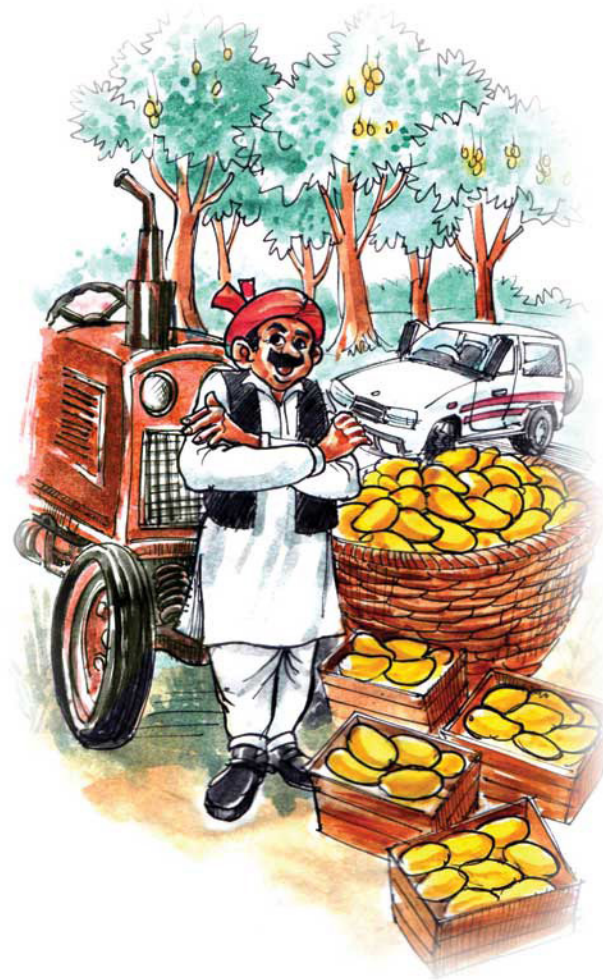




Bachat ka Doosra Naam

**Annual Report
2013**



Sabar Ka Phal Meetha

MCB

DYNAMIC
STOCK FUND

MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Ltd.)

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Vision

To become synonymous with Savings.

Mission

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

Core Values

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

FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings and Investments Limited (Formerly: Arif Habib Investments Limited) 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Board of Directors of the Management Company	Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman(subject to the approval of SECP) Executive Vice Chairman Chief Executive Officer (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director Director (subject to the approval of SECP)
Audit Committee	Mr. Haroun Rashid Mr. Nasim Beg Mr. Samad A. Habib	Chairman Member Member
Human Resource Committee	Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Yasir Qadri	Chairman Member Member Member Member
Company Secretary & Chief Operating Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer	Mr. Umair Ahmed	
Trustee	Central Depository Company of Pakistan Limited CDC House, 990B Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
Bankers	MCB Bank Limited Bank Al Falah Limited Faysal Bank Limited NIB Bank Limited	
Auditors	KPMG Taseer Hadi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Building No. 2 Beaumont Road, Karachi - 75530	
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
Transfer Agent	MCB-Arif Habib Savings and Investments Limited (Formerly: Arif Habib Investments Limited) 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Rating	AM2 - Management Quality Rating assigned by PACRA	

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2013

The Board of Directors of MCB-Arif Habib Savings and Investments Limited (Formerly Arif Habib Investments Limited) the Management Company of MCB Dynamic Stock Fund (DSF), is pleased to present the Annual Report on the affairs of DSF for the year ended June 30, 2013.

Equities Market Overview

The local stock market recorded substantial growth reflected by the KSE-100 index, which rose by a remarkable 52% in FY13 as against an average annual growth of 25% during the past three fiscal years. This helped the local equity market shine as one of the best performing markets in the world.

Buoyed by stable macroeconomic environment and strengthening fundamentals, the stock market started the year on a strong note. The market touched an all-time high of around 22,757 on 13th June, 2013.

The volume remained healthy with an average daily market turnover of around 200 million shares during the year. At this level, the index volume was nearly 1.5 times and 2 times higher than the average index volume in FY12 and FY11, respectively. Foreign investors also remained at the forefront given that the market closed its fiscal year recording net foreign inflows of around \$568.9 million as opposed to the net outflow of \$189 million in FY12.

A combination of lower commodity prices, monetary easing, CSF inflows, foreign portfolio inflows, rupee depreciation, smooth political transition, buyout of Unilever Pakistan Limited, along with expectation regarding resolution of circular debt, IMF loan extension and improved relationship with key strategic allies after the formation of new government, helped the stock market climb strongly during the year. In addition, monetary easing in developed countries also played a catalyst as they continued to facilitate the flow of funds towards the developing countries. However, the good part is that a slew of positive developments managed to play-down the negative sentiments arising from poor law and order situation and energy crisis in the country.

The saving grace came in the shape of stable commodity prices, which reduced the pressure on fiscal and external account front. In light of tepid inflationary pressures, with average inflation stood around 7.4% in FY13, policy makers reduced the discount rate to 9% towards the end of the fiscal year, marking a total cut of 3 percentage points during the year.

Although, the overall balance of payment deficit narrowed to \$ 2.4 billion in FY13 from around \$3.3 billion in FY12, foreign reserves depleted by around \$4.2 billion during the year to \$11 billion at the end of the year- mainly on the account of timely loan repayments to IMF.

Benefiting from inventory gains, and China's sustained appetite for coarse count textile products, scrips of the sector managed to lead the pack, while higher cement prices in the local market amid lower coal prices helped cement companies to stay on a roll. The decline in discount rate brought debt-laden companies into the limelight, while rupee depreciation widened the margins of exporters such as the textile sector and companies with dollar/oil based tariffs.

On the contrary, fertilizer and banking sector remained trailed, as a reaction to lowering in discount rate. Gas curtailment issues kept investor at bay from fertilizer sector.

Future Outlook

A string of positive developments arising since the formation of new government suggests positive outlook for equity markets. The government's apparent commitment towards the resolution of circular debt, recovery of \$800 million from Etisalat, privatization of state owned entities, together with higher PSDP allocation for FY14 will continue to keep investors' confidence intact. Higher PSDP allocation is likely to support stocks of companies in construction materials sector, while expected rupee depreciation may continue to support textile exports, chemical and energy sector.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2013

The country's likely comeback in fresh IMF program will pave the way for structural, monetary and fiscal reforms. As outlook on further monetary easing changes, the lagging banking sector may start to catch up..

With the global commodity prices unlikely to rise the trade balance looks stable. Also, in consideration of various tax measures imposed in FY14, targeted fiscal deficit level of 6.3% doesn't appear as farfetched as it has in the last few years.

