- (iv) 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.

We are not aware of any material shortcoming that may have impact on the decision of existing or the potential unit holders remaining or investing in the Fund.

Karachi
4th September 2009


Azam Zaidi
Senior Executive Vice President
Habib Metropolitan Bank Limited

PHONE: (92-21) 227 1935-49

FAX: (92-21) 227 1950

www.hmb.com.pk

**STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED 30TH JUNE 2009**

This statement is being presented by the Board of Directors of Arif Habib Investments Limited (formerly: Arif Habib Investment Management 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.

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

1. The Management Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes six non-executive directors however, none of the directors on the Board represent minority shareholders.
2. The directors of Management Company have confirmed that none of them is serving as a director in more than ten listed companies, including the Management Company.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year Mr. Mirza Qamar Beg had resigned and was replaced by Mr. Yacoob Memon. Subsequently, Syed Ajaz Ahmad replaced Mr. Yacoob Memon, due to the reasons disclosed in the Directors’ Report.
5. The Management Company has prepared a ‘Statement of Ethics and Business Practices’, which has been approved by the Board of Directors and signed by all the directors and employees of the Management Company.
6. The Board has approved the overall corporate strategy significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive (CE) has been taken by the Board. As on 30th June, 2009, there is no other executive director of the Management Company besides the CE.
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 and signed by the Chairman of the Board of Directors.
9. The Board arranged an orientation course for the directors of the Management Company during the year to apprise them of their duties and responsibilities.
10. The Board has approved appointment, remuneration and term and conditions of the employment of Chief Financial Officer and Company Secretary and Head of Internal Audit, as determined by the Chief Executive. During the year Chief Financial Officer and Company Secretary was replaced by the Board.
11. The roles and responsibilities of the Chairman and CE have been approved by the Board of Directors.
12. The Directors’ Report of the Fund for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

13. The Directors, CE and executives of the Management Company do not hold any interest in the units of the Fund other than that disclosed in the pattern of unit holding.
14. The financial statements of the Fund were duly endorsed by CE and CFO of the Management Company before approval of the Board.
15. The Management Company has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed an audit committee for the Fund. It comprises five members, all of whom are non-executive directors including the Chairman of the committee.
17. The meetings of the audit committee were held at least once every quarter prior to approval of the interim and final results of the Fund and as required by the Code. The terms of reference of the committee have been approved by the Board and advised to the committee for compliance.
18. The Board has set-up an effective internal audit function headed by the Head of Internal Audit and Compliance. The staff is considered to be suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Fund and is involved in the internal audit function on a full time basis.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board



Nasim Beg
Chief Executive

Karachi:
28th July 2009

A.F.FERGUSON & CO.

A member firm of

PRICEWATERHOUSECOOPERS 

A.F.Ferguson & Co
Chartered Accountants
State Life Building No. 1-C
11.Chundrigar Road, P.O.Box 4716
Karachi-74000, Pakistan
Telephone: (021) 2426682-6 / 2426711-5
Facsimile: (021) 2415007 / 2427938


REVIEW REPORT TO THE UNITHOLDERS 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 (Formerly; Arif Habib Investment Management Limited), Management Company of Metrobank Pakistan Sovereign Fund to comply with 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 of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

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

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 Fund's compliance, 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, 2009.


Chartered Accountants
Karachi

Dated: July 28, 2009

A.F.FERGUSON & CO.

A member firm of

PRICEWATERHOUSECOOPERS 

A.F.Ferguson & Co
Chartered Accountants
State Life Building No. 1-C
I.I.Chundrigar Road, P.O.Box 4716
Karachi-74000, Pakistan
Telephone: (021) 2426682-6 / 2426711-5
Facsimile: (021) 2415007 / 2427938

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

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, 2009, and the related income statement, distribution statement, cash flow statement and statement of movement in unit holders' funds 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 auditing standards 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 judgement, 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, financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2009 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Other matters

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

The financial statements of the Fund for the year ended June 30, 2008 were audited by another firm of Chartered Accountants who had included the following qualification in respect of the investment of the Fund in government securities in their report dated July 25, 2008:

A226

A.F.FERGUSON & CO.

A member firm of

PRICEWATERHOUSECOOPERS 

" Uptil 25 November 2007, investments made by the Fund in government securities were marked to market using an average market rate (mid market rate) calculated on the basis of quotations obtained from brokers. However, as per the Non - Banking Finance Companies (Establishment and Regulation) Rules, 2003, securities which were not quoted on the stock exchange were required to be carried at the lower of investment price and break up value. The Non-Banking Finance Companies (Establishment and Regulation) Rules 2003, were amended on 21 November 2007 and the requirements to compute the net assets of a collective investment scheme are now laid down in Regulation 2 (1) (xvi) (k) of the Non-Banking Finance Companies and Notified Entities Regulations, 2007. This regulation requires that investment in government securities not quoted on a stock exchange and traded in the interbank market shall be valued at the average rate quoted on a widely used electronic quotation system. Accordingly, with effect from 26 November 2007, the Fund has now complied with the requirements of the new Regulations.

Had these securities been valued upto 25 November 2007 at lower of investment price and break up value, the Net Assets Value of the Fund during the period would have been different and consequently the number of units sold / repurchased during the period as well as the element of income / (loss) and capital gains / (losses) included in the prices of units sold less those in units repurchased recorded by the Fund would also have been different. These effects have not been quantified as it was not practical to do so. "



Chartered Accountants

Engagement Partner: Rashid A. Jafer

Dated: 28 JUL 2009

Karachi



**STATEMENT OF ASSETS AND LIABILITIES
AS AT 30TH JUNE 2009**

	Note	2009	2008
		----- (Rupees) -----	
ASSETS			
Balances with banks - in deposit account	4	462,846,617	2,460,955
Receivable against reverse repurchase transactions in Government Securities	5	-	79,000,000
Investments in Government Securities	6	1,580,953,726	281,958,338
Income receivable	7	12,914,481	3,341,285
Advances and prepayments	8	124,932	213,296
Total Assets		<u>2,056,839,756</u>	<u>366,973,874</u>
LIABILITIES			
Payable to Management Company	10	1,424,860	145,632
Payable to Habib Metropolitan Bank Limited - Trustee	11	712,429	72,815
Payable to Securities and Exchange Commission of Pakistan	12	527,853	1,070,689
Payable against purchase of investments	13	98,559,700	-
Redemption payable	14	781,008	-
Accrued expenses and other liabilities	15	724,074	550,116
Total liabilities		<u>102,729,924</u>	<u>1,839,252</u>
Net Assets		<u>1,954,109,832</u>	<u>365,134,622</u>
Unit holders' funds (as per statement attached)		<u>1,954,109,832</u>	<u>365,134,622</u>
		(Number of Units)	
Number of units in issue		<u>39,778,241</u>	<u>7,307,361</u>
		(Rupees)	
Net Asset Value per unit		<u>49.13</u>	<u>49.97</u>

The annexed notes 1 to 40 form an integral part of these financial statements.

**For Arif Habib Investments Limited
(Formerly: Arif Habib Investment Management Limited)
(Management Company)**


Chief Executive


Director

**INCOME STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2009**

	Note	2009	2008
		----- (Rupees) -----	
INCOME			
Income from investment in Government Securities	17	60,907,482	54,980,299
Income from reverse repurchase transactions of Government Securities	18	10,629,527	40,063,216
Profit on bank deposits	19	5,136,433	1,152,605
Gain / (Loss) on sale of investments	20	2,820,880	(381)
Unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss'	21	12,045,728	-
Total income		91,540,050	96,195,739
EXPENSES			
Remuneration of Management Company	22	4,477,167	4,761,751
Remuneration of Habib Metropolitan Bank Limited - Trustee	23	2,238,584	2,380,876
Annual Fee - Securities and Exchange Commission of Pakistan	24	527,853	1,070,689
Brokerage	25	333,615	159,060
Bank charges	26	17,195	4,251
Printing and publication charges	27	42,030	100,748
Fees and subscription	28	335,342	121,820
Legal and professional charges	29	149,970	226,367
Amortisation of preliminary expenses and floatation costs	9.1	-	81,034
Auditors' remuneration	30	590,698	567,882
Total expenses		8,712,454	9,474,478
Net income from Operating activities		82,827,596	86,721,261
Element of loss and realised capital losses during the year included in the prices of units issued less those in units redeemed		(67,737,479)	(36,223,196)
Net Income		15,090,117	50,498,065

The annexed notes 1 to 40 form an integral part of these financial statements.

**For Arif Habib Investments Limited
(Formerly: Arif Habib Investment Management Limited)
(Management Company)**


Chief Executive


Director

**DISTRIBUTION STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2009**

	2009	2008
	----- (Rupees) -----	
Undistributed income brought forward	18,291,394	29,836,084
Element of (loss) / income and unrealised capital gains / (losses) included in prices of units issued less those in units redeemed	(13,029,492)	9,302,837
Final distribution of Rs 6.843 per unit in terms of bonus units for the year ended June 30 th 2008 (Date of distribution 3 rd July 2008) (2007 : Rs 2.656 per unit)	(50,002,159)	(71,345,592)
Net income for the year	15,090,117 (47,941,534)	50,498,065 (11,544,690)
Undistributed income carried forward	<u>(29,650,140)</u>	<u>18,291,394</u>

The annexed notes 1 to 40 form an integral part of these financial statements.

For Arif Habib Investments Limited
(Formerly: Arif Habib Investment Management Limited)
(Management Company)


Chief Executive


Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2009**

	2009	2008
	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	15,090,117	50,498,065
Adjustments for:		
Amortisation of preliminary expenses and floatation costs	-	81,034
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed	67,737,479	36,223,196
Unrealised (appreciation) / diminution on Government Securities at Fair value through Profit and Loss - net	(12,045,728)	-
	70,781,868	86,802,295
Decrease / (increase) in assets		
Receivable against reverse repurchase transaction in Government Securities	79,000,000	432,000,000
Investments in Government Securities	(1,273,576,949)	526,090,144
Income receivable	(9,573,196)	8,106,195
Advances and prepayments	88,364	37,583
	(1,204,061,781)	966,233,922
Increase / (decrease) in liabilities		
Payable to Management Company	1,279,228	(371,924)
Payable to Habib Metropolitan Bank Limited - Trustee	639,614	(185,963)
Payable to Securities and Exchange Commission of Pakistan - Annual fee	(542,836)	(207,912)
Payable against purchase of investments	98,559,700	-
Redemption payable	781,008	-
Accrued expenses and other liabilities	173,958	64,116
	100,890,672	(701,683)
Net cash (used in) / from operating activities	(1,032,389,241)	1,052,334,534
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipts / (payments) against issue / (redemption) of units	1,492,774,903	(1,075,800,208)
Net cash from / (used in) financing activities	1,492,774,903	(1,075,800,208)
Net increase / (decrease) in cash and cash equivalents	460,385,662	(23,465,674)
Cash and cash equivalents at beginning of the year	2,460,955	25,926,629
Cash and cash equivalents at end of the year	462,846,617	2,460,955

The annexed notes 1 to 40 form an integral part of these financial statements.

For Arif Habib Investments Limited
(Formerly: Arif Habib Investment Management Limited)
(Management Company)


Chief Executive


Director

**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED 30TH JUNE 2009**

	Note	2009	2008
		------(Rupees)-----	
Net assets at the beginning of the year		365,134,622	1,373,290,407
Issue of 43,798,800 units (2008: 92,042,300 units)		2,061,605,689	4,595,855,895
Redemption of 12,487,665 units (2008: 113,047,248 units)		(568,830,786)	(5,671,656,103)
		1,492,774,903	(1,075,800,208)
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed			
- amount representing accrued loss / (income) and realised capital losses / (gains) - transferred to the Income Statement		67,737,479	36,223,196
- amount representing loss / (income) that form part of the unit holders' funds - transferred to Distribution Statement		13,029,492	(9,302,837)
		80,766,971	26,920,359
Net unrealised appreciation / (diminution) in market value of investments classified as 'Available for sale'	6.3	13,372,711	(19,076,838)
Final distribution of 1,159,745 bonus units for the year ended 30 th June 2008 (2007 : 1,454,263 units)		50,002,159	71,345,592
Net (loss) / income for the year less distribution		(47,941,534)	(11,544,690)
Net assets at 30 th June 2009		<u>1,954,109,832</u>	<u>365,134,622</u>
		------(Rupees)-----	
Net asset value per unit		<u>49.13</u>	<u>49.97</u>

The annexed notes 1 to 40 form an integral part of these financial statements.

For Arif Habib Investments Limited
(Formerly: Arif Habib Investment Management Limited)
(Management Company)



Chief Executive



Director

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2009**

1. LEGAL STATUS AND NATURE OF BUSINESS

The MetroBank - Pakistan Sovereign Fund was established under a Trust Deed executed between Arif Habib Investments Limited (AHIL) formerly known as Arif Habib Investments Management Limited (AHIML) as Management Company and Habib Metropolitan Bank Limited as Trustee. The Trust Deed was executed on 24th December 2002 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 7th January 2003 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules). The Management Company of the Fund has obtained the requisite license from SECP, under the Non Banking Finance Companies (Establishment and Regulations) Rules, 2003 (NBFC Rules) and Non Banking Finance Companies and Notified Entities Regulation, 2008, to undertake asset management services. The constitutive documents of the Fund (Trust Deed and Offering Document) were revised by the management company with the approval of the Trustee through Supplemental Deed dated 24th November 2005. Further, the revised offering document of the Fund was revised with effect from 13th December 2006. Furthermore, the trust deed was revised through second supplemental deed dated 21th May 2009.

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

The Pakistan Credit Rating Agency (PACRA) Limited has assigned asset manager rating of AM2 to the Management Company and 1-star normal and 2-star long term to the Fund.

The Fund consists of a 'perpetual' (the scheme) and one sub-scheme as at June 30th 2009 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]	31 st December 2012

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

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

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

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

2. BASIS OF PRESENTATION

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

During the year ended 30th June 2009, IFRS 7 'Financial Instruments: Disclosures' became effective. IFRS 7 has superseded IAS 30 and the disclosure requirements of IAS 32. Adoption of this standard has only resulted in additional disclosures which have been set out in note 37 to these financial statements.

There are other standards, amendments and interpretations that were mandatory for accounting periods beginning on or after 1st July 2008 but were considered not to be relevant or did not have any significant effect on the Fund's operations.

2.3 Standards, interpretations and amendments to published accounting standards that are not yet effective

IAS 1 (Revised), 'Presentation of financial statements' (effective for annual periods beginning on or after 1st January 2009), was issued in September 2007. The revised standard requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) will be required to be presented separately from owner changes in equity, either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). When the entity applies an accounting policy retrospectively or makes retrospective statement or reclassifies items in the financial statements, they will be required to present a restated financial position (balance sheet) as at beginning of comparative period in addition to the current requirement to present the balance sheet as at the end of the current and the comparative period. The adoption of this standard will only impact the presentation of the financial statements.

IAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement' - Reclassification of Financial Assets (Effective from 1st January 2009). This amendment to the Standard permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category, a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available-for-sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The management is in the process of assessing the impact of its adoption on the Fund's financial statements.

IFRS 7 (Amendment), 'Financial Instruments: Disclosure'. There are a number of minor amendments to IFRS 7 in respect of enhanced disclosures about liquidity risk and fair value measurements. These amendments are unlikely to have an impact on the Fund's financial statements and have therefore not been analysed in detail.

IAS 38 (Amendment), 'Intangible assets' (effective from 1st January 2009). The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access of goods or receipt of services. This amendment is not expected to have a significant effect on the Fund's financial statements.

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after 1st January 2009 but are considered not to be relevant or to have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments as detailed in note 3.1 and note 6.

2.5 Accounting convention

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

2.6 Functional and Presentation Currency

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

3. The principal accounting policies applied in the preparation of these financial statements are set out below:**3.1 Financial assets****3.1.1 Classification**

The Fund classifies its financial assets in the following categories: financial assets at fair value through profit or loss, available for sale and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

c) Available for sale financial assets

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

3.1.2 Regular way contracts

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

3.1.3 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.

3.1.4 Subsequent measurement

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

Basis of valuation of Government Securities

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

3.1.5 Impairment

The Fund assesses at each balance sheet date whether there is objective evidence that the financial asset or a group of financial assets is impaired. For loans and receivables, a provision for impairment is established when there is objective evidence that the

Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

3.1.6 Derecognition

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

3.1.7 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 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.

3.2 Financial liabilities

A financial liability is 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 has expired.

3.3 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.

3.4 Securities under repurchase / resale agreements

Transactions of purchase under resale (reverse-repo) of 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. Amounts 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 are accounted for on the settlement date.

3.5 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.

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.

3.6 Proposed dividend and transfer between reserves

Dividends declared and transfers between reserves made subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such dividends are declared / transfers are made.

3.7 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.

3.8 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 estimate.

3.9 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.

3.10 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.

3.11 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. Accordingly, no tax liability has been recorded for the current year.

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.

3.12 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, commission to the bankers to the issue, brokerage paid to the members of the stock exchanges and other expenses. These costs have been amortised over a period of five years starting from the commencement of operations of the Fund.

3.13 Revenue recognition

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

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

Profit on bank deposits is recognised on an accrual basis.

Profit on investment is recognised on an accrual basis.

3.14 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances

3.15 Foreign currency translation

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

	Note	30 th June 2009			30 th June 2008	
		MSF Perpetual	MSF 12/12	Total	Total	
----- (Rupees) -----						
4.	BALANCE WITH BANKS - IN DEPOSIT ACCOUNT	462,613,832	232,785	462,846,617	2,460,955	
5.	RECEIVABLE AGAINST REVERSE REPURCHASE TRANSACTIONS IN GOVERNMENT SECURITIES	-	-	-	79,000,000	
6	INVESTMENTS IN GOVERNMENT SECURITIES					
	Investments 'Available for sale'	6.1	146,508,564	517,099	147,025,663	281,958,338
	Investments 'at fair value through profit or loss'	6.2	1,433,928,063	-	1,433,928,063	-
			1,580,436,627	517,099	1,580,953,726	281,958,338

METROBANK - PAKISTAN SOVEREIGN FUND

6.1 Investments - 'available for sale'

Issue date	TenorFace value (Rupees in Thousands).....			30 th June 2009 (Rupees).....			Percentage of net assets	Percentage of total investments
		Balance as at 1 st July 2008	Purchases during the period	Sales / Matured during the period	Balance as at 30 th June 2009	Cost	Market value	Appreciation / (Diminution)		

PAKISTAN INVESTMENT BOND

MSF PERPETUAL

19 May 2006	5 Years	250,000	-	100,000	150,000	148,932,329	143,859,223	(5,073,106)	7.36%	9.10%
19 May 2006	3 Years	50,000	-	50,000	-	-	-	-	-	-
12 November 2004	5 Years	2,700	-	-	2,700	2,676,995	2,649,341	(27,654)	0.14%	0.17%
						151,609,324	146,508,564	(5,100,760)		

MSF 12/12

18 April 2001	10 Years	500	-	-	500	568,192	517,099	(51,093)	0.03%	0.03%
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Total of Pakistan Investment Bond

152,177,516 147,025,663 (5,151,853)

TREASURY BILLS

MSF PERPETUAL

28 August 2008	3 Months	-	81,000	81,000	-	-	-	-	-	-
18 December 2008	3 Months	-	89,000	89,000	-	-	-	-	-	-
29 January 2009	3 Months	-	45,000	45,000	-	-	-	-	-	-
12 February 2009	3 Months	-	50,000	50,000	-	-	-	-	-	-

Total of Treasury Bills

- - -

TOTAL OF INVESTMENTS - 'AVAILABLE FOR SALE'

152,177,516 147,025,663 (5,151,853)

6.1.1 These carry a rate of return ranging from 5.90% to 9.75% (2008: 5.90% to 9.75%) per annum

6.2 Investments - 'at fair value through profit or loss'

Issue date	TenorFace value (Rupees in Thousands).....			30 th June 2009 (Rupees).....			Percentage of net assets	Percentage of total investments
		Balance as at 1 st July 2008	Purchases during the period	Sales / Matured during the period	Balance as at 30 th June 2009	Cost	Market value	Appreciation / (Diminution)		

PAKISTAN INVESTMENT BOND

MSF PERPETUAL

30 August 2008	10 Years	-	550,000	525,000	25,000	24,232,640	25,060,725	828,085	1.28%	1.59%
30 August 2008	7 Years	-	160,000	-	160,000	154,147,645	159,160,246	5,012,601	8.14%	10.07%
30 August 2008	5 Years	-	75,000	-	75,000	71,073,034	74,240,092	3,167,058	3.80%	4.70%
30 August 2008	3 Years	-	75,000	75,000	-	-	-	-	-	-

Total of Pakistan Investment Bond

249,453,319 258,461,063 9,007,744

TREASURY BILLS

MSF PERPETUAL

26 March 2009	1 Year	-	470,000	-	470,000	431,715,274	431,417,700	(297,574)	22.08%	27.29%
8 May 2008	1 Year	-	100,000	100,000	-	-	-	-	-	-
21 May 2009	1 Year	-	200,000	-	200,000	179,251,243	180,529,600	1,278,357	9.24%	11.42%
12 February 2009	1 Year	-	500,000	-	500,000	462,902,799	464,936,500	2,033,701	23.79%	29.41%
12 February 2009	6 Months	-	100,000	-	100,000	98,559,700	98,583,200	23,500	5.04%	6.24%

Total of Treasury Bills

1,172,429,016 1,175,467,000 3,037,984

TOTAL OF INVESTMENTS - 'AT FAIR VALUE THROUGH PROFIT

1,421,882,335 1,433,928,063 12,045,728

6.2.2 These carry a rate of return ranging from 11.75% to 14.34% (2008: Nil) per annum

TOTAL OF INVESTMENTS IN GOVERNMENT SECURITIES

1,574,059,851 1,580,953,726 6,893,875

METROBANK - PAKISTAN SOVEREIGN FUND

	2009		2008
	MSF Perpetual	MSF 12/12	Total
11. PAYABLE TO HABIB METROPOLITAN BANK LIMITED - TRUSTEE	----- (Rupees) -----		
Remuneration - note 11.1	712,336	93	712,429
			72,815

11.1 The trustee is entitled to a monthly remuneration for the services rendered to the Fund at the rate of 2.5% percent of the scheme and sub-schemes operating revenue.

	2009		2008
	MSF Perpetual	MSF 12/12	Total
12. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - ANNUAL FEE	----- (Rupees) -----		
	527,251	602	527,853
			1,070,689

Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), a collective investment scheme 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.

	2009		2008
	MSF Perpetual	MSF 12/12	Total
13. PAYABLE AGAINST PURCHASE OF INVESTMENTS	----- (Rupees) -----		
	98,559,700	-	98,559,700
14. REDEMPTION PAYABLE	781,008	-	781,008
15. ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration	274,551	358	274,909
Brokerage payable	14,011	-	14,011
Printing and publication charges payable	85,025	129	85,154
Others	349,433	567	350,000
	723,020	1,054	724,074
			550,116

16. FINANCIAL INSTRUMENTS BY CATEGORY

	-----As at 30 th June 2009-----			Total
	Loans and receivables	Assets at fair value through profit or loss	Available for Sale	
	-----Rupees-----			
Assets				
Balances with banks - in deposit account	462,846,617	-	-	462,846,617
Receivable against reverse repurchase transactions in Government Securities	-	-	-	-
Investment in Government Securities	-	1,433,928,063	147,025,663	1,580,953,726
Income receivable	12,914,481	-	-	12,914,481
	475,761,098	1,433,928,063	147,025,663	2,056,714,824

METROBANK - PAKISTAN SOVEREIGN FUND
Liabilities

Payable to Management Company	-	1,424,860	1,424,860
Payable to Habib Metropolitan Bank Limited - Trustee	-	712,429	712,429
Payable against purchase of investments	-	98,559,700	98,559,700
Redemption payable	-	781,008	781,008
Accrued expenses and other liabilities	-	724,074	724,074
	-	102,202,071	102,202,071

-----As at 30 th June 2009-----		
Liabilities at fair value through profit or loss	Other financial liabilities	Total
-----Rupees-----		

-	1,424,860	1,424,860
-	712,429	712,429
-	98,559,700	98,559,700
-	781,008	781,008
-	724,074	724,074
-	102,202,071	102,202,071

Assets

Balances with banks - in deposit account	2,460,955	-	-	2,460,955
Receivable against reverse repurchase transactions in Government Securities	79,000,000	-	281,958,338	360,958,338
Investment in Government Securities	-	-	-	-
Income receivable	3,341,285	-	-	3,341,285
	84,802,240	-	281,958,338	366,760,578

-----As at 30 th June 2008-----			
Loans and receivables	Assets at fair value through profit or loss	Available for Sale	Total
-----Rupees-----			

2,460,955	-	-	2,460,955
79,000,000	-	281,958,338	360,958,338
-	-	-	-
3,341,285	-	-	3,341,285
84,802,240	-	281,958,338	366,760,578

Liabilities

Payable to Management Company	-	145,632	145,632
Payable to Habib Metropolitan Bank Limited - Trustee	-	72,815	72,815
Accrued expenses and other liabilities	-	550,116	550,116
	-	768,563	768,563

-----As at 30 th June 2008-----		
Liabilities at fair value through profit or loss	Other financial liabilities	Total
-----Rupees-----		

-	145,632	145,632
-	72,815	72,815
-	550,116	550,116
-	768,563	768,563

METROBANK - PAKISTAN SOVEREIGN FUND

	30 th June 2009		30 th June 2008
	MSF Perpetual	MSF 12/12	Total
17. INCOME FROM INVESTMENT IN GOVERNMENT SECURITIES - NET OF AMORTISATION OF PREMIUM / DISCOUNT	60,872,405	35,077	54,980,299
18. INCOME FROM REVERSE REPURCHASE TRANSACTIONS IN GOVERNMENT SECURITIES	10,629,527	-	40,063,216
19. PROFIT ON BANK DEPOSITS	5,126,883	9,550	1,152,605
20. GAIN / (LOSS) ON SALE OF INVESTMENTS	2,820,880	-	(381)
21. UNREALISED APPRECIATION IN FAIR VALUE OF INVESTMENTS CLASSIFIED AS 'AT FAIR VALUE THROUGH PROFIT AND LOSS'	12,045,728	-	-
22. REMUNERATION OF ARIF HABIB INVESTMENTS LIMITED - MANAGEMENT COMPANY	4,475,045	2,122	4,761,751
23. REMUNERATION OF HABIB METROPOLITAN BANK LIMITED - TRUSTEE	2,237,523	1,061	2,380,876
24. ANNUAL FEE - SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	527,251	602	1,070,689
25. BROKERAGE	333,615	-	159,060
26. BANK CHARGES	17,195	-	4,251
27. PRINTING AND PUBLICATION	41,952	78	100,748
28. FEES AND SUBSCRIPTION	334,982	360	121,820
29. LEGAL AND PROFESSIONAL CHARGES	149,776	194	226,367
30. AUDITORS' REMUNERATION			
Annual audit fee	254,632	368	189,530
Half yearly review fee	144,763	199	91,959
Other certifications and services	127,693	283	262,947
Out of pocket expenses	62,654	106	23,446
	589,742	956	567,882

METROBANK - PAKISTAN SOVEREIGN FUND

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

	2009		MSF
	MSF Perpetual	MSF 12/12	
	----- (Rupees) -----		
Net Asset Value	<u>1,953,346,708</u>	<u>763,124</u>	1,954,109,832
Number of units in issue and outstanding at the year end	<u>39,764,979</u>	<u>13,262</u>	39,778,241
Net Asset Value per unit	<u>49.12</u>	<u>57.54</u>	49.13

The Net Asset Value per unit of the Fund is Rs 49.13 (2008: Rs 49.97). However, this is not declared as the trust Deed only requires declaration of net assets value per unit of the Scheme and Sub-Schemes separately.

32. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include Arif Habib Investments Limited (formerly Arif Habib Investment Management Limited) being the Management Company and Habib Metropolitan Bank Limited being the Trustee of the Fund.

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

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of the Non Banking Finance Companies 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:

Transactions and balances with connected persons	2009	2008
	----- (Rupees) -----	
Management Company		
Balance at the beginning of the year	145,632	517,556
Remuneration for the year	4,477,167	4,761,751
Amounts paid during the year	<u>(3,197,939)</u>	<u>(5,133,675)</u>
Balance at the end of the year	<u>1,424,860</u>	<u>145,632</u>
Issue of 586 bonus units (2008: 543 units)	30,357	28,930
Units held 12,129 units (2008: 11,543 units)	697,894	627,570
Habib Metropolitan Bank Limited - Trustee		
Units issued 27,105,500 units (2008: 57,558,000 units)	1,250,465,979	2,821,069,885
Units redeemed 8,425,173 units (2008: 67,050,000 units)	370,454,849	3,293,450,414
Bonus units 1,155,173 units (2008: 613,000 units)	49,799,500	28,905,994
Units held 27,105,500 (2008: 7,270,000)	1,331,422,160	363,136,500
Trustee Fee		
Balance at the beginning of the year	72,815	258,778
Remuneration for the year	2,238,584	2,380,876
Amounts paid during the year	<u>(1,598,970)</u>	<u>(2,566,839)</u>
Balance at end of the year	<u>712,429</u>	<u>72,815</u>
Deposits		
Deposits at the end of the year	<u>210,996,202</u>	<u>2,360,004</u>
Profit Receivable	<u>74,163</u>	<u>9,585</u>
Profit on bank deposits	<u>636,211</u>	<u>299,817</u>

METROBANK - PAKISTAN SOVEREIGN FUND

33. PARTICULARS OF INVESTMENT COMMITTEE

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

	Designation	Qualification	Experience in years
A Mr. Adnan Siddiqui	Deputy Chief Executive Officer	MBA	19
B Mr. Basharat Ullah Khan	Chief Investment Officer	MBA	16
C Mr. Zafar Rehman	Head of Money Market Fund & Fund Manager	B.COM	17
D Mr. Zeeshan	Chief Financial Officer	ACA	6

33.1 Other Funds managed by the Fund Manager

- A Pakistan Income Fund
- B Pakistan Income Enhancement Fund

34. PERCENTAGE OF BROKERAGE PAID

	2009
Invest Capital and Securities (Private) Limited	33.25%
Elixir Securities Pakistan (Private) Limited	22.81%
BMA Capital Management Limited	15.93%
JS Global Capital Limited	9.94%
Alfalah Securities (Private) Limited	6.40%
KASB Securities Limited	5.00%
Global Securities Pakistan Limited	2.66%
First Capital Securities Corporation Limited	1.94%
Atlas Capital Markets (Private) Limited	0.48%
Live Securites (Private) Limited	0.48%
	2008
JS Global Capital Limited	38.69%
BMA Capital Management Limited	18.89%
AMZ Securities (Private) Limited	9.90%
Alfalah Securities (Private) Limited	9.08%
First Dawood Investment Bank Limited	5.81%
Atlas Capital Markets (Private) Limited	4.12%
First Capital Securities Corporation Limited	3.94%
Invest Capital and Securities (Private) Limited	3.30%
Global Securities Pakistan Limited	1.70%
Elixir Securities Pakistan (Private) Limited	1.68%

35. DETAILS OF PATTERN OF UNIT HOLDING

	As at 30 th June 2009		
	Number of Investors	Amount of investment	% of Total
Associated Companies / Directors	1	595,838	0.03%
Insurance Companies	2	45,136,136	2.31%
Banks / DFI's	4	1,533,775,483	78.49%
Retirement Funds	3	60,743,179	3.11%
Other Corporate	2	180,185,932	9.22%
Others	114	133,673,263	6.84%
	126	1,954,109,832	100.00%

DETAILS OF PATTERN OF UNIT HOLDING

	As at 30 th June 2008		
	Number of Investors	Amount of investment	% of Total
Associated Companies / Directors	1	576,781	0.16%
Insurance Companies	-	-	-
Banks / DFI's	2	363,321,631	99.50%
Retirement Funds	-	-	-
Other Corporate	-	-	-
Others	74	1,236,210	0.34%
	77	365,134,622	100.00%

36 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 52nd, 53rd, 54th, 55th, 56th, 57th, 58th, 59th, 60th, 61st and 62nd Board meetings were held on 3rd July 2008, 25th July 2008, 25th August 2008, 16th September 2008 30th September 2008 17th October 2008, 24th October 2008, 23rd February, 23rd April 2008, 24th April 2008 and 29th May 2008 respectively. Information in respect of attendance by Directors in the meetings is given below:

For the year ended 30th June 2009

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
1 Mr. Salim Chamdia	11	9	2	52 nd and 58 th meeting
2 Mr. Nasim Beg	11	10	1	58 th meeting
3 Mr. Sirajuddin Cassim	11	3	8	52 nd to 55 th and 59 th to 62 nd meeting
4 Mr. Muhammad Akmal Jameel	11	9	2	54 th and 61 st meeting
5 Mr. Muhammad Kashif	11	7	4	55 th , 60 th , 61 st and 62 nd meeting
6 Mr. Muhammad Shafi Malik	11	10	1	56 th meeting
7 Mr. Mirza Qamer Beg*	1	1	-	-
8 Syed Ajaz Ahmed**	4	4	-	-

* Mr. Mirza Qamar Baig resigned from the office on 3rd July 2008.

**Syed Ajaz Ahmed was appointed as director on 19th December 2008.

37 FINANCIAL RISK MANAGEMENT

The Fund is exposed to a variety of financial risks: market risk, credit risk and liquidity risk.

37.1 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 Investment Committee 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.

37.1.1 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.

37.1.2 Interest rate risk

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

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 30th June 2009, the Fund holds Treasury Bills and Pakistan Investment Bonds which are classified as fair value through profit or loss and available for sale, exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by Financial Market Association on 30th June 2009, the net income for the year and net assets would be lower by Rs 19,826,959, (2008: Rs 5,950,888) . In case of 100 basis points decrease in rates announced by Financial Market Association on 30th June 2009, the net income for the year and net assets would be higher by Rs. 20,561,686 (2008: Rs 6,128,262).

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

As at 30th June 2009

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	462,846,617	-	-	-	462,846,617
Receivable against reverse repurchase transactions in Government Securities	-	-	-	-	-
Investment in Government Securities	98,583,200	1,079,533,141	402,837,385	-	1,580,953,726
Income receivable	-	-	-	12,914,481	12,914,481
Sub Total	561,429,817	1,079,533,141	402,837,385	12,914,481	2,056,714,824

Financial liabilities

Payable to Management Company	-	-	-	1,424,860	1,424,860
Payable to Habib Metropolitan Bank Limited - Trustee	-	-	-	712,429	712,429
Payable against purchase of investments	-	-	-	98,559,700	98,559,700
Redemption payable	-	-	-	781,008	781,008
Accrued expenses and other liabilities	-	-	-	724,074	724,074
Sub Total	-	-	-	102,202,071	102,202,071

On-balance sheet gap

561,429,817	1,079,533,141	402,837,385	(89,287,590)	1,954,512,753
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As at 30th June 2008

	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	2,460,955	-	-	-	2,460,955
Receivable against reverse repurchase transactions in Government Securities	79,000,000	-	-	-	79,000,000
Investment in Government Securities	-	48,887,690	233,070,648	-	281,958,338
Income receivable	-	-	-	3,341,285	3,341,285
Sub Total	81,460,955	48,887,690	233,070,648	3,341,285	366,760,578
Financial liabilities					
Payable to Management Company	-	-	-	145,632	145,632
Payable to Habib Metropolitan Bank Limited - Trustee	-	-	-	72,815	72,815
Accrued expenses and other liabilities	-	-	-	550,116	550,116
Sub Total	-	-	-	768,563	768,563
On-balance sheet gap	81,460,955	48,887,690	233,070,648	2,572,722	365,992,015

37.1.3 Price Risk

Price risk is the risk that the fair value or future cashflows 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. Presently, the Fund is not exposed to equity securities price risk as the Fund does not hold any equity securities as at 30th June 2009.

37.2 Credit Risk

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

37.2.1 Investment in Government Securities

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

37.3 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, at the option of unit holders. 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.

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The Fund has the ability to borrow in the short term to ensure settlement. However, as at 30th June 2009, the Fund has no borrowing outstanding. 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 redemptions during the year.

For effective Fund management, the Fund Manager monitors the fund's liquidity position on a daily basis, and on a regular basis the "Investment Committee" and the "Board of Directors" review 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.

Liabilities	As at 30 th June 2009			Total
	Upto three months	More than three months and upto one year	More than one year	
	-----Rupees-----			
Remuneration payable to management company	1,424,860	-	-	1,424,860
Remuneration payable to trustee	712,429	-	-	712,429
Payable to Securities and Exchange Commission of Pakistan	527,853	-	-	527,853
Payable against purchase of investments	98,559,700	-	-	98,559,700
Redemption payable	781,008	-	-	781,008
Auditors' remuneration	274,909	-	-	274,909
Brokerage payable	14,011	-	-	14,011
Printing and publication charges payable	-	85,154	-	85,154
Other accrued expenses	350,000	-	-	350,000
	102,644,770	85,154	-	102,729,924

Liabilities	As at 30 th June 2008			Total
	Upto three months	More than three months and upto one year	More than one year	
	-----Rupees-----			
Remuneration payable to management company	145,632	-	-	145,632
Remuneration payable to trustee	72,815	-	-	72,815
Payable to Securities and Exchange Commission of Pakistan	1,070,689	-	-	1,070,689
Payable against purchase of investments	-	-	-	-
Redemption payable	-	-	-	-
Auditors' remuneration	350,000	-	-	350,000
Brokerage payable	18,016	-	-	18,016
Printing and publication charges payable	-	82,100	-	82,100
Other accrued expenses	100,000	-	-	100,000
	1,757,152	82,100	-	1,839,252

38 CAPITAL 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 capital gain as reduced by such expenses as are chargeable to the Fund.

39. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the management company have approved bonus units of Re 0.071 per unit (2008: Rs 6.843 per unit) for the year ended 30th June 2009, amounting to Rs 2,820,019 (2008: Rs 50,002,159) in total in their meeting held on 6th July 2009. The financial statements for the year ended 30th June 2009 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending 30th June 2010.

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 28th July 2009 by the Board of Directors of the Management Company.

40.1 General and corresponding figures

- Corresponding figures have been rearranged and reclassified wherever necessary, for the purposes of comparison and better presentation. During the current year, there were no major reclassifications.
- Figures have been rounded off to the nearest thousand rupees.
- The bifurcation of undistributed income into realised and unrealised income at the beginning and end of the year as required by the NBFC Regulations has not been disclosed as such bifurcation is not practicable.