Fund's Performance

The investment objective of the fund is to provide long term capital appreciation through a research-based selection of a combination of value and growth stocks. Period under review is marked with numerous major events on international, political and macroeconomic fronts that not only affected market movements but also kept changing fundamentals of many sectors and companies. Fund kept a vigilant eye on such developments and kept adjusting sector, company and overall equity exposure of the fund accordingly. During the year fund not only kept strong positions in defensive sectors like Oil and Gas and Electricity but also took aggressive positions in Construction and Materials that remained one of the highest earning growth sectors of the year while fund took a cautious stance towards fertilizer companies because of high degree of earnings uncertainty. Besides these major shifts, fund exploited many lucrative opportunities offered by various companies related to Fixed Line Telecommunication, Engineering, and Chemical sectors.

The fund generated a return of 52.6% during the year as against its benchmark KSE-30 Index return of 35.9%, an out-performance of 16.7%. Since inception return of the fund has been staggering at 185.7% as against its benchmark return of 15.4%, an out-performance by 170.3%. Net assets of fund were increased by Rs 161m (around 22%) during the year.

The Fund yields for the period under review remained as follows:

Performance Information (%)	DSF	Benchmark
Last twelve Months Return	52.6%	35.9%
Since Inception	185.7%	15.4%

During the year your fund earned net income of Rs 305.51 million. The Board in the meeting held on July 04, 2013 has declared final distribution amounting to Rs. 227.44 million (i.e. Rs. 33.6889 per unit).

During the period, units worth Rs.552.687 million were issued and units with a value of Rs. 699.078 million were redeemed. As on 30 June 2013 the NAV of the Fund was Rs. 131.343 per unit.

Update on Workers' Welfare Fund

Through the Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment it appears that WWF Ordinance has become applicable to all Collective Investment Schemes (CISs) whose income exceeds Rs. 0.5 million in a tax year. In light of this, the Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honorable Sindh High Court challenging the applicability of WWF on CISs which was dismissed mainly on the ground that MUFAP is not an aggrieved party.

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

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2013

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

Subsequent to the year ended June 30, 2011, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC. In March 2013 a larger bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity.

However, as per our legal counsel the stay granted to Collective Investment Schemes (CIS) remains intact and the constitution petitions filed by the CIS to challenge the Workers Welfare Fund contribution have not been affected SHC judgment.

In view of the afore mentioned developments and uncertainties created by the recent decision by Honourable Sindh High Court, the Management Company as a matter of abundant precaution has charged provision for WWF in these financial statements.

Corporate Governance

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

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

- a. Financial statements present fairly the statement of affairs, the results of operations, cash flows and Change in unit holders' fund.
- b. Proper books of accounts of the Fund have been maintained during the year.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable prudent judgment.
- d. Relevant International Accounting Standards, as applicable in Pakistan, provisions of the Non Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- h. Key financial data as required by the Code of Corporate Governance has been summarized in the financial statements.

**REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY
FOR THE YEAR ENDED JUNE 30, 2013**

- i. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- j. The statement as to the value of investments of provident fund is not applicable on the Fund but applies to the Management Company; hence appropriate disclosure has been made in the Directors' Report of the Management Company.
- k. The detailed pattern of unit holding, as required by NBFC Regulations and the Code of Corporate Governance are enclosed.
- l. The details of attendance of Board of Directors meeting is disclosed in note 19.3 to the attached financial statements. Below is the details of committee meetings held during the year ended June 30, 2013:

1. Meeting of Human resource and remuneration committee (held on August 13, 2012 and April 04, 2013)

S. No.	Name	Designation	Total Meetings Held	No. of Meetings Attended	Leave granted
1.	Dr. Syed Salman Shah	Chairman	2	2	-
2.	Mr. Haroun Rashid	Member	2	1	1
3.	Mr. Nasim Beg	Member	2	2	-
4.	Mr. Ahmed Jahangir	Member	2	2	-
5.	Mr. Yasir Qadri	Member	2	2	-

2. Meeting of Audit Committee (held on August 13, 2012, October 24, 2012, February 1, 2013 and April 23, 2013)

S. No.	Name	Designation	Total Meetings Held	No. of Meetings Attended	Leave granted
1.	Mr. Haroun Rashid	Chairman	4	3	1
2.	Mr. Nasim Beg	Member – Executive Vice Chairman	4	4	-
3.	Mr. Samad A. Habib	Member	4	4	-
4.	Mr. Ali Munir*	Member	2	-	2

* Mr. Ali Munir ceased to be the member of Audit Committee w.e.f. October 25, 2012.

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

**REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY
FOR THE YEAR ENDED JUNE 30, 2013**

S. No.	Name	Designation	Investment	Redemption	Bonus
			(Number of Units)		
1	Mr. Nasim Beg	Executive Vice Chairman	-	-	-
2	Mr. Yasir Qadri	Chief Executive Officer	1,392	-	-
3	Mr. Saqib Saleem	Company Secretary & Chief Operating Officer	1,544	-	-
4	Umair Ahmed	Chief Financial officer	-	-	-
5	Asif Mehdi Rizvi	Head of Internal Audit & Compliance	-	-	-


External Auditors

The fund's external auditors, KPMG Taseer Hadi & Co., Chartered Accountants, have expressed their willingness to continue as the fund auditors for the ensuing year ending June 30, 2014. The audit committee of the Board has recommended reappointment of KPMG Taseer Hadi & Co., Chartered Accountant as auditors of the fund for the year ending June 30, 2014.

Acknowledgement

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

For and on behalf of the board



Yasir Qadri

Chief Executive

Karachi: August 05, 2013

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2013

Fund Type and Category

MCB Dynamic Stock Fund MCB DSF is an Open-End Equity Scheme for which SECP categorization in process.

Fund Benchmark

The benchmark for MCB DSF is KSE 30 Index.

Investment Objective

MCB Dynamic Stock Fund is an equity fund and its objective is to provide long term capital appreciation.

Investment Strategy

The Fund will aim to achieve the above objective by investing primarily in equities listed on the stock exchanges. From time to time, the Fund may also invest in equity related, hybrid or debt securities or short to medium term fixed income securities or other low risk assets when it has a bearish view on equity markets.

Manager's Review

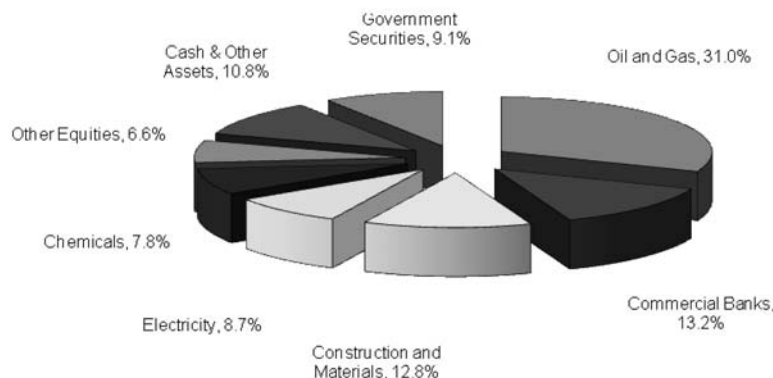
During the year under review, NAV per unit of MCB Dynamic Stock Fund increased by 52.6% as compared to the benchmark KSE-30 Index return of 35.9%, resulting in an out performance of 16.7% by the fund. Further cut in the Discount Rate, growth in corporate earnings, General Elections and the return of foreigners in the market remained the positive highlighting factors during the year, which kept the market rolling. Unstable political conditions hitting in patches, deteriorating macro-factors, worsening law and order situation did not impact the equity market performance anytime of the year. The fund remained vigilant and tried to concentrate its exposure in those stocks and sectors that are largely immune fundamentally from deteriorating macroeconomic conditions.