For Arif Habib Investments Limited
(Formerly: Arif Habib Investment Management Limited)
(Management Company)



Chief Executive



Director

**PATTERN OF UNIT HOLDING AS PER REQUIREMENTS OF
CODE OF CORPORATE GOVERNANCE
AS ON 30TH JUNE 2009**

Particulars	Units Held
Individuals	1,390,979
Associated Companies	
- Habib Metropolitan Bank Limited - Trustee	27,105,500
- Arif Habib Investments Limited - Management Company (Formerly Arif Habib Investment Management Limited)	12,129
Directors & CEO	NIL
Public Sector Companies and Corporation	6,562,100
Investment Banks	2,035,800
Insurance Companies	918,800
Retirement Funds	1,237,633
Non Profit Organizations	105,500
Others Corporate Sector Entities	409,800
Shareholders holding ten percent or more other than Associated Company and directors	NIL
	39,778,241

PATTERN OF UNIT HOLDING BY SIZE

AS AT 30TH June 2009

No. of Unit Holders	Units Holdings		Total Units Held	Percentage
	FROM	TO		
16	1	- 100	496	0.00
25	101	- 500	6,431	0.02
30	501	- 1,000	15,434	0.04
15	1,001	- 5,000	50,651	0.13
10	5,001	- 10,000	64,400	0.16
4	10,001	- 15,000	50,129	0.13
2	20,001	- 25,000	42,100	0.11
4	40,001	- 45,000	164,200	0.41
1	45,001	- 50,000	47,500	0.12
4	60,001	- 65,000	246,000	0.62
1	100,001	- 105,000	101,800	0.26
1	105,001	- 110,000	105,500	0.27
2	205,001	- 210,000	416,100	1.05
1	405,001	- 410,000	409,800	1.03
2	410,001	- 415,000	823,400	2.07
1	505,001	- 510,000	509,200	1.28
1	615,001	- 620,000	615,300	1.55
1	810,001	- 815,000	814,800	2.05
1	815,001	- 820,000	817,000	2.05
1	2,035,001	- 2,040,000	2,035,800	5.12
1	2,075,001	- 2,080,000	2,079,400	5.23
1	3,255,001	- 3,260,000	3,257,300	8.19
1	27,105,001	- 27,110,000	27,105,500	68.14

126

39,778,241

100.00

PERFORMANCE TABLE

	2009				
	MSF Perpetual	MSF 12/12	MSF 12/07	MSF 12/05	MSF 12/03
	----- (Rupees in '000) -----				
Net assets	1,953,347	763	-	-	-
Net income / (loss) (Rs '000)	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 6 th July 2009	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	-	-	-
Reperchase 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	-	-	-

	2008				
	MSF Perpetual	MSF 12/12	MSF 12/07	MSF 12/05	MSF 12/03
	----- (Rupees in '000) -----				
Net assets	364,448	687	-	-	-
Net income / (loss) (Rs '000)	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)	-	-	-	-
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 7 th July 2008	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	-	-	-
Reperchase 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	-	-

	2007				
	MSF Perpetual	MSF 12/12	MSF 12/07	MSF 12/05	MSF 12/03
	----- (Rupees in '000) -----				
Net assets	792,218	673	592,762	-	-
Net income	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 4 th July 2007	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	-	-
Reperchase 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

	2006				
	------(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 4 th July 2006	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	-	-
Reperchase 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	-
	2005				
	------(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	-
Reperchase 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	-
	2004				
	------(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					
1 st distribution declared on 24 th September 2003	1.5938	1.2942	1.2301	0.2021	-
2 nd distribution declared on 24 th 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	-
Reperchase price per unit at end of the year	44.59	45.10	48.91	50.25	-
Highest offer price per unit	51.18	52.02	51.74	52.07	51.54
Lowest offer price per unit	44.57	45.08	48.76	50.13	46.75
Highest repurchase price per unit	51.08	51.92	51.64	51.97	51.44
Lowest repurchase price per unit	44.48	44.99	48.66	50.03	46.66

METROBANK - PAKISTAN SOVEREIGN FUND

	2003*				
	------(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 th 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 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.

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A.F.FERGUSON & CO.

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PRICEWATERHOUSECOOPERS 

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INDEPENDENT AUDITORS' REPORT TO THE MANAGEMENT COMPANY

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, 2009, and the related income statement, distribution statement, cash flow statement and statement of movement in unit holders' funds 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 auditing standards 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 judgement, 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 state of the Scheme's affairs as at June 30, 2009 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Other matters

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

The financial statements of the Scheme for the year ended June 30, 2008 were audited by another firm of Chartered Accountants who had included the following qualifications in respect of the investment of the Fund in government securities and units of other schemes of Metrobank Pakistan Sovereign Fund in their report dated July 25, 2008:

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- (a) Uptill 25 November 2007, investments made by the Scheme in government securities were marked to market using an average market rate (mid market rate) calculated on the basis of quotations obtained from brokers. However, as per the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, securities which were not quoted on the stock exchange were required to be carried at the lower of investment price and break up value. The Non-Banking Finance Companies (Establishment and Regulation) Rules 2003, were amended on 21 November 2007 and the requirements to compute the net assets of a collective investment scheme are now laid down in Regulation 2 (1) (xvi) (k) of the Non-Banking Finance Companies and Notified Entities Regulations, 2007. This regulation requires that investment in government securities not quoted on a stock exchange and traded in the interbank market shall be valued at the average rate quoted on a widely used electronic quotation system. Accordingly, with effect from 26 November 2007, the Scheme has now complied with the requirements of the new Regulations.

Had these securities been valued upto 25 November 2007 at the lower of investment price and break up value; the Net Assets Value of the Scheme during the period would have been different and consequently the number of units sold / repurchased during the period as well as the element of income / (loss) and capital gains / (losses) included in the prices of units sold less those in units repurchased recorded by the Scheme would also have been different. These effects have not been quantified as it was not practical to do so.

- (b) Investments made by the Scheme in the Units of a Sub - Scheme had been valued upto 30 December 2007 at previous day's redemption price of the Sub - Scheme on the date of valuation. The Sub - Scheme was matured on 31 December 2007. However, as per rule 2 (xxxiv) (i) of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and rule 2 (1) (xvi) (j) of the Non-Banking Finance Companies and Notified Entities Regulations, 2007, the security not listed or quoted on a stock exchange, other than government or debt security, shall be valued at investment price or its break up value as per last audited accounts, whichever is lower.

Had the investment by the Scheme in the units of the Sub - Scheme up to 30 December 2007 been carried at lower of investment price or break up value as per last audited accounts, the Net Assets Value of the Scheme during the period would have been different and consequently the number of units sold / repurchased during the period as well as the element of income / (loss) and capital gains / (losses) included in the prices of units sold less those in units repurchased recorded by the Scheme would also have been different. These effects have not been quantified as it was not practical to do so.



Chartered Accountants

Engagement Partner: Rashid A. Jafer

Dated: 28 JUL 2009

Karachi



**STATEMENT OF ASSETS AND LIABILITIES
AS AT 30TH JUNE 2009**

	Note	2009 ----- (Rupees) -----	2008
Assets			
Balances with banks - in deposit account	4	462,613,832	1,975,101
Receivable against reverse repurchase transactions in Government Securities		-	79,000,000
Investments in Government Securities	5	1,580,436,627	281,443,433
Income receivable	6	12,899,370	3,326,480
Advances and prepayments	7	124,869	213,071
Total Assets		2,056,074,698	365,958,085
Liabilities			
Payable to Management Company	9	1,424,675	145,466
Payable to Habib Metropolitan Bank Limited - Trustee	10	712,336	72,733
Payable to Securities and Exchange Commission of Pakistan	11	527,251	771,953
Accrued expenses and other liabilities	12	723,020	520,063
Redemption Payable		781,008	-
Payable against purchase of investment		98,559,700	-
Total Liabilities		102,727,990	1,510,215
Net Assets		1,953,346,708	364,447,870
Unit holders' funds (as per statement attached)		1,953,346,708	364,447,870

	(Number of Units)	
Number of units in issue	39,764,979	7,294,740
Net asset value per unit	49.12	49.96

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

The annexed notes 1 to 23 form an integral part of these financial statements.

For Arif Habib Investments Limited
(Formerly: Arif Habib Investment Management Limited)
(Management Company)


Chief Executive


Director

**INCOME STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2009**

	Note	2009	2008
----- (Rupees) -----			
INCOME			
Capital Gain / (loss) on sale of Government Securities		2,820,880	(381)
Gain on maturity of units of sub-scheme		-	1,371,280
Income from investments in Government Securities		60,872,405	32,498,629
Profit on bank deposits		5,126,883	948,913
Income from reverse repurchase transaction of Government Securities		10,629,527	38,040,403
Unrealized Appreciation / (Diminution) on Government Securities at Fair value through Profit and Loss	5.4	12,045,728	-
Total income		91,495,423	72,858,844
EXPENSES			
Remuneration of Management Company	9	4,475,045	3,551,319
Remuneration of Habib Metropolitan Bank Limited - Trustee	10	2,237,523	1,775,660
Annual Fee - Securities and Exchange Commission of Pakistan	11	527,251	771,953
Brokerage		333,616	151,132
Bank charges		17,195	2,738
Printing and publication charges		41,951	100,643
Fees and subscriptions		334,982	90,573
Legal and professional charges		149,776	200,657
Amortisation of preliminary expenses and floatation costs		-	47,459
Auditors' remuneration	13	589,742	467,302
Total expenses		8,707,081	7,159,436
Net income from operating activities		82,788,342	65,699,408
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed		(67,738,620)	(8,847,639)
Net income		15,049,722	56,851,769

The annexed notes 1 to 23 form an integral part of these financial statements.

For Arif Habib Investments Limited
(Formerly: Arif Habib Investment Management Limited)
(Management Company)


Chief Executive


Director

**DISTRIBUTION STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2009**

	2009 ------(Rupees)-----	2008 ------(Rupees)-----
Undistributed income / (accumulated losses) brought forward	18,147,240	(19,051,552)
Element of (loss) / income and unrealised capital gains / (losses) included in prices of units issued less those in units redeemed	(13,029,492)	9,302,925
Final distribution of Rs 6.85 per unit in terms of bonus units for the year ended 30 th June 2008 (Date of distribution 3 rd July 2008) (2007 : Rs 1.79 per unit)	(49,968,966)	(28,955,902)
Net income for the year	15,049,722 (47,948,736)	56,851,769 37,198,792
(Accumulated losses) / Undistributed income carried forward	<u>(29,801,496)</u>	<u>18,147,240</u>

The annexed notes 1 to 23 form an integral part of these financial statements.

For Arif Habib Investments Limited
(Formerly: Arif Habib Investment Management Limited)
(Management Company)


Chief Executive


Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2009**

	2009	2008
	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	15,049,722	56,851,769
Adjustments for :		
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed	67,738,620	8,847,639
Unrealised (Appreciation) / Diminution on Government Securities at Fair value through Profit and Loss	(12,045,728)	-
Gain on maturity of units of sub-schemes	-	(1,371,280)
Amortisation of preliminary expenses and floatation costs	-	47,459
	<u>70,742,614</u>	<u>64,375,587</u>
(Increase) / decrease in assets		
Income receivable	(9,572,890)	6,147,669
Investments in Government Securities	(1,273,611,873)	91,963,148
Advances and prepayments	88,202	61,951
Receivable against reverse repurchase transactions in Government Securities	79,000,000	288,000,000
Preliminary expenses and floatation costs	-	33,575
	<u>(1,204,096,561)</u>	<u>386,206,343</u>
Increase / (decrease) in liabilities		
Payable to Management Company	1,279,209	(155,150)
Payable to Habib Metropolitan Bank Limited - Trustee	639,603	(77,423)
Payable to Securities and Exchange Commission of Pakistan - Annual fee	(244,702)	62,558
Redemption Payable	781,008	-
Payable against purchase of investment	98,559,700	-
Accrued expenses and other liabilities	202,957	249,053
	<u>101,217,775</u>	<u>79,038</u>
Net cash from / (used in) operating activities	<u>(1,032,136,172)</u>	<u>450,660,968</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipts / (payments) against issue / (redemption) of units	<u>1,492,774,903</u>	<u>(472,587,725)</u>
Net cash from / (used in) financing activities	<u>1,492,774,903</u>	<u>(472,587,725)</u>
Net increase / (decrease) in cash and cash equivalents	460,638,731	(21,926,757)
Cash and cash equivalents at beginning of the year	1,975,101	23,901,858
Cash and cash equivalents at end of the year	<u><u>462,613,832</u></u>	<u><u>1,975,101</u></u>

The annexed notes 1 to 23 form an integral part of these financial statements.

For Arif Habib Investments Limited
(Formerly: Arif Habib Investment Management Limited)
(Management Company)


Chief Executive


Director

**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED 30TH JUNE 2009**

	Note	2009 ----- (Rupees) -----	2008 ----- (Rupees) -----
Net assets at the beginning of the year		364,447,870	792,218,166
Issue of 43,798,800 units (2008: 57,558,300 units)		2,061,605,689	2,821,069,885
Redemption of 12,487,663 units (2008: 67,053,775 units)		(568,830,786)	(3,293,657,610)
		1,492,774,903	(472,587,725)
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed:			
- amount representing accrued loss / (income) and realised capital losses / (gains) - transferred to the Income Statement		67,738,620	8,847,639
- amount representing loss / (income) that form part of unit holders' fund - transferred to Distribution Statement		13,029,492	(9,302,925)
Net unrealised appreciation / (diminution) in fair value of investments classified as 'Available for sale'	5.3	13,335,593	(20,881,979)
Final distribution of 1,159,103 bonus units for the year ended 30 th June 2008 (2007: 613,733 bonus units)		49,968,966	28,955,902
Net income for the period less distribution		(47,948,736)	37,198,792
Net assets at 30 th June 2009		1,953,346,708	364,447,870
		----- (Rupees) -----	
Net asset value per unit		49.12	49.96

The annexed notes 1 to 23 form an integral part of these financial statements.

**For Arif Habib Investments Limited
(Formerly: Arif Habib Investment Management Limited)
(Management Company)**


Chief Executive


Director

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2009**

1. LEGAL STATUS AND NATURE OF BUSINESS

The MetroBank - Pakistan Sovereign Fund was established under a Trust Deed executed between Arif Habib Investments Limited (AHIL) formerly known as Arif Habib Investment Management Limited (AHIML) as Management Company and Habib Metropolitan Bank Limited as Trustee. The Trust Deed was executed on 24th December 2002 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 7th January 2003 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules). The Management Company of the Fund has obtained the requisite license from SECP, under the Non Banking Finance Companies (Establishment and Regulations) Rules, 2003 (NBFC Rules) and Non Banking Finance Companies and Notified Entities Regulation, 2008, to undertake asset management services. The constitutive documents of the Fund (Trust Deed and Offering Document) were revised by the management company with the approval of the Trustee through Supplemental Deed dated 24th November 2005. Further, the revised offering document of the Fund was revised with effect from 13th December 2006. Furthermore, the trust deed was revised through second supplemental deed dated 21st May 2009.

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

The Pakistan Credit Rating Agency (PACRA) Limited has assigned asset manager rating of AM2 to the Management Company and 1-star normal and 2-star long term to the Fund.

The Fund consists of a 'perpetual' (the scheme) and one sub-scheme as at 30th June 2009 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]	31 st December 2012

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

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

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

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

2. BASIS OF PRESENTATION

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

During the year ended 30th June 2009, IFRS 7 'Financial Instruments: Disclosures' became effective. IFRS 7 has superseded IAS 30 and the disclosure requirements of IAS 32. Adoption of this standard has only resulted in additional disclosures which have been set out in note 20 to these financial statements.

There are other standards, amendments and interpretations that were mandatory for accounting periods beginning on or after 1st July 2008 but were considered not to be relevant or did not have any significant effect on the Scheme's operations.

2.3 Standards, interpretations and amendments to published accounting standards that are not yet effective

IAS 1 (Revised), 'Presentation of financial statements' (effective for annual periods beginning on or after 1st January 2009), was issued in September 2007. The revised standard requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) will be required to be presented separately from owner changes in equity, either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). When the entity applies an accounting policy retrospectively or makes retrospective statement or reclassifies items in the financial statements, they will be required to present a restated financial position (balance sheet) as at beginning of comparative period in addition to the current requirement to present the balance sheet as at the end of the current and the comparative period. The adoption of this standard will only impact the presentation of the financial statements.

IAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement' - Reclassification of Financial Assets (Effective from 1st January 2009). This amendment to the Standard permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category, a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available-for-sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The management is in the process of assessing the impact of its adoption on the Scheme's financial statements.

IFRS 7 (Amendment), 'Financial Instruments: Disclosure'. There are a number of minor amendments to IFRS 7 in respect of enhanced disclosures about liquidity risk and fair value measurements. These amendments are unlikely to have an impact on the Scheme's financial statements and have therefore not been analysed in detail.

IAS 38 (Amendment), 'Intangible assets' (effective from 1st January 2009). The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access of goods or receipt of services. This amendment is not expected to have a significant effect on the Scheme's financial statements.

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after 1st January 2009 but are considered not to be relevant or to have any significant effect on the Scheme's operations and are therefore not detailed in these financial statements.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Scheme's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Scheme's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments as detailed in note 3.1 and note 5.

2.5 Accounting convention

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

2.6 Functional and Presentation Currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Financial assets**3.1.1 Classification**

The Scheme classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the 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

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

b) Loans and receivables

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

c) Available for sale financial assets

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

3.1.2 Regular way contracts

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

3.1.3 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.

3.1.4 Subsequent measurement

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

Basis of valuation of Government Securities

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

3.1.5 Impairment

The Scheme assesses at each balance sheet date whether there is objective evidence that the financial asset or a group of financial assets is impaired. For loans and receivables, a provision for impairment is established when there is objective evidence that the Scheme will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

3.1.6 Derecognition

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

3.1.7 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 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.

3.2 Financial liabilities

A financial liability is 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 has expired.

3.3 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.

3.4 Securities under repurchase / resale agreements

Transactions of purchase under resale (reverse-repo) of 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. Amounts 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 are accounted for on the settlement date.

3.5 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.

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.

3.6 Proposed dividend and transfer between reserves

Dividends declared and transfers between reserves made subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such dividends are declared / transfers are made.

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

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

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

3.8 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 estimate.

3.9 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.

3.10 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.

3.11 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. Accordingly, no tax liability has been recorded for the current year.

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.

3.12 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Scheme and include underwriting commission, commission to the bankers to the issue, brokerage paid to the members of the stock exchanges and other expenses. These costs have been amortised over a period of five years starting from the commencement of operations of the Scheme.

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.

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3.14 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances.

3.15 Foreign currency translation

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

	Note	30 th June 2009	30 th June 2008
----- Rupees -----			
4 BALANCES WITH BANKS			
In deposit accounts		<u>462,613,832</u>	<u>1,975,101</u>
		<u>462,613,832</u>	<u>1,975,101</u>

4.1 These carry a rate of return ranging from 5 % to 13.25 % (2008 5% to 6%) per annum.

	Note	30 th June 2009	30 th June 2008
----- Rupees -----			
5 INVESTMENTS			
Investments 'Available for sale'			
Pakistan Investment Bonds	5.1	146,508,564	281,443,433
Investments 'at fair value through profit or loss'			
Pakistan Investment Bonds	5.2	258,461,063	-
Treasury Bills	5.2	<u>1,175,467,000</u>	-
		<u>1,580,436,627</u>	<u>281,443,433</u>

5.1 Investments - 'available for sale'

Issue date	TenorFace value (Rupees in thousands).....		 30 th June 2009 (Rupees).....			Percentage of net assets	Percentage of total investments	
		Balance as at 1 st July 2008	Purchases during the period	Sales / Matured during the period	Balance as at 30 th June 2009	Cost	Market value			Appreciation / (Diminution)
Pakistan Investment Bond										
19 May 2006	5 Years	250,000	-	100,000	150,000	148,932,329	143,859,223	(5,073,106)	7.36	9.10
19 May 2006	3 Years	50,000	-	50,000	-	-	-	-	-	-
12 November 2004	5 Years	2,700	-	-	2,700	2,676,995	2,649,341	(27,654)	0.14	0.17
Total of Pakistan Investment Bond						151,609,324	146,508,564	(5,100,760)		
Treasury Bills										
28 August 2008	3 Months	-	81,000	81,000	-	-	-	-	-	-
18 December 2008	3 Months	-	89,000	89,000	-	-	-	-	-	-
29 January 2009	3 Months	-	45,000	45,000	-	-	-	-	-	-
12 February 2009	3 Months	-	50,000	50,000	-	-	-	-	-	-
Total of Treasury Bills						-	-	-		
TOTAL OF INVESTMENTS - 'AVAILABLE FOR SALE'						<u>151,609,324</u>	<u>146,508,564</u>	<u>(5,100,760)</u>		

5.1.1 These carry a rate of return ranging from 9.49% to 9.75% (2008: 9.33% to 9.75%) per annum

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5.2 Investments - 'at fair value through profit or loss'

Issue date	TenorFace value (Rupees in Thousands).....		 30 th June 2009 (Rupees).....			Fair value as %age of net assets	Fair value as %age of total investments	
		Balance as at 1 st July 2008	Purchases during the period	Sales / Matured during the period	Balance as at 30 th June 2009	Cost	Market value			Appreciation / (Diminution)
Pakistan Investment Bond										
30 August 2008	10 Years	-	550,000	525,000	25,000	24,232,640	25,060,725	828,085	1.28	1.59
30 August 2008	7 Years	-	160,000	-	160,000	154,147,645	159,160,246	5,012,601	8.15	10.07
30 August 2008	5 Years	-	75,000	-	75,000	71,073,034	74,240,092	3,167,058	3.80	4.70
30 August 2008	3 Years	-	75,000	75,000	-	-	-	-	-	-
Total of Pakistan Investment Bond						249,453,319	258,461,063	9,007,744		
Treasury Bills										
26 March 2009	1 Year	-	470,000	-	470,000	431,715,274	431,417,700	(297,574)	22.09	27.30
8 May 2008	1 Year	-	100,000	100,000	-	-	-	-	-	-
21 May 2009	1 Year	-	200,000	-	200,000	179,251,243	180,529,600	1,278,357	9.24	11.42
12 February 2009	1 Year	-	500,000	-	500,000	462,902,799	464,936,500	2,033,701	23.80	29.42
12 February 2009	6 Months	-	100,000	-	100,000	98,559,700	98,583,200	23,500	5.05	6.24
Total of Treasury Bills						1,172,429,016	1,175,467,000	3,037,984		
TOTAL OF INVESTMENTS - 'AT FAIR VALUE THROUGH PROFIT OR LOSS'						1,421,882,335	1,433,928,063	12,045,728		

5.1.2 These carry a rate of return ranging from 11.75% to 14.34% (2008:Nil) per annum

TOTAL OF INVESTMENTS IN GOVERNMENT SECURITIES

1,573,491,659 1,580,436,627 6,944,968

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

	30 th June 2009	30 th June 2008
	----- (Rupees) -----	
Market value of investments	146,508,564	281,443,433
Cost of investments	<u>(151,609,324)</u>	<u>(299,879,786)</u>
	(5,100,760)	(18,436,353)
Less: Net unrealised Diminution / (Appreciation) in the fair value of investments at the beginning of the year	<u>18,436,353</u>	<u>(2,445,628)</u>
	<u><u>13,335,593</u></u>	<u><u>(20,881,981)</u></u>

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

Market value of investments	1,433,928,063	-
Cost of investments	<u>(1,421,882,335)</u>	-
	<u>12,045,728</u>	-

6 INCOME RECEIVABLE

Profit receivable on bank deposits	1,060,602	8,786
Income receivable from reverse repurchase transactions	-	25,754
Income receivable on government securities	<u>11,838,768</u>	<u>3,291,940</u>
	<u>12,899,370</u>	<u>3,326,480</u>

7 ADVANCES AND PREPAYMENTS

Advance tax	-	162,832
Prepayments	<u>124,869</u>	<u>50,239</u>
	<u>124,869</u>	<u>213,071</u>

METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL

8 PRELIMINARY EXPENSES AND FLOATATION COSTS

Balance at the beginning of the year	-	81,034
Amortisation charged in the books of the scheme	-	(47,459)
Amortisation charge transferred to the sub-schemes	-	(33,575)
Balance as at the end of the year	<u>-</u>	<u>-</u>

9 PAYABLE TO MANAGEMENT COMPANY

Under the provisions of Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non Banking Finance Companies and Notified Entities Regulation, 2008, the Management Company of the Scheme is entitled to a remuneration during the first five years of the Scheme, of an amount not exceeding three percent of the average annual net assets of the Scheme and thereafter of an amount equal to two percent of such assets of the Scheme. The Management Company charges its remuneration at the rate of 5 percent of the scheme's operating revenue in accordance with the Trust Deed and Annexure B to the Offering Document subject to the limits described above.

10 PAYABLE TO HABIB METROPOLITAN BANK LIMITED - TRUSTEE

The trustee is entitled to a monthly remuneration for the services rendered to the MSF Perpetual at the rate of 2.5 percent of the scheme's operating revenue.

11 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 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.

12 ACCRUED EXPENSES AND OTHER LIABILITIES

	30 th June 2009	30 th June 2008
	(Rupees)	
Auditors' remuneration	274,551	320,206
Brokerage payable	14,011	18,016
Printing and publication charges payable	85,025	82,011
Others	349,433	99,830
	<u>723,020</u>	<u>520,063</u>

13 FINANCIAL INSTRUMENTS BY CATEGORY

	-----As at 30 th June 2009-----			
	Loans and receivables	Assets at fair value through profit or loss	Available for Sale	Total
	-----Rupees-----			
Assets				
Balances with banks - in deposit account	462,613,832	-	-	462,613,832
Receivable against reverse repurchase transactions in Government Securities	-	-	-	-
Investment in Government Securities	-	1,433,928,063	146,508,564	1,580,436,627
Income receivable	12,899,370	-	-	12,899,370
	<u>475,513,202</u>	<u>1,433,928,063</u>	<u>146,508,564</u>	<u>2,055,949,829</u>

METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL

	As at 30 th June 2009		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	Rupees		
Liabilities			
Payable to Management Company	-	1,424,675	1,424,675
Payable to Habib Metropolitan Bank Limited - Trustee	-	712,336	712,336
Payable against purchase of investments	-	98,559,700	98,559,700
Redemption payable	-	781,008	781,008
Accrued expenses and other liabilities	-	723,020	723,020
	-	102,200,739	102,200,739

	As at 30 th June 2008			
	Loans and receivables	Assets at fair value through profit or loss	Available for Sale	Total
	Rupees			
Assets				
Balances with banks - in deposit account	1,975,101	-	-	1,975,101
Receivable against reverse repurchase transactions in Government Securities	79,000,000	-	-	79,000,000
Investment in Government Securities	-	-	281,443,433	281,443,433
Income receivable	3,326,480	-	-	3,326,480
	84,301,581	-	281,443,433	365,745,014

	As at 30 th June 2008		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	Rupees		
Liabilities			
Payable to Management Company	-	145,466	145,466
Payable to Habib Metropolitan Bank Limited - Trustee	-	72,733	72,733
Accrued expenses and other liabilities	-	520,063	520,063
	-	738,262	738,262

	30 th June 2009	30 th June 2008
	(Rupees)	
14 AUDITORS' REMUNERATION		
Annual audit fee	254,632	121,234
Half yearly review fee	144,763	59,950
Other certifications and services	127,693	262,693
Out of pocket expenses	62,654	23,425
	589,742	467,302
15 TRANSACTIONS WITH CONNECTED PERSONS		

Connected persons include Arif Habib Investments Limited (formerly Arif Habib Investment Management Limited) being the Management Company, Habib Metropolitan Bank Limited being the Trustee of the Scheme and MSF December 2012 being the Sub-Scheme of the Scheme.