The fund started the year with an equity allocation of 86%. Fund manager changed overall equity allocation several times during the year in sync with various developing market scenarios. Maximum equity allocation during the year remained 93.2% while minimum was 80.1%. Average equity allocation during the year comes out to be around 85.9%. The market witnessed a secular bull run throughout the fiscal. A cumulative cut of 300 bps in the Discount Rate and positive sentiments driving from PML-N forming the government were the hallmark for strong stock market performance during the year, while better than expected financial performance of many key sectors and companies also supported the momentum.

The fund maintained on the average around 28% exposure in Oil and Gas sector as this sector is relatively shielded from deteriorating economic fundamentals. The fund had a high exposure of around an average of 16% in Construction and Materials, the highlight of the year on the back of robust margins and deleveraging witnessed in the sector, while exposure in Commercial Banks started from around 21% in the beginning of the year and closed the year with exposure of 13%. Moreover, the fund took small exposures in Engineering, Automobile and Parts, Personal Goods, Pharma & Bio Tech and Fixed Line Telecommunication sectors throughout the year to capitalize on various positive developments within these sectors.

Since inception return of the fund was 185.7% as compared to the benchmark's return of 15.4%, an out-performance of 170.3%. The fund's Net Assets almost remained flat from PKR 726 Million at the beginning of the year to PKR 723 Million as on June 30, 2013.

Asset Allocation as on June 30, 2013 (% of total assets)



Mr. Muhammad Asim, CFA
Fund Manager

Karachi: August 05, 2013

TRUSTEE REPORT TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2013



CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office

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



TRUSTEE REPORT TO THE UNIT HOLDERS

MCB DYNAMIC STOCK FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of MCB Dynamic Stock Fund (the Fund) are of the opinion that MCB – Arif Habib Savings and Investments Limited (formerly Arif Habib Investments Limited) being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2013 in accordance with the provisions of the following:

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


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

Karachi: October 10, 2013



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2013

This statement is being presented by the Board of Directors of MCB-Arif Habib Savings and Investments Limited (formerly Arif Habib Investments Limited), the Management Company of MCB Dynamic Stock Fund ("the Fund") to comply with the Code of Corporate Governance contained in Regulation No. 35 of Listing Regulations of Lahore 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.

MCB Dynamic Stock Fund is an open end mutual fund and is listed at Lahore Stock Exchange. The Fund, being a unit trust scheme, does not have its own Board of Directors. The Management Company, MCB-Arif Habib Savings and Investments Limited (formerly Arif Habib Investments Limited), on behalf of the Fund, has applied the principles contained in the Code in the following manner:

1. The Management Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes

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

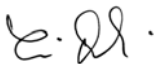
The independent directors meets the criteria of independence under clause i (b) of the Code.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Management Company.
3. All the directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the period no casual vacancy occurred on the board of the Management Company
5. The Management Company had prepared a 'Code of Conduct' and ensured that appropriate steps had been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed vision / mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the Board. No new appointment of Chief Executive Officer, other executive and non-executive directors were made during the year.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings,. The minutes of the meetings were appropriately recorded and circulated.
9. Currently, two of the directors are exempt from obtaining mandatory training having the requisite qualification and experience. During the period the two of the directors' have attended Directors' Training Program conducted by the Institute of Chartered Accountants of Pakistan.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2013

10. The Board has approved the appointment of Chief Operating Officer and Company secretary, Chief Financial Officer and Head of Internal Audit including their remuneration and terms and conditions of employment.
11. The Directors' Report of the fund for the year ended June 30, 2013 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by Chief Executive Officer and Chief Financial Officer of the Management Company before approval of the Board.
13. The Directors, Chief Executive Officer and executives of the Management Company do not hold any interest in the units of the Fund other than that disclosed in the pattern of unit holding.
14. The Management Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee for the Management Company. It comprises of three members, of which two are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of the interim and final results of the Fund and as required by the Code. The terms of reference of the committee have been approved by the Board and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises five members, of whom two are non-executive directors and the chairman of the committee is an independent director.
18. The Board has set up an effective internal audit function. The Head of Internal Audit is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the fund and the Company.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and units of the fund. The firm and all its partners are also in compliance with International Federation of Accountants guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed International Federation of Accountants guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Management Company's securities and Fund's unit, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the Code have been complied with.

For and on behalf of the board



Yasir Qadri

Chief Executive

Karachi: August 05, 2013

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



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
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Karachi, 75530 Pakistan

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Internet www.kpmg.com.pk

Review report to the Unit holders of Dynamic Stock Fund “the Fund” on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (“Statement of Compliance”) prepared by the Board of Directors of MCB-Arif Habib Savings and Investments Limited (formerly Arif Habib Investments Limited) (“the Management Company”) of the Fund to comply with the Listing Regulations of Lahore Stock Exchange Limited, 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 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 are not required to consider whether the Board’s statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company’s corporate governance procedures and risks.

Further, sub-regulation (x) of Listing Regulations 35 notified by the Lahore Stock Exchange Limited requires the Management Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevailed in arm’s length transactions and transactions which are not executed at arm’s length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors. We have not carried out any procedures to determine whether the related party transactions were under taken at arm’s length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund’s compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended 30 June 2013.

Date: 5 August 2013

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

INDEPENDENT AUDITORS' REPORTS TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2013



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

Independent Auditors' Report to the Unit Holders

Report on the Financial Statements

We have audited the accompanying financial statements of **MCB Dynamic Stock Fund** ("the Fund"), which comprise of the statement of assets and liabilities as at 30 June 2013, and the related income statement, distribution statement, statement of movement in Unit Holders' Fund, cash flow statement for the year ended 30 June 2013, 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 the requirements of the approved accounting standards as applicable in Pakistan and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund'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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 30 June 2013, and of its financial performance, its cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan
and a member firm of the KPMG network of independent member
firms affiliated with KPMG International Cooperative
("KPMG International"), a Swiss entity.