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

METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL

Remuneration 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:

Details of the transactions and balances with connected persons are as follows

	2009	2008
	(Rupees)	
Management Company		
Balance at the beginning of the year	145,466	300,616
Remuneration for the year	4,475,045	3,551,319
	<u>4,620,511</u>	<u>3,851,935</u>
Amounts paid during the year	(3,195,836)	(3,706,469)
Balance at the end of the year	<u>1,424,675</u>	<u>145,466</u>
Habib Metropolitan Bank Limited - Trustee		
Units issued 27,105,500 units (2008: 57,558,000 units)	1,250,465,979	2,821,069,885
Units redeemed 8,425,173 units (2008: 67,050,000 units)	370,454,849	3,293,450,414
Bonus units 1,155,173 units (2008: 613,000 units)	49,799,500	28,905,994
Units held 27,105,500 (2008: 7,270,000)	1,331,422,160	363,136,500
Trustee fee		
Balance at the beginning of the year	72,733	150,156
Remuneration for the year	2,237,523	1,775,660
	<u>2,310,256</u>	<u>1,925,816</u>
Amounts paid during the year	(1,597,920)	(1,853,083)
Balance at end of the year	<u>712,336</u>	<u>72,733</u>
Deposits		
- Balance at the end of the year	<u>210,763,417</u>	<u>1,874,150</u>
Profit Receivable	<u>73,207</u>	<u>8,623</u>
Profit on bank deposits	<u>626,661</u>	<u>243,058</u>
Transactions and balances with connected persons - Scheme and Sub - Schemes		
Investment in Sub - Schemes		
Bonus Units received during the year	-	902,239
Redemption during the year	-	12,816,706
Amortisation of preliminary expenses and floatation cost transferred to Sub-Schemes	-	33,575

METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL

16 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

2009				
	Designation	Qualification	Experience in years	
A	Mr. Adnan Siddiqui	Deputy Chief Executive Officer	MBA	19
B	Mr. Basharat Ullah Khan	Chief Investment Officer	MBA	16
C	Mr. Zafar Rehman	Head of Money Market Fund & Fund Manager	B.COM	17
D	Mr. Zeeshan	Chief Financial Officer	ACA	6

16.1 Other Funds managed by the Fund Manager

Pakistan Income Fund
Pakistan Income Enhancement Fund

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

	2009
Invest Capital and Securities (Private) Limited	33.25%
Elixir Securities Pakistan (Private) Limited	22.81%
BMA Capital Management Limited	15.93%
JS Global Capital Limited	9.94%
Alfalah Securities (Private) Limited	6.40%
KASB Securities Limited	5.00%
Global Securities Pakistan Limited	2.66%
First Capital Securities Corporation Limited	1.94%
Atlas Capital Markets (Private) Limited	0.48%
Live Securites (Private) Limited	0.48%

	2008
JS Global Capital Limited	45.67%
BMA Capital Management Limited	13.34%
Alfalah Securities (Private) Limited	10.85%
First Dawood Investment Bank Limited	5.54%
Atlas Capital Markets (Private) Limited	4.92%
AMZ Securities (Private) Limited	4.28%
Invest Capital and Securities (Private) Limited	3.84%
First Capital Securities Corporation Limited	3.80%
Global Securities Pakistan Limited	2.10%
Elixir Securities Pakistan (Private) Limited	2.08%

18. DETAILS OF PATTERN OF UNIT HOLDING

	As at 30 th June 2009		
	Number of unit holders	Investment amount (Rupees)	Percentage investment
Insurance Companies	2	45,133,557	2.31
Banks / DFI's	3	1,533,632,174	78.51
Retirement Funds	3	60,739,707	3.11
Other Corporate	2	180,175,635	9.22
Others	114	133,665,634	6.84
Total	124	1,953,346,707	100.00

DETAILS OF PATTERN OF UNIT HOLDING

	As at 30 th June 2008		
	Number of unit holders	Investment amount (Rupees)	Percentage investment
Insurance Companies	-	-	-
Banks / DFI's	1	363,211,851	99.66
Retirement Funds	-	-	-
Other Corporate	-	-	-
Others	74	1,236,019	0.34
Total	75	364,447,870	100.00

19 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 52nd, 53rd, 54th, 55th, 56th, 57th, 58th, 59th, 60th, 61st and 62nd Board meetings were held on 3rd July 2008, 25th July 2008, 25th August 2008, 16th September 2008 30th September 2008 17th October 2008, 24th October 2008, 23rd February, 23rd April 2008, 24th April 2008 and 29th May 2008 respectively. Information in respect of attendance by Directors in the meetings is given below:

FOR THE YEAR ENDED 30th JUNE 2009

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
1 Mr. Salim Chamdia	11	9	2	52 nd and 58 th meeting
2 Mr. Nasim Beg	11	10	1	58 th meeting
3 Mr. Sirajuddin Cassim	11	3	8	52 nd to 55 th and 59 th to 62 nd meeting
4 Mr. Muhammad Akmal Jameel	11	9	2	54 th and 61 st meeting
5 Mr. Muhammad Kashif	11	7	4	55 th , 60 th , 61 st and 62 nd meeting
6 Mr. Muhammad Shafi Malik	11	10	1	56 th meeting
7 Mr. Mirza Qamar Beg*	1	1	-	-
8 Syed Ajaz Ahmed**	4	4	-	-

* Mr. Mirza Qamar Baig resigned from the office on 3rd July 2008.

**Syed Ajaz Ahmed was appointed as director on 19th December 2008.

20 FINANCIAL RISK MANAGEMENT

The Scheme is 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 Investment Committee 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.

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 30th June 2009, the Scheme holds Treasury Bills and Pakistan Investment Bonds which are classified as fair value through profit or loss and available for sale, exposing the Scheme to fair value interest rate risk. In case of 100 basis points increase in rates announced by Financial Market Association on 30th June 2009, the net income for the year and net assets would be lower by Rs 19,818,937, (2008: Rs 5,939,328). In case of 100 basis points decrease in rates announced by Financial Market Association on 30th June 2009, the net income for the year and net assets would be higher by Rs 20,553,494 (2008: Rs 6,116,358).

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

As at 30 th June 2009				
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)				
On-balance sheet financial instruments				
Financial assets				
Balances with banks - in deposit account	462,613,832	-	-	462,613,832
Receivable against reverse repurchase transactions in Government Securities	-	-	-	-
Investment in Government Securities	98,583,200	1,079,533,141	402,320,286	1,580,436,627
Income receivable	-	-	12,899,370	12,899,370
Sub Total	561,197,032	1,079,533,141	402,320,286	2,055,949,829
Financial liabilities				
Payable to Management Company	-	-	1,424,675	1,424,675
Payable to Habib Metropolitan Bank Limited - Trustee	-	-	712,336	712,336
Payable against purchase of investments	-	-	98,559,700	98,559,700
Redemption payable	-	-	781,008	781,008
Accrued expenses and other liabilities	-	-	723,020	723,020
Sub Total	-	-	102,200,739	102,200,739
On-balance sheet gap	561,197,032	1,079,533,141	402,320,286	(89,301,369)

As at 30 th June 2008				
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)				
On-balance sheet financial instruments				
Financial assets				
Balances with banks - in deposit account	1,975,101	-	-	1,975,101
Receivable against reverse repurchase transactions in Government Securities	79,000,000	-	-	79,000,000
Investment in Government Securities	-	48,887,690	232,555,743	281,443,433
Income receivable	-	-	3,326,480	3,326,480
Sub Total	80,975,101	48,887,690	232,555,743	365,745,014
Financial liabilities				
Payable to Management Company	-	-	145,466	145,466
Payable to Habib Metropolitan Bank Limited - Trustee	-	-	72,733	72,733
Accrued expenses and other liabilities	-	-	520,063	520,063
Sub Total	-	-	738,262	738,262
On-balance sheet gap	80,975,101	48,887,690	232,555,743	2,588,218

20.1.3 Price Risk

Price risk is the risk that the fair value or future cashflows 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. Presently, the Scheme is not exposed to equity securities price risk as the Fund does not hold any equity securities as at 30th June 2009.

20.2 Credit Risk

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

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, at the option of unit holders. 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.

The Scheme has the ability to borrow in the short term to ensure settlement. However, as at 30th June 2009, the Scheme has no borrowing outstanding. 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 Scheme. 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 request 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 redemptions during the year.

For effective Fund management, the Fund Manager monitors the fund's liquidity position on a daily basis, and on a regular basis the "Investment Committee" and the "Board of Directors" review the same.

The table below analyses the Scheme'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.

METROBANK - PAKISTAN SOVEREIGN FUND - PERPETUAL

Liabilities	As at 30 th June 2009			Total
	Upto three months	More than three months and upto one year	More than one year	
Remuneration payable to Management Company	1,424,675	-	-	1,424,675
Remuneration payable to Trustee	712,336	-	-	712,336
Payable to Securities and Exchange Commission of Pakistan	527,251	-	-	527,251
Payable against purchase of investments	98,559,700	-	-	98,559,700
Redemption payable	781,008	-	-	781,008
Auditors' remuneration	274,551	-	-	274,551
Brokerage payable	14,011	-	-	14,011
Printing and publication charges payable	-	85,025	-	85,025
Other accrued expenses	349,433	-	-	349,433
	102,642,965	85,025	-	102,727,990

Liabilities	As at 30 th June 2008			Total
	Upto three months	More than three months and upto one year	More than one year	
Remuneration payable to Management Company	145,466	-	-	145,466
Remuneration payable to Trustee	72,733	-	-	72,733
Payable to Securities and Exchange Commission of Pakistan	771,953	-	-	771,953
Payable against purchase of investments	-	-	-	-
Redemption payable	-	-	-	-
Auditors' remuneration	320,206	-	-	320,206
Brokerage payable	18,016	-	-	18,016
Printing and publication charges payable	-	82,011	-	82,011
Other accrued expenses	99,830	-	-	99,830
	1,428,204	82,011	-	1,510,215

21 CAPITAL 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 Scheme'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 Scheme is required to distribute at least ninety percent of its income from sources other than capital gains as reduced by such expenses as are chargeable to the Scheme

22. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the management company have approved bonus units of Re 0.07 per unit (2008: Rs 6.85 per unit) for the year ended 30th June 2009, amounting to Rs 2,783,549 (2008: Rs 49,968,966) in total in their meeting held on 6th July 2009. The financial statements for the year ended 30th June 2009 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending 30th June 2010.

23. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 28th July 2009 by the Board of Directors of the Management Company.

23.1 General and corresponding figures

- Corresponding figures have been rearranged and reclassified wherever necessary, for the purposes of comparison and better presentation. During the current year, there were no major reclassifications.
- Figures have been rounded off to the nearest thousand rupees.
- The bifurcation of undistributed income into realised and unrealised income at the beginning and end of the year as required by the NBFC Regulations has not been disclosed as such bifurcation is not practicable.

For Arif Habib Investments Limited
(Formerly: Arif Habib Investment Management Limited)
(Management Company)



Chief Executive



Director

**PATTERN OF UNIT HOLDING AS PER REQUIREMENTS OF
CODE OF CORPORATE GOVERNANCE
AS ON 30TH JUNE 2009**

Particulars	Units Held
Individuals	1,390,979
Associated Companies - Habib Metropolitan Bank Limited - Trustee	27,105,500
Directors & CEO	NIL
Public Sector Companies and Corporation	6,562,100
Investment Banks	2,035,800
Insurance Companies	918,800
Retirement Funds	1,236,500
Non Profit Organizations	105,500
Others Corporate Sector Entities	409,800
Shareholders holding ten percent or more other than Associated Company and directors	NIL
	39,764,979

PATTERN OF UNIT HOLDING BY SIZE

AS AT 30TH June 2009

No. of Unit Holders	Units Holdings		Total Units Held	Percentage
	FROM	TO		
16	1	- 100	496	0.00
25	101	- 500	6,431	0.02
30	501	- 1,000	15,434	0.04
14	1,001	- 5,000	49,518	0.12
10	5,001	- 10,000	64,400	0.16
3	10,001	- 15,000	38,000	0.10
2	20,001	- 25,000	42,100	0.11
4	40,001	- 45,000	164,200	0.41
1	45,001	- 50,000	47,500	0.12
4	60,001	- 65,000	246,000	0.62
1	100,001	- 105,000	101,800	0.26
1	105,001	- 110,000	105,500	0.27
2	205,001	- 210,000	416,100	1.05
1	405,001	- 410,000	409,800	1.03
2	410,001	- 415,000	823,400	2.07
1	505,001	- 510,000	509,200	1.28
1	615,001	- 620,000	615,300	1.55
1	810,001	- 815,000	814,800	2.05
1	815,001	- 820,000	817,000	2.05
1	2,035,001	- 2,040,000	2,035,800	5.12
1	2,075,001	- 2,080,000	2,079,400	5.23
1	3,255,001	- 3,260,000	3,257,300	8.19
1	27,105,001	- 27,110,000	27,105,500	68.16
124			39,764,979	100.00

PERFORMANCE TABLE

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

Fund keeps the average duration of its portfolio 1.08 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.

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A.F.FERGUSON & CO.

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INDEPENDENT AUDITORS' REPORT TO THE MANAGEMENT COMPANY

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, 2009, and the related income statement, distribution statement, cash flow statement and statement of movement in unit holders' funds 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 auditing standards 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 judgement, 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 state of the Sub-scheme's affairs as at June 30, 2009 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Other matters

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

The financial statements of the Sub - Scheme for the year ended June 30, 2008 were audited by another firm of Chartered Accountants who had included the following qualification in respect of the investment of the Sub - Scheme in government securities in their report dated July 25, 2008:



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"Uptil 25 November 2007, investments made by the Sub - Scheme in government securities were marked to market using an average market rate (mid market rate) calculated on the basis of quotations obtained from brokers. However, as per the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, securities which were not quoted on the stock exchange were required to be carried at the lower of investment price and break up value. The Non-Banking Finance Companies (Establishment and Regulation) Rules 2003, were amended on 21 November 2007 and the requirements to compute the net assets of a collective investment scheme are now laid down in Regulation 2 (1) (xvi) (k) of the Non-Banking Finance Companies and Notified Entities Regulations, 2007. This regulation requires that investment in government securities not quoted on a stock exchange and traded in the interbank market shall be valued at the average rate quoted on a widely used electronic quotation system. Accordingly, with effect from 26 November 2007, the Sub-scheme has now complied with the requirements of the new Regulations.