**INDEPENDENT AUDITORS' REPORTS TO THE UNIT HOLDERS
FOR THE YEAR ENDED JUNE 30, 2013**



KPMG Taseer Hadi & Co.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation Rules, 2003) and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Date: 5 August 2013

Karachi

Mazhar Saleem

**KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem**

FINANCIAL STATEMENTS

**STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2013**

	<i>Note</i>	2013	2012
		(Rupees in '000)	
Assets			
Balances with banks	4	56,970	69,895
Dividend and profit receivables	5	662	1,606
Investments	6	824,668	685,569
Receivable against sale of investments		20,591	-
Security deposits	7	3,951	3,951
Total assets		906,842	761,021
Liabilities			
Payable to Management Company	8	2,397	1,582
Payable to Central Depository Company of Pakistan - Trustee	9	151	130
Payable to Securities and Exchange Commission of Pakistan	10	718	649
Payable against purchase of investments		-	25,388
Accrued and other liabilities	11	16,849	7,750
Total liabilities		20,115	35,499
Net assets		886,727	725,522
Unit holders' fund		886,727	725,522
Contingencies and commitments	12		
		(Number of units)	
Number of units in issue (face value of units is Rs. 100 each)		6,751,239	8,427,367
		(Rupees)	
Net asset value per unit	3.7	131.34	86.09

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



Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Limited)
(Management Company)



Director

**INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013**

	<i>Note</i>	2013	2012
		(Rupees in '000)	
Income			
Capital gain on sale of investments - net		230,759	66,458
Dividend income		54,140	48,982
Income from government securities		2,018	372
Profit on bank deposits		4,865	9,898
Other Income		5	-
		291,787	125,710
Net unrealised appreciation on re-measurement of investments classified as 'at fair value through profit or loss'	<i>6.1 & 6.2</i>	55,569	20,359
Total income		347,356	146,069
Expenses			
Remuneration of Management Company	<i>8.1</i>	17,703	21,162
Remuneration of Central Depository Company of Pakistan - Trustee	<i>9.1</i>	1,512	1,367
Annual fee to Securities and Exchange Commission of Pakistan	<i>10</i>	718	649
Provision for workers' welfare fund	<i>11.1</i>	8,623	-
Auditor's remuneration	<i>13</i>	657	695
Amortisation of preliminary expenses		-	422
Brokerage expenses		9,578	6,518
Other expenses		969	525
Total operating expenses		39,760	31,338
Net operating income for the year		307,596	114,731
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed		(2,091)	2,297
Net income for the year before taxation		305,505	117,028
Taxation	<i>14</i>	-	-
Net income for the year after taxation		305,505	117,028
OTHER COMPREHENSIVE INCOME			
Other comprehensive income for the year		-	-
Total comprehensive income for the year		305,505	117,028
Earnings per unit	<i>15</i>		

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



Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Limited)
(Management Company)



Director

**DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013**

	2013	2012
	(Rupees in '000)	
Accumulated loss brought forward:		
- Realised (loss)	(139,073)	(162,550)
- Unrealised income	<u>21,851</u>	<u>17,658</u>
	<u>(117,222)</u>	<u>(144,892)</u>
Net income for the year	305,505	117,028
Net element of income / (loss) and capital gains/ (losses) included in prices of units issued less those in units redeemed - amount representing unrealised appreciation / (diminution)	23,313	(861)
Distribution to the unit holders of the Fund:		
Final distribution for the year ended 30 June 2012 at Rs. 12.0153 per unit		
- Bonus distribution	-	(88,497)
Undistributed income / accumulated (loss) carried forward	<u><u>211,596</u></u>	<u><u>(117,222)</u></u>
Undistributed income / accumulated (loss) comprising:		
- Realised income / (loss)	154,040	(139,073)
- Unrealised income	<u>57,556</u>	<u>21,851</u>
	<u><u>211,596</u></u>	<u><u>(117,222)</u></u>

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



Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Limited)
(Management Company)



Director

**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	2013	2012
	(Rupees in '000)	
Net assets at the beginning of the year	725,522	692,872
Issue of 4,836,041 units (2012: 3,489,716 units)	552,687	312,258
Issue of nil bonus units relating to the year ended 30 June 2013 (2012: 1,033,773 units)	-	88,497
Redemption of 6,512,169 units (2012: 4,473,670 units)	(699,078)	(394,339)
	(146,391)	6,416
Net element of (income) / loss and capital gains / (losses) included in prices of units issued less those in units redeemed		
- amount representing loss / (income) and capital losses / (gains) - transferred to income statement	2,091	(2,297)
- amount representing (income) / loss and capital (gains) / losses that forms part of unit holder's fund - transferred to distribution statement	(23,313)	861
	(21,222)	(1,436)
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - transferred to distribution statement	23,313	(861)
Net income for the year (excluding net unrealised appreciation in on re-measurement of investments classified as 'at fair value through profit or loss' and capital gain on sale of investments - net)	19,177	30,211
Capital gain on sale of investments - net	230,759	66,458
Net unrealised appreciation on re-measurement of investments classified as 'at fair value through profit or loss'	55,569	20,359
Total comprehensive income for the year	305,505	117,028
Final distribution for the year ended 30 June 2012 at Rs. 12.0153 per unit - Bonus distribution	-	(88,497)
Net assets at end of the year	886,727	725,522
	(Rupees)	
Net asset value per unit at the beginning of the year	86.09	82.71
Net asset value per unit at the end of the year	131.34	86.09

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

MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Limited)
(Management Company)


Chief Executive Officer


Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013**

	2013	2012
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	305,505	117,028
Adjustments for non-cash and other items:		
Capital gain on sale of investments - net	(230,759)	(66,458)
Dividend income	(54,140)	(48,982)
Net unrealised (appreciation) on re-measurement of investments classified as 'at fair value through profit or loss'	(55,569)	(20,359)
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	2,091	(2,297)
Amortisation of preliminary expenses	-	422
	(338,377)	(137,674)
	(32,872)	(20,646)
Decrease / (increase) in assets		
Investments	147,229	8,327
Receivable against sale of investments	(20,591)	30,195
Profit receivables	1,073	(710)
	127,711	37,812
(Decrease) / increase in liabilities		
Payable to Management Company	815	(137)
Payable to Central Depository Company of Pakistan - Trustee	21	(18)
Payable to Securities and Exchange Commission of Pakistan	69	14
Payable against purchase of investments	(25,388)	25,388
Payable against redemption of units	-	(2)
Accrued and other liabilities	9,099	(108)
	(15,384)	25,137
Dividend received	54,011	49,989
Net cash generated from operating activities	133,466	92,292
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issuance of units	552,687	312,258
Payments against redemption of units	(699,078)	(394,339)
Net cash (used in) from financing activities	(146,391)	(82,081)
Net (decrease) / increase in cash and cash equivalents	(12,925)	10,211
Cash and cash equivalents at beginning of the year	69,895	59,684
Cash and cash equivalents at end of the year	56,970	69,895

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



Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Limited)
(Management Company)



Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

1. LEGAL STATUS AND NATURE OF BUSINESS

MCB Dynamic Stock Fund ("The Fund") was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and was approved as a collective investment scheme by the Securities and Exchange Commission of Pakistan ("SECP") on 12 December 2006. It was constituted under a Trust Deed dated 10 November 2006 amended by a Supplemental Trust Deed dated 21 January 2007 between MCB Asset Management Company Limited as the Management Company, a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited ("CDC") as the Trustee, also incorporated under the Companies Ordinance, 1984.

Based on shareholders' resolutions of MCB-Asset Management Company (MCB-AMC) and Arif Habib Investments Limited (AHIL), the two companies have merged as of 27 June 2011 through operation of an order from the SECP issued under Section 282L of the Companies Ordinance 1984 (Order through letter no. SCD/NBFC-II/MCBAMCL & AHIL/271/2011 dated 10 June 2011). AHIL being a listed company is the surviving entity and in compliance of State Bank of Pakistan (SBP's) approval, it is a subsidiary of MCB Bank Limited. Subsequent to the completion of merger on 27 June 2011 the SECP extended the effective date of merger to 30 July 2011 through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AHI/348/2011 dated 27 June 2011 under section 484(2) of the Companies Ordinance 1984. However, during the period, on request of Management Company the SECP reviewed its aforementioned order and through a letter no. SCD/AMCW/Mis/540/2013 dated 17 May 2013 issued revised order under section 484(2) of the Companies Ordinance 1984 to affirm the effective date of merger of MCB-AMC with AHIL as 27 June 2011. The latest order also endorsed the steps/actions taken by Management Company from 27 June 2011 to date. Pursuant of approval of Merger the name of the Company have been changed from Arif Habib Investments Limited to MCB-Arif Habib Savings and Investments Limited.

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

The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units of the fund can be transferred to / from the funds managed by the Management Company and can also be redeemed by surrendering to the Fund. The units are listed on the Lahore Stock Exchange.

The Principal activity of the Fund is to make investments in securities listed on stock exchanges. The Fund is an equity fund and its objective is to provide long term capital appreciation.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2' (positive outlook) to the Management Company and has assigned both short-term & long term ranking of "4-Star" to the Fund.

Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited, as the trustee of the Fund.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the 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 2008) and directives issued by the SECP. Wherever, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations 2008 and the said directives differ with the requirements of these standards, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations, 2008 and the said directives shall prevail.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

2.2 Basis of measurement

These financial statements have been prepared on the basis of historical cost convention except that financial assets are maintained at fair value.

2.3 Functional and presentation currency

These Financial statements are presented in Pak Rupees which is the functional and presentation currency of the Fund and rounded to the nearest thousand rupees.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of its revision and future periods if the revision affects both current and future periods. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have most significant effect on the amount recognised in the financial statements are as follows:

Investments stated at fair value and derivative financial instruments

The management company has determined fair value of certain investments by using quotations from active market valuation done by Mutual Fund Association of Pakistan. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matter of judgements (e.g. valuation, interest rates, etc.) and therefore, can not be determined with precision.

Other assets

Judgement is also involved in assessing the realisability of the assets balances.

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

A number of new Standards, amendments to Standards and interpretations are effective for annual periods beginning on or after 1 July 2013. None of these are expected to have a significant effect on the financial statements of the Fund except the following set out below:

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014).
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013).
- IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

2.6 Standards, amendments or interpretations which became effective during the year

During the year certain amendments to Standards or new interpretations became effective. However, the amendments or interpretation did not have any material effect on the financial statements of the Fund.

3. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been applied in preparation of these financial statement. These accounting policies have been applied consistently to all years presented.

3.1 Financial instruments

The Fund classifies its financial instruments in the following categories:

a) *Financial instruments as 'at fair value through profit or loss'*

An instrument is classified as 'at fair value through profit or loss' if it is held-for-trading or is designated as such upon initial recognition. Financial instruments are designated as 'at fair value through profit or loss' if the Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Fund's documented risk management or investment strategy. Financial assets which are acquired principally for the purpose of generating profit from short term price fluctuation or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading or a derivative.

Financial instruments as 'at fair value through profit or loss' are measured at fair value, and changes therein are recognised in income statement.

All derivatives in a net receivable position (positive fair value), are reported as financial assets held for trading. All derivatives in a net payable position (negative fair value), are reported as financial liabilities held for trading.

b) *'Available-for-sale'*

'Available for sale' financial assets are non-derivative that are either designated in this category or not classified in any other category.

c) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Fund as 'at fair value through profit or loss' or 'available for sale'.

d) *Financial liabilities*

Financial liabilities, other than those as 'at fair value through profit or loss', are measured at amortised cost using the effective yield method.

Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instruments.

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention such as 'T+2' purchases and sales are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell the assets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Financial liabilities are not recognised unless one of the parties has performed its part of the contract or the contract is a derivative contract.

Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial instrument not as 'at fair value through profit or loss', transaction costs that are directly attributable to the acquisition or issue of the financial instruments. Transaction costs on financial instruments 'at fair value through profit or loss' are expensed out immediately.

Subsequent to initial recognition, financial instruments classified as 'at fair value through profit or loss' and 'available for sale' are measured at fair value. Gains or losses arising from changes in the fair value of the financial assets as 'at fair value through profit or loss' are recognised in the Income Statement. Changes in the fair value of financial instruments classified as 'available-for-sale' are recognised in unit holders' funds until derecognised or impaired, when the accumulated adjustments recognised in unit holders' funds are included in the income statement.

Fair value measurement principles

The fair value of a security listed on a stock exchange, local or foreign as the case may be, and derivatives is valued at its last sale price on such exchange on the date on which it is valued or if such exchange is not open on such date, then at its last sale price on the next preceding date on which such exchange was open and if no sale is reported for such date the security is valued at an amount neither higher than the closing ask price nor lower than the closing bid price.

Basis of valuation of Government Securities

The fair value of the investments in government securities is determined by reference to the quotations obtained from the PKRV sheet on the Reuters page.

Securities under repurchase/ resale agreements

Transactions of purchase under resale (reverse-repo) of marketable and government securities, are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repo) are not recognised in the Statement of Assets and Liabilities. Amounts paid under these agreements are recognised as 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 agreement. All reverse repo transactions are accounted for on the settlement date.

Impairment

Financial assets not carried 'at fair value through profit or loss' are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Any subsequent decrease in impairment loss on debt securities classified as 'available for sale', is recognised in the income statement.

The Board of Directors of the Management Company has formulated a comprehensive policy for making provision against non performing investments in compliance with Circular 13 of 2009 issued by SECP.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Derecognition

The Fund derecognises a financial asset when the contractual right to the cash flows from the financial assets expires or it transfers the financial assets and the transfer qualifies for derecognising in accordance with International Accounting Standard 39: Financial Instruments: Recognition and Measurement.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount 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 to realise the assets and settle the liabilities simultaneously.

3.2 *Unit holders' funds*

Unit holders' funds representing the units issued by the Fund, is carried at the net asset value representing the investors' right to a residual interest in the Fund assets.