Had these securities been valued up to 25 November 2007 at lower of investment price and break up value, the Net Assets Value of the sub-scheme during the period would have been different and consequently the number of units sold / repurchased during the period as well as the element of income / (loss) and capital gains / (losses) included in the prices of units sold less those in units repurchased recorded by the Sub-scheme would also have been different. These effects have not been quantified as it was not practical to do so."

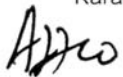


Chartered Accountants

Engagement Partner: Rashid A. Jafer

Dated: 28 JUL 2009

Karachi



**STATEMENT OF ASSETS AND LIABILITIES
AS AT 30TH JUNE 2009**

	Note	2009	2008
		----- Rupees-----	
Assets			
Balances with banks - in deposit account	4	232,785	158,422
Investments in Government Securities	5	517,099	514,905
Income receivable	6	15,111	14,805
Advances and prepayments	7	63	225
Total assets		765,058	688,357
Liabilities			
Payable to Management Company	8	185	166
Payable to Habib Metropolitan Bank Limited - Trustee	9	93	82
Payable to Securities and Exchange Commission of Pakistan	10	602	692
Accrued expenses and other liabilities	11	1,054	665
Total liabilities		1,934	1,605
Net Assets		763,124	686,752
Unit holders' funds (as per statement attached)		763,124	686,752
		(Number of Units)	
Number of units in issue		13,262	12,621
		(Rupees)	
Net asset value per unit		57.54	54.41

The annexed notes 1 to 21 form an integral part of these financial statements.

For Arif Habib Investments Limited
(Formerly: Arif Habib Investment Management Limited)
(Management Company)


Chief Executive


Director

**INCOME STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2009**

	Note	2009 ----- Rupees-----	2008
INCOME			
Income from investments in Government Securities		35,077	37,053
Profit on bank deposits		9,550	2,286
Total Income		44,627	39,339
EXPENSES			
Remuneration of Management Company	8	2,122	1,884
Remuneration of Habib Metropolitan Bank Limited - Trustee	9	1,061	942
Securities and Exchange Commission of Pakistan - Annual fee	10	602	692
Printing and publications		78	105
Fees and subscriptions		360	86
Legal and professional charges		194	292
Auditors' remuneration	12	956	442
Amortisation of preliminary expenses and floatation costs		-	40
Total expenses		5,373	4,483
Net income from operating activities		39,254	34,856
Element of income and realised capital gains during the period included in prices of units issued less those in units redeemed		1,141	1,970
Net income		40,395	36,826

The annexed notes 1 to 21 form an integral part of these financial statements.

For Arif Habib Investments Limited
(Formerly: Arif Habib Investment Management Limited)
(Management Company)


Chief Executive


Director

**DISTRIBUTION STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2009**

	2009 ----- Rupees-----	2008
Undistributed income brought forward	143,923	138,731
Final distribution of Rs 2.63 per unit in terms of bonus units for the year ended 30 th June 2008 (Date of distribution 3 rd July 2008) (2007 : Rs 2.63 per unit)	(33,193)	(31,634)
Net income for the year	40,395 7,202	36,826 5,192
Undistributed income carried forward	151,125	143,923

The annexed notes 1 to 21 form an integral part of these financial statements.

**For Arif Habib Investments Limited
(Formerly: Arif Habib Investment Management Limited)
(Management Company)**


Chief Executive


Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2009**

	2009	2008
	----- Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	40,395	36,826
Adjustments for :		
Element of (income) / loss and realised capital (gains) / losses during the year included in prices of units issued less those in units redeemed	(1,141)	(1,970)
Amortisation of preliminary expenses and floatation costs	-	40
	<u>39,254</u>	<u>34,896</u>
(Increase) / decrease in assets		
Investments	34,924	32,946
Income receivable	(306)	(538)
Advances and prepayments	162	(46)
	<u>34,780</u>	<u>32,362</u>
Increase / (decrease) in liabilities		
Payable to Arif Habib Investments Limited - Management Company	19	5
Payable to Habib Metropolitan Bank Limited - Trustee	11	2
Payable to Securities and Exchange Commission of Pakistan - Annual fee	(90)	42
Accrued expense and other liabilities	389	269
	<u>329</u>	<u>318</u>
Net cash from operating activities	<u>74,363</u>	<u>67,576</u>
Net increase in cash and cash equivalents	74,363	67,576
Cash and cash equivalents at beginning of the year	158,422	90,846
Cash and cash equivalents at end of the year	<u>232,785</u>	<u>158,422</u>

The annexed notes 1 to 21 form an integral part of these financial statements.

**For Arif Habib Investments Limited
(Formerly: Arif Habib Investment Management Limited)
(Management Company)**


Chief Executive


Director

**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED 30TH JUNE 2009**

	Note	2009 ----- Rupees-----	2008
Net assets at the beginning of the year		686,752	672,997
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed:			
- amount representing income and realised capital gains during the year - transferred to the Income Statement		(1,141)	(1,970)
Net unrealised Appreciation / (Diminution) in market value of investments classified as 'Available for sale'	5.2	37,118	(21,101)
Final distribution of 641 bonus units for the year ended 30 th June 2008 (2007: 593 bonus units)		33,193	31,634
Net income for the year less distribution		7,202	5,192
Net assets as at 30 th June 2009		<u>763,124</u>	<u>686,752</u>
Net asset value per unit		<u>57.54</u>	<u>54.41</u>

The annexed notes 1 to 21 form an integral part of these financial statements.

For Arif Habib Investments Limited
(Formerly: Arif Habib Investment Management Limited)
(Management Company)


Chief Executive


Director

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2009**

1. LEGAL STATUS AND NATURE OF BUSINESS

The MetroBank - Pakistan Sovereign Fund was established under a Trust Deed executed between Arif Habib Investments Limited (AHIL) formerly known as Arif Habib Investment Management Limited (AHIML) as Management Company and Habib Metropolitan Bank Limited as Trustee. The Trust Deed was executed on 24th December 2002 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 7th January 2003 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules). The Management Company of the Fund has obtained the requisite license from SECP, under the Non Banking Finance Companies (Establishment and Regulations) Rules, 2003 (NBFC Rules) and Non Banking Finance Companies and Notified Entities Regulation, 2008, to undertake asset management services. The constitutive documents of the Fund (Trust Deed and Offering Document) were revised by the management company with the approval of the Trustee through Supplemental Deed dated 24th November 2005. Further, the revised offering document of the Fund was revised with effect from 13th December 2006. Furthermore, the trust deed was revised through second supplemental deed dated 21st May 2009.

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

The Pakistan Credit Rating Agency (PACRA) Limited has assigned asset manager rating of AM2 to the Management Company and 1-star normal and 2-star long term to the Fund.

The Fund consists of a 'perpetual' (the scheme) and one sub-scheme as at 30th June 2009 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]	31 st December 2012

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

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

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

These financial statements are the financial statements of the sub-scheme MSF 12/12. The Fund can directly invest in Pakistan rupee denominated bonds and debt securities issued by Government of Pakistan, reverse repurchase transactions in Government Securities and any otherwise un-invested funds in deposits with banks and financial institutions.

2. BASIS OF PRESENTATION

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

During the year ended 30th June 2009, IFRS 7 'Financial Instruments: Disclosures' became effective. IFRS 7 has superseded IAS 30 and the disclosure requirements of IAS 32. Adoption of this standard has only resulted in additional disclosures which have been set out in note 18 to these financial statements.

There are other standards, amendments and interpretations that were mandatory for accounting periods beginning on or after 1st July 2008 but were considered not to be relevant or did not have any significant effect on the Sub-scheme's operations.

2.3 Standards, interpretations and amendments to published accounting standards that are not yet effective

IAS 1 (Revised), 'Presentation of financial statements' (effective for annual periods beginning on or after 1st January 2009), was issued in September 2007. The revised standard requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) will be required to be presented separately from owner changes in equity, either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). When the entity applies an accounting policy retrospectively or makes retrospective statement or reclassifies items in the financial statements, they will be required to present a restated financial position (balance sheet) as at beginning of comparative period in addition to the current requirement to present the balance sheet as at the end of the current and the comparative period. The adoption of this standard will only impact the presentation of the financial statements.

IAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement' - Reclassification of Financial Assets (Effective from 1st January 2009). This amendment to the Standard permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category, a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available-for-sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The management is in the process of assessing the impact of its adoption on the Sub-Scheme's financial statements.

IFRS 7 (Amendment), 'Financial Instruments: Disclosure'. There are a number of minor amendments to IFRS 7 in respect of enhanced disclosures about liquidity risk and fair value measurements. These amendments are unlikely to have an impact on the Sub-Scheme's financial statements and have therefore not been analysed in detail.

IAS 38 (Amendment), 'Intangible assets' (effective from 1st January 2009). The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access of goods or receipt of services. This amendment is not expected to have a significant effect on the Sub-Scheme's financial statements.

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after 1st January 2009 but are considered not to be relevant or to have any significant effect on the Sub-Scheme's operations and are therefore not detailed in these financial statements.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Sub-Scheme's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Sub-Scheme's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments as detailed in note 3.1 and note 5.

2.5 Accounting convention

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

2.6 Functional and Presentation Currency

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

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

3.1 Financial assets

3.1.1 Classification

The Sub-Scheme's classifies its financial assets in the following categories: financial assets at fair value through profit or loss, available for sale and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the 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

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

b) Loans and receivables

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

c) Available for sale financial assets

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

3.1.2 Regular way contracts

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

3.1.3 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.

3.1.4 Subsequent measurement

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

Basis of valuation of Government Securities

The investment of the Sub-Scheme's in Government Securities is valued on the basis of rates announced by the Financial Market Association.

3.1.5 Impairment

The Sub-Scheme assesses at each balance sheet date whether there is objective evidence that the financial asset or a group of financial assets is impaired. For loans and receivables, a provision for impairment is established when there is objective evidence that the Sub-Scheme will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

3.1.6 Derecognition

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

3.1.7 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 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.

3.2 Financial liabilities

A financial liability is 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 has expired.

3.3 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.

3.4 Securities under repurchase / resale agreements

Transactions of purchase under resale (reverse-repo) of 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. Amounts 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.

3.5 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.

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.

3.6 Proposed dividend and transfer between reserves

Dividends declared and transfers between reserves made subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such dividends are declared / transfers are made.

3.7 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.

3.8 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 estimate.

3.9 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.

3.10 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.

3.11 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. Accordingly, no tax liability has been recorded for the current year.

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.

3.12 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Sub-Scheme and include underwriting commission, commission to the bankers to the issue, brokerage paid to the members of the stock exchanges and other expenses. These costs have been amortised over a period of five years starting from the commencement of operations of the Sub-Scheme.

3.13 Revenue recognition

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

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

Profit on bank deposits is recognised on an accrual basis.

Profit on investment is recognised on an accrual basis.

3.14 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances.

3.15 Foreign currency translation

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

	30 th June 2009	30 th June 2008
	----- Rupees-----	
4 BALANCES WITH BANKS		
In deposit accounts	<u>232,785</u>	158,422
	<u>232,785</u>	<u>158,422</u>
4.1 These carry a rate of return of 5 % (2008 : 5%) per annum.		

5 INVESTMENT IN GOVERNMENT SECURITIES - 'AVAILABLE FOR SALE'

Issue date	Tenor	Face value Rs. In Thousands				30 th June 2009 (Rupees)			Percentage of net assets	Percentage of total investment
		Balance as at 1 st July 2008	Purchases during the year	Sales / Matured during the period	Balance as at 30 th June 2009	Cost	Market Value	Appreciation / (Diminution)		
Pakistan Investment Bond										
18 April 2001	10 Years	500	-	-	500	568,192	517,099	(51,093)	67.76%	100.00%
							<u>517,099</u>	<u>(51,093)</u>	<u>67.76%</u>	<u>100.00%</u>

5.1 The PIB carry return at the rate of 5.90% (2008: 5.90%)

	30 th June 2009	30 th June 2008
	----- Rupees-----	
5.2 Net unrealised (loss) / gain on revaluation of investments classified as 'Available for Sale'		
Market value of investments	517,099	514,905
Cost of investments	<u>(568,192)</u>	<u>(603,116)</u>
	(51,093)	(88,211)
Net unrealised diminution in the value of securities at beginning of the year	<u>88,211</u>	67,110
	<u>37,118</u>	<u>(21,101)</u>

6 INCOME RECEIVABLE

Profit on bank deposits	956	652
Income receivable on Government Securities	<u>14,155</u>	<u>14,153</u>
	<u>15,111</u>	<u>14,805</u>

7 ADVANCES AND PREPAYMENTS

Advance tax	-	193
Prepayments	<u>63</u>	<u>32</u>
	<u><u>63</u></u>	<u><u>225</u></u>

8 PAYABLE TO MANAGEMENT COMPANY

Under the provisions of the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non Banking Finance Companies and Notified Entities Regulation, 2008, the Management Company of the Sub-Scheme is entitled to a remuneration during the first five years of the Sub-Scheme, of an amount not exceeding three percent of the average annual net assets of the Sub-Scheme and thereafter of an amount equal to two percent of such assets of the Sub-Scheme. The Management Company charges its remuneration at the rate of 5 percent of the Sub-Scheme's operating revenue in accordance with the Trust Deed and Annexure B to the Offering Document subject to the limits described above.