3.3 *Issue and redemption of units*

Units issued are recorded at the offer price of the day on which funds are received in the Trustee bank accounts during business hours. The offer price represents the net asset value per unit as of the close of the business day on which funds are received plus the allowable sales load.

Units redeemed are recorded at the redemption price announced as of the close of the business day on which a correctly filled in redemption form is submitted within business hours. The redemption price represents the net asset value per unit as of the close of the business day.

3.4 **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 income / (losses) held in the Unit Holder's Fund 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.

3.5 **Preliminary expenses and floatation costs**

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years commencing from March 1, 2007, as per the requirements of the Trust Deed of the Fund.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

3.6 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 obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.7 Net asset value per unit

The net asset value 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 issue at the year end.

3.8 Taxation

Current

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 of that year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the Fund's unit holders.

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

Deferred

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 assets on unutilised tax losses to the extent that these will be available for set off against future taxable profits.

However, the Fund has previously availed the tax exemption 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. Accordingly, no current tax and deferred tax has been recognized in these financial statements.

3.9 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Discount on purchase of market treasury bills is amortised to income statement using the straight line method
- Unrealised gains / (losses) arising on valuation of investments classified as financial assets 'at fair through profit or loss' and derivatives are included in the income statement in the period in which they arise.
- Dividend income is recognised when the right to receive the dividend is established.
- Profit on bank deposit is recognised on time proportion basis using effective interest rate method.
- Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed is included in the income statement on the date of issue and redemption of units.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

3.10 Expenses

All expenses including Management fee, Trustee fee and Securities Exchange Commission of Pakistan fee are recognised in the Income Statement on an accrual basis.

3.11 Cash and cash equivalents

Cash and cash equivalents comprise of deposits and current accounts maintained with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

3.12 Other assets

Other assets are stated at cost less impairment losses, if any.

3.13 Dividend distributions and appropriations

Dividend distributions and appropriations are recorded in the period in which the distributions and appropriations are approved.

		2013	2012
4. BALANCES WITH BANKS		(Rupees in '000)	
Saving accounts	4.1	56,929	69,854
Current account		41	41
		56,970	69,895

4.1 These carry mark-up at rates ranging between 6% to 11.5% per annum (30 June 2012: 5% to 13.5% per annum).

		2013	2012
5. DIVIDEND AND PROFIT RECEIVABLES		(Rupees in '000)	
Dividend receivable		621	492
Profit receivable from saving deposits		41	1,114
		662	1,606

6. INVESTMENTS

'At fair value through profit or loss' - held for trading

- Quoted equity securities	6.1	740,171	651,117
- Government securities - market treasury bills	6.2	84,497	34,452
		824,668	685,569

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

6.1 Quoted equity securities

Name of the investee company	As at 1 July 2012	Purchases during the year	Bonus / right issue during the year	Sales during the year	As at 30 June 2013	Carrying value as at 30 June 2013	Market value as at 30 June 2013	Appreciation / (diminution) as at 30 June 2013	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
-----Number of shares----- (Rupees in '000)											
Oil and gas											
Attock Petroleum Limited	118,542	120,600	-	184,400	54,742	28,274	30,717	2,443	3.46%	3.72%	0.02%
Attock Refinery Limited	-	56,000	-	56,000	-	-	-	-	-	-	-
National Refinery Limited	-	137,700	-	99,700	38,000	9,134	9,142	8	1.03%	1.11%	0.05%
Oil and Gas Development Company Limited	165,000	919,882	-	895,600	189,282	38,465	43,298	4,833	4.88%	5.25%	0.22%
Pakistan Oilfields Limited	180,093	261,024	-	296,700	144,417	69,351	71,829	2,478	8.10%	8.71%	0.06%
Pakistan Petroleum Limited	378,265	325,500	72,566	537,200	239,131	43,330	50,595	7,265	5.71%	6.14%	0.01%
Pakistan State Oil Company Limited	28,648	778,700	17,600	573,148	251,800	75,615	80,672	5,057	9.10%	9.78%	0.02%
Shell Pakistan Limited	-	33,500	-	33,500	-	-	-	-	-	-	-
						264,169	286,253	22,084	32.28%	34.71%	
Chemicals											
Clariant Pakistan Limited	-	30,000	-	30,000	-	-	-	-	-	-	-
Dawood Hercules Corporation Limited	-	694,500	-	526,000	168,500	9,092	7,770	(1,322)	0.88%	0.94%	0.18%
Engro Corporation Limited	167,000	1,467,800	-	1,604,800	30,000	3,908	3,656	(252)	0.41%	0.44%	0.01%
Fatima Fertilizers Company Limited	1,428,826	3,124,000	-	2,702,326	1,850,500	45,787	45,948	161	5.18%	5.57%	0.20%
Fauji Fertilizer Bin Qasim Limited	-	729,500	-	350,000	379,500	15,920	14,246	(1,674)	1.61%	1.73%	0.08%
Fauji Fertilizer Company Limited	388,152	1,807,000	-	2,195,152	-	-	-	-	-	-	-
I.C.I. Pakistan Limited	-	176,700	-	176,700	-	-	-	-	-	-	-
Lotte Chemical Pakistan Limited	-	1,290,000	-	1,290,000	-	-	-	-	-	-	-
						74,707	71,620	(3,087)	8.08%	8.68%	
Construction and materials											
Cherat Cement Company Limited	308,729	943,000	-	677,078	574,651	26,188	33,439	7,251	3.77%	4.05%	0.13%
D. G. Khan Cement Company Limited	191,000	1,348,406	-	1,468,000	71,406	6,000	5,976	(24)	0.67%	0.72%	0.02%
Fauji Cement Company Limited	-	6,225,000	-	6,225,000	-	-	-	-	-	-	-
Fecto Cement Limited	-	389,416	-	332,000	57,416	1,935	2,756	821	0.31%	0.33%	0.06%
Kohat Cement Company Limited	187,013	1,390,000	-	1,114,680	462,333	37,611	39,682	2,071	4.48%	4.81%	0.36%
Laifage Pakistan Cement Limited	1,575,000	820,000	-	2,395,000	-	-	-	-	-	-	-
Lucky Cement Limited	306,013	575,600	-	764,600	117,013	18,658	24,540	5,882	2.77%	2.98%	0.23%
Maple Leaf Cement Factory Limited	-	352,000	-	-	352,000	8,789	7,719	(1,070)	0.87%	0.94%	0.07%
Pioneer Cement Limited	-	150,000	-	-	150,000	4,726	4,405	(321)	0.50%	0.53%	0.07%
						103,907	118,517	14,610	13.37%	14.36%	

Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Name of the investee company	As at 1 July 2012	Purchases during the year	Bonus / right issue during the year	Sales during the year	As at 30 June 2013	Carrying value as at 30 June 2013	Market value as at 30 June 2013	Appreciation / (diminution) as at 30 June 2013	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
Engineering											
Al-Ghazi Tractors Limited*	-	8,000	-	7,500	500	113	102	(11)	0.01%	0.01%	-
Millat Tractors Limited	32,500	102,600	-	135,100	-	-	-	-	-	-	-
						113	102	(11)	0.01%	0.01%	-
Automobile and parts											
Agriauto Industries Limited*	31,518	-	-	31,518	-	-	-	-	-	-	-
Exide Pakistan Limited	20,832	1,600	-	22,432	-	-	-	-	-	-	-
Indus Motors Company Limited	-	41,000	-	41,000	-	-	-	-	-	-	-
Pak Suzuki Motor Company Limited	-	19,000	-	-	19,000	2,232	2,826	594	0.32%	0.34%	0.07%
						2,232	2,826	594	0.32%	0.34%	
Food producers											
Engro Foods Limited	-	300,000	-	300,000	-	-	-	-	-	-	-
Unilever Pakistan Limited**	-	3,376	-	3,376	-	-	-	-	-	-	-
Personal goods											
Azgard Nine Limited	-	50,000	-	50,000	-	-	-	-	-	-	-
Blessed Textile Limited	-	52,000	-	14,500	37,500	3,563	4,425	862	0.50%	0.54%	0.02%
Ellcot Spinning Mills Limited	-	118,500	-	20,000	98,500	3,713	6,392	2,679	0.72%	0.78%	0.42%
Faisal Spinning Mills Limited	-	64,500	-	33,000	31,500	1,796	3,144	1,348	0.35%	0.38%	0.16%
Gadoon Textile Mills Limited	-	80,000	-	64,000	16,000	1,794	1,984	190	0.22%	0.24%	0.00%
Nishat Chunian Limited	-	696,000	-	696,000	-	-	-	-	-	-	-
Nishat Mills Limited	-	1,626,500	-	1,401,000	225,500	20,280	21,244	964	2.40%	2.58%	2.26%
Suraj Cotton Mills Limited	-	101,500	-	101,500	-	-	-	-	-	-	-
						31,146	37,189	6,043	4.19%	4.52%	
Tobacco											
Pakistan Tobacco Company Limited	-	35,500	-	24,500	11,000	852	1,727	875	0.19%	0.21%	-
						852	1,727	875	0.19%	0.21%	

Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.

-----Number of shares----- (Rupees in '000)-----

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Name of the investee company	As at 1 July 2012	Purchases during the year	Bonus / right issue during the year	Sales during the year	As at 30 June 2013	Carrying value as at 30 June 2013	Market value as at 30 June 2013	Appreciation / (diminution) as at 30 June 2013	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
-----Number of shares----- (Rupees in '000)-----											
Pharma and Bio Tech											
Abbot Laboratories (Pakistan) Limited	89,702	2,200	-	91,902	-	-	-	-	-	-	-
GlaxoSmithKline Limited	-	4,000	-	4,000	-	-	-	-	-	-	-
Media											
Hum Network Limited	-	170,000	-	170,000	-	-	-	-	-	-	-
Fixed line telecommunication											
Pakistan Telecommunication Company Limited	-	2,583,500	-	2,388,500	195,000	4,091	4,327	236	0.49%	0.52%	0.01%
Telecard Limited	-	125,000	-	125,000	-	-	-	-	-	-	-
Wateen Telecom Company Limited	1,860,000	1,619,000	-	3,479,000	-	-	-	-	-	-	-
World Call Telecom Limited	-	800,000	-	800,000	-	-	-	-	-	-	-
						4,091	4,327	236	0.49%	0.52%	
Electricity											
Kot Addu Power Company Limited	-	1,381,000	-	1,311,000	70,000	4,305	4,332	27	0.49%	0.53%	0.01%
Nishat Chunanian Power Limited	1,215,700	1,311,000	-	2,526,700	-	-	-	-	-	-	-
Nishat Power Limited	-	968,000	-	968,000	-	-	-	-	-	-	-
Pakgen Power Limited	-	110,000	-	110,000	-	-	-	-	-	-	-
The Hub Power Company Limited	1,340,131	1,592,500	-	1,697,500	1,235,131	63,104	76,146	13,042	8.59%	9.23%	0.33%
						67,409	80,478	13,069	9.08%	9.76%	
Banks											
Allied Bank Limited	83,360	-	-	83,360	-	-	-	-	-	-	-
Askari Bank Limited	491,092	2,098,067	-	2,589,159	-	-	-	-	-	-	-
Bank Al-Falah Limited	3,533,950	3,458,500	-	5,179,450	1,813,000	32,104	33,033	929	3.73%	4.01%	0.22%
Bank AL-Habib Limited	1,169,531	2,114,000	-	2,152,000	1,131,531	33,947	30,766	(3,181)	3.47%	3.73%	0.11%
BankIslami Pakistan Limited	-	100,000	-	-	100,000	900	651	(249)	0.07%	0.08%	0.01%
Habib Bank Limited	-	177,000	2,700	28,100	151,600	17,745	18,077	332	2.04%	2.19%	0.02%

Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Name of the investee company	As at 1 July 2012	Purchases during the year	Bonus / right issue during the year	Sales during the year	As at 30 June 2013	Carrying value as at 30 June 2013	Market value as at 30 June 2013	Appreciation / (diminution) as at 30 June 2013	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
	-----Number of shares-----										
	------(Rupees in '000)-----										
JS Bank Limited	-	601,500	-	601,500	-	-	-	-	-	-	-
MCB Bank Limited	37,149	274,200	-	294,749	16,600	4,233	4,027	(206)	0.45%	0.49%	0.00%
Meezan Bank Limited	-	476,000	30,525	188,500	318,025	8,382	9,223	841	1.04%	1.12%	0.02%
National Bank Of Pakistan Limited	99,000	1,319,000	52,200	1,470,200	-	-	-	-	-	-	-
Soneri Bank Limited	-	230,500	-	230,500	-	-	-	-	-	-	-
United Bank Limited	459,750	1,356,000	-	1,569,279	246,471	25,750	26,515	765	2.99%	3.22%	0.02%
						123,061	122,292	(769)	13.79%	14.84%	
Non life insurance											
Adamjee Insurance Company Limited	-	80,000	-	80,000	-	-	-	-	-	-	-
Pakistan Reinsurance Company Limited	-	1,169,500	-	541,500	628,000	12,935	14,840	1,905	1.67%	1.80%	0.21%
						12,935	14,840	1,905	1.67%	1.80%	
Total - 30 June 2013						684,622	740,171	55,549	83.47%	89.75%	
Total - 30 June 2012						630,763	651,117	20,352	89.75%	94.98%	

Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.

* the face value of shares held is Rs. 5 per share

** the face value of shares held is Rs. 50 per share

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

6.1.1 Investments include shares with market value aggregating to Rs.61.299 million (30 June 2012: 51.065 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in term of Circular No. 11 dated 23 October 2007 issued by the Securities and Exchange Commission of Pakistan.