9 PAYABLE TO HABIB METROPOLITAN BANK LIMITED - TRUSTEE

The trustee is entitled to a monthly remuneration for the services rendered to the Sub-Scheme at the rate of 2.5 percent of the Sub-Scheme's operating revenue.

10 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 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.

11 ACCRUED EXPENSES AND OTHER LIABILITIES

	30 th June 2009	30 th June 2008
	----- Rupees-----	
Auditors' remuneration	358	406
Printing and publication charges payable	129	89
Others	<u>567</u>	<u>170</u>
	<u><u>1,054</u></u>	<u><u>665</u></u>

12 FINANCIAL INSTRUMENTS BY CATEGORY

	-----As at 30 th June 2009-----		
	Loans and receivables	Available for Sale	Total
	----- Rupees -----		
Assets			
Balances with banks - in deposit account	232,785	-	232,785
Investment in Government Securities	-	517,099	517,099
Income receivable	<u>15,111</u>	<u>-</u>	<u>15,111</u>
	<u><u>247,896</u></u>	<u><u>517,099</u></u>	<u><u>764,995</u></u>

	-----As at 30 th June 2009-----		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	----- Rupees -----		
Financial liabilities			
Payable to Management Company	-	185	185
Payable to Habib Metropolitan Bank Limited - Trustee	-	93	93
Accrued expenses and other liabilities	-	1,054	1,054
	<u>-</u>	<u>1,332</u>	<u>1,332</u>

	-----As at 30 th June 2008-----		
	Loans and receivables	Available for Sale	Total
	----- Rupees -----		
Assets			
Balances with banks - in deposit account	158,422	-	158,422
Investment in Government Securities	-	514,905	514,905
Income receivable	14,805	-	14,805
	<u>173,227</u>	<u>514,905</u>	<u>688,132</u>

	-----As at 30 th June 2008-----		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	----- Rupees -----		
Financial liabilities			
Payable to Arif Habib Management Company	-	166	166
Payable to Habib Metropolitan Bank Limited - Trustee	-	82	82
Accrued expenses and other liabilities	-	665	665
	<u>-</u>	<u>913</u>	<u>913</u>

	30 th June 2009	30 th June 2008
	----- Rupees -----	
13 AUDITORS' REMUNERATION		
Annual audit fee	368	117
Half yearly review fee	199	50
Other certifications and services	283	254
Out of pocket expenses	106	21
	<u>956</u>	<u>442</u>

14 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include Arif Habib Investments Limited (formerly Arif Habib Investment Management Limited) being the Management Company, Habib Metropolitan Bank Limited being the Trustee of the Sub-Scheme and MSF Perpetual being the Scheme of the Sub-Scheme.

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

Remuneration payable to the Management Company and the 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:

	2009	2008
	----- Rupees-----	
Transactions and balances with connected persons		
Management Company		
Balance at beginning of the year	166	161
Remuneration for the year	2,122	1,884
	<u>2,288</u>	<u>2,045</u>
Amounts paid during the year	(2,103)	(1,879)
Balance at the end of the year	<u>185</u>	<u>166</u>
Issue of 586 bonus units (2008: 543 units)	30,357	28,930
Units held 12,129 units (2008: 11,543 units)	697,894	627,570
Habib Metropolitan Bank Limited - Trustee		
Trustee fee		
Balance at the beginning of the year	82	80
Remuneration for the year	1,061	942
	<u>1,143</u>	<u>1,022</u>
Amounts paid during the year	(1,050)	(940)
Balance at the end of the year	<u>93</u>	<u>82</u>
Deposits		
Balance at end of the year	<u>232,785</u>	<u>158,422</u>
Profit Receivable	<u>956</u>	<u>652</u>
Profit on bank deposits	<u>9,550</u>	<u>2,286</u>
Transactions and balances with connected persons - Scheme and Sub-Schemes		
Amortisation of preliminary expenses and floatation cost transferred by MSF Perpetual	<u>-</u>	<u>40</u>

15 PARTICULARS OF INVESTMENT COMMITTEE

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

	Designation	Qualification	Experience in years
Mr. Adnan Siddiqui	Deputy Chief Executive Officer	MBA	19
Mr. Basharat Ullah Khan	Chief Investment Officer	MBA	16
Mr. Zafar Rehman	Head of Money Market Fund & Fund Manager	B.COM	17
Mr. Zeeshan	Chief Financial Officer	ACA	6

15.1 Other Funds managed by the Fund Manager

Pakistan Income Fund
Pakistan Income Enhancement Fund

16 DETAILS OF PATTERN OF UNIT HOLDING

	2009		
	Number of Investors	Amount of investment	% of Total
Associated Companies / Directors	1	697,929	91.46
Banks / DFIs	1	65,195	8.54
Total	2	763,124	100.00

DETAILS OF PATTERN OF UNIT HOLDING

	2008		
	Number of Investors	Amount of investment	% of Total
Associated Companies / Directors	1	628,083	91.46
Banks / DFIs	1	58,669	8.54
Total	2	686,752	100.00

17 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 52nd, 53rd, 54th, 55th, 56th, 57th, 58th, 59th, 60th, 61st and 62nd Board meetings were held on 3rd July 2008, 25th July 2008, 25th August 2008, 16th September 2008 30th September 2008 17th October 2008, 24th October 2008, 23rd February, 23rd April 2008, 24th April 2008 and 29th May 2008 respectively. Information in respect of attendance by Directors in the meetings is given below:

For the year ended 30th June 2009

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
1 Mr. Salim Chamdia	11	9	2	52 nd and 58 th meeting
2 Mr. Nasim Beg	11	10	1	58 th meeting
3 Mr. Sirajuddin Cassim	11	3	8	52 nd to 55 th and 59 th to 62 nd meeting
4 Mr. Muhammad Akmal Jameel	11	9	2	54 th and 61 st meeting
5 Mr. Muhammad Kashif	11	7	4	55 th , 60 th , 61 st and 62 nd meeting
6 Mr. Muhammad Shafi Malik	11	10	1	56 th meeting
7 Mr. Mirza Qamer Beg*	1	1	-	-
8 Syed Ajaz Ahmed**	4	4	-	-

* Mr. Mirza Qamar Baig resigned from the office on 3rd July 2008.

** Syed Ajaz Ahmed was appointed as director on 19th December 2008.

18 FINANCIAL RISK MANAGEMENT

The Sub-Scheme is exposed to a variety of financial risks: market risk, credit risk and liquidity risk.

18.1 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 Investment Committee 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.

18.1.1 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.

18.1.2 Interest rate risk

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

Sensitivity analysis for fixed rate instruments

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

As at 30th June 2009, the Sub-Scheme holds Pakistan Investment Bonds which are classified as available for sale, 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 30th June 2009, the net income for the year and net assets would be lower by Rs 8,021, (2008: Rs 11,559) . In case of 100 basis points decrease in rates announced by Financial Market Association on 30th June 2009, the net income for the year and net assets would be higher by Rs. 8,192 (2008: Rs 11,905).

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

As at 30th June 2009

	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)					
On-balance sheet financial instruments					
Financial assets					
Balances with banks - in deposit account	232,785	-	-	-	232,785
Investment in Government Securities	-	-	517,099	-	517,099
Income receivable	-	-	-	15,111	15,111
Sub Total	232,785	-	517,099	15,111	764,995
Financial liabilities					
Payable to Management Company	-	-	-	185	185
Payable to Habib Metropolitan Bank Limited - Trustee	-	-	-	93	93
Accrued expenses and other liabilities	-	-	-	1,054	1,054
Sub Total	-	-	-	1,332	1,332
On-balance sheet gap	232,785	-	517,099	13,779	763,663

 As at 30th June 2008

	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)					
On-balance sheet financial instruments					
Financial assets					
Balances with banks - in deposit account	158,422	-	-	-	158,422
Investment in Government Securities	-	-	514,905	-	514,905
Income receivable	-	-	-	14,805	14,805
Sub Total	158,422	-	514,905	14,805	688,132
Financial liabilities					
Payable to Management Company	-	-	-	166	166
Payable to Habib Metropolitan Bank Limited - Trustee	-	-	-	82	82
Accrued expenses and other liabilities	-	-	-	665	665
Sub Total	-	-	-	913	913
On-balance sheet gap	158,422	-	514,905	13,892	687,219

18.1.3 Price Risk

Price risk is the risk that the fair value or future cashflows 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. Presently, the Sub - Scheme is not exposed to equity securities price risk as the Fund does not hold any equity securities as at 30th June 2009.

18.2 Credit Risk

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

18.2.1 Investment in Government Securities

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

18.3 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, at the option of unit holders. 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.

The Sub-Scheme has the ability to borrow in the short term to ensure settlement. However, as at 30th June 2009, the Sub-Scheme has no borrowing outstanding. 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 Fund management, the Fund Manager monitors the fund's liquidity position on a daily basis, and on a regular basis the "Investment Committee" and the "Board of Directors" review the same.

The table below analyses the Sub-Scheme'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.

LIABILITIES	As at 30 th June 2009			Total
	Upto three months	More than three months and upto one year	More than one year	
Remuneration payable to management company	185	-	-	185
Remuneration payable to trustee	93	-	-	93
Payable to Securities and Exchange Commission of Pakistan	602	-	-	602
Auditors' remuneration	358	-	-	358
Printing and publication charges payable	-	129	-	129
Other accrued expenses	567	-	-	567
	1,805	129	-	1,934

LIABILITIES

Remuneration payable to management company
 Remuneration payable to trustee
 Payable to Securities and Exchange Commission of Pakistan
 Auditors' remuneration
 Printing and publication charges payable
 Other accrued expenses

As at 30 th June 2008			
Upto three months	More than three months and upto one year	More than one year	Total
166	-	-	166
82	-	-	82
692	-	-	692
406	-	-	406
-	89	-	89
170	-	-	170
1,516	89	-	1,605

19 CAPITAL 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 Sub-Scheme'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 Sub-Scheme is required to distribute at least ninety percent of its income from sources other than capital gains as reduced by such expenses as are chargeable to the Sub-Scheme.

20. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company have approved bonus units of Rs. 2.75 per unit (2008: 2.63 per unit) for the year ended 30th June 2009, amounting to Rs. 36,470 (2008: Rs. 33,193) in total in their meeting held on 6th July 2009. The financial statements for the year ended 30th June 2009 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending 30th June 2010.

21. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 28th July 2009 by the Board of Directors of the Management Company.

21.1 General and corresponding figures

- Corresponding figures have been rearranged and reclassified wherever necessary, for the purposes of comparison and better presentation. During the current year, there were no major reclassifications.
- Figures have been rounded off to the nearest thousand rupees.
- The bifurcation of undistributed income into realised and unrealised income at the beginning and end of the year as required by the NBFC Regulations has not been disclosed as such bifurcation is not practicable.

For Arif Habib Investments Limited
(Formerly: Arif Habib Investment Management Limited)
(Management Company)


Chief Executive


Director

**PATTERN OF UNIT HOLDING AS PER REQUIREMENTS OF
CODE OF CORPORATE GOVERNANCE
AS ON 30TH JUNE 2009**

Particulars	Units Held
Associated Companies - Arif Habib Investments Limited - Management Company (Formerly Arif Habib Investment Management Limited)	12,129
Directors & CEO	NIL
Retirement Funds	1,133
Shareholders holding ten percent or more other than Associated Company and directors	NIL
	13,262

PATTERN OF UNIT HOLDING BY SIZE

AS AT 30TH June 2009

No. of Unit Holders	Units Holdings		Total Units Held	Percentage
	FROM	TO		
1	1	- 5,000	1,133	8.54
1	10,001	- 15,000	12,129	91.46
<u>2</u>			<u>13,262</u>	<u>100.00</u>

PERFORMANCE TABLE

	2009	2008	2007	2006	2005	2004	2003*
	----- (Rupees in '000) -----						
Net assets	763	687	673	635	598	444,933	154,763
Net income / (loss) after taxation	40	37	35	59	(600)	1,242	(604)
	----- (Rupees) -----						
Net assets value per unit	57.54	54.41	55.95	56.20	52.96	44.97	50.55
Dividend distribution per unit - Interim	-	-	-	-	-	1,2942	-
Dividend distribution per unit - Final	2.7500	2.6300	2.6300	4.6847	-	-	0.21
Selling price per unit at end of the year	57.60	54.42	56.02	56.33	52.91	45.19	50.37
Reperchase price per unit at end of the year	54.54	54.37	55.96	56.27	52.86	45.10	50.27
Highest offer price per unit	57.60	55.84	56.02	56.60	69.70	52.02	55.00
Lowest offer price per unit	51.23	53.42	51.57	51.98	42.76	45.08	48.66
Highest repurchase price per unit	57.54	55.78	55.96	56.54	69.56	51.92	54.89
Lowest repurchase price per unit	51.18	53.37	51.52	51.93	42.67	44.99	48.56
	----- (Announcement date of distribution) -----						
Dividend distribution per unit - Final	6-Jul-2009	3-Jul-2008	4-Jul-2007	4-Jul-2006	-	24-Sep-2003	4-Jul-2003
	----- (Percentage) -----						
Total return of the fund	13.94	2.04	8.61	6.12	17.77	(8.18)	1.10
Annual dividend distribution	0.14	4.93	5.11	8.85	-	2.55	0.42
Capital growth	13.8	(2.89)	3.50	(2.73)	17.77	(10.73)	0.68
Average annual return :							
One Year	13.94	2.04	8.61	6.12	17.77	8.18	3.30
Second Year	9.83	5.28	7.37	11.81	3.98	-	-
Third Year	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.