6.1.2 The cost of investment of equity securities is Rs. 683 million (2012: Rs. 629 million)

6.2 Government securities - Market treasury bills

Issue date / Tenure	As at 1 July 2012	Purchases during the year	Matured during the year	Sales during the year	As at 30 June 2013	Carrying value as at 30 June 2013	Market value as at 30 June 2013	Appreciation as at 30 June 2013	Market value	
									as a percentage of net assets	as a percentage of total investments
-----Face value-----						------(Rupees in '000)-----				
Treasury Bills - 3 Months	35,000	140,000	30,000	135,000	10,000	9,940	9,941	1	1.12%	1.21%
Treasury Bills - 12 Month	-	125,000	-	50,000	75,000	74,537	74,556	19	8.41%	9.04%
Total - 30 June 2013						84,477	84,497	20		
Total - 30 June 2012						34,445	34,452	7		

6.2.1 These treasury bills have a cost of Rs. 83.940 million (2012: Rs. 34.073 million) maturing up till 25 July 2013 (2012: 20 September 2012) and carry effective yield ranging between 9.4114% to 9.4903% per annum (2012: 11.91% to 11.93%).

7. SECURITY DEPOSITS

2013 2012
(Rupees in '000)

Security deposits with

- National Clearing Company of Pakistan Limited
- Central Depository Company of Pakistan Limited

	3,751	3,751
	200	200
	3,951	3,951

8. PAYABLE TO MANAGEMENT COMPANY

Management fee payable
Sales load payable

	<i>8.1</i>	1,855	1,361
		542	221
		2,397	1,582

8.1 Under the provisions of the NBFC Regulations, 2008, the Management Company of the Fund is entitled to a remuneration, during the first five years of the Fund of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter, of an amount equal to two percent of such assets of the Fund and, in any case, it shall not exceed the limit prescribed by the NBFC Regulations, 2008. During the year, the Management Company has charged its remuneration at the rate of 2% (2012: 2%) of the average annual net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears. During 2011, the Local Government (Sindh) has levied General Sales Tax at the rate of 16% on the remuneration of the Management Company. Further during the year, Federal Government has levied Federal Excise Duty (FED) at the rate of 16% through the Finance Act 2013 effective from 13 June 2013. Accordingly, the Management fee charged is inclusion of all government levies.

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

Remuneration payable
CDS charges payable

	<i>9.1</i>	146	117
		5	13
		151	130

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

- 9.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed and Offering Document as per the tariff specified therein, based on the daily net asset value of the Fund. The remuneration is paid to the Trustee monthly in arrears.

As per the Trust Deed and Offering Document, the tariff structure applicable to the Fund in respect of the trustee fee for the year ended 30 June 2013 is as follows:

Net Assets	Tariff per annum
Up to Rs. 1,000 million	Rs. 0.7 million or 0.20% p.a. of NAV, whichever is higher
On an amount exceeding Rs. 1,000 million	Rs. 2.0 million plus 0.10% p.a. of NAV exceeding Rs. 1,000 million

10. 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 0.095 percent of the average annual net assets of the Fund.

11. ACCRUED AND OTHER LIABILITIES

	2013	2012
	(Rupees in '000)	
Auditors' remuneration payable	400	440
Brokerage payable	936	595
Dividend payable	41	41
Provision for workers' welfare fund	11.1 15,080	6,457
Others	392	217
	<u>16,849</u>	<u>7,750</u>

11.1 Provision for Worker's Welfare Fund

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending for adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements till the year ended 30 June 2011.

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

During the year ended 30 June 2012, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 has declared the said amendments as unlawful and unconstitutional and struck them down. In March 2013 a larger bench of the Sindh High Court (SHC) in various constitutional petitions filed by institutions other than mutual funds declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

However, as per advice of legal counsel the stay granted to CIS remains intact and the constitution petitions filed by the CIS to challenge the WWF contribution have not been affected by the SHC judgment.

In the view of the afore mentioned developments and uncertainties created by the recent decision by Honourable Sindh High Court, the Management company, as a matter of abundant precaution, has decided to charge the provision for workers' welfare fund amounting to Rs. 8.623 million (including Rs. 2.341 million for the year ended 30 June 2012) in these financial statements.

12. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at 30 June 2013.

13. AUDITOR'S REMUNERATION

	2013	2012
	(Rupees in '000)	
Annual audit fee	300	300
Half yearly review	200	200
Other certifications and services	100	140
Out of pocket expenses	57	55
	657	695

14. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance 2001. Since the management has distributed the income earned by the Fund during the year to the unit holders in the manner as explained above, accordingly no provision for taxation has been made in these financial statements.

15. EARNING PER UNIT

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

16. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Related parties / connected persons of the Fund include the Management Company, other collective investment schemes managed by the Management Company, MCB Bank Limited being the holding company of the Management Company, the Trustee, directors and key management personnel, other associated undertakings and unit holders holding more than 10% units of the Fund.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provision of the NBFC Regulations 2008 and Constitutive documents of the Fund.

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

16.1 Details of transactions with the connected persons / related parties during the year are as follows:

	2013	2012
	(Rupees in '000)	
Management Company		
Remuneration of Management Company	<u>15,121</u>	<u>18,243</u>
Federal excise duty on management fee	<u>140</u>	<u>-</u>
Sindh sales tax on management fee	<u>2,442</u>	<u>2,919</u>
Sales Load	<u>1,706</u>	<u>221</u>
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of Trustee	<u>1,512</u>	<u>1,367</u>
CDC settlement charges	<u>157</u>	<u>55</u>
MCB Bank Limited		
Profit on bank deposits	<u>1,477</u>	<u>6,178</u>
Dividend received	<u>232</u>	<u>1,466</u>
Bank Charges	<u>25</u>	<u>10</u>
Nishat Mills Limited		
Dividend Received	<u>2,457</u>	<u>-</u>
Nishat Chunain Power Limited		
Dividend Received	<u>1,468</u>	<u>174</u>
D.G.Khan Cement Company Limited		
Dividend Received	<u>724</u>	<u>-</u>
Adamjee Insurance Company Limited		
Dividend Received	<u>56</u>	<u>-</u>
Dividend Received		
Packgen Power Limited	<u>110</u>	<u>-</u>
Next Capital Limited		
Brokerage *	<u>191</u>	<u>201</u>
Arif Habib Limited		
Brokerage *	<u>705</u>	<u>572</u>
Summit Capital (Private) Limited		
Brokerage *	<u>36</u>	<u>-</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

16.2 Balance outstanding as at year end	2013	2012
	(Rupees in '000)	
Management Company		
Payable to management company	1,459	1,174
Federal excise duty payable on management fee	140	-
Sindh sales tax payable on management fee	256	187
Sales load payable	542	221
Central Depository Company of Pakistan Limited - Trustee		
Trustee fee payable	146	117
CDC Settlement charges payable	5	13
Security deposit	200	200
MCB Bank Limited		
Bank balances	20,033	24,333
Profit receivable on bank balances	41	720
16,600 shares held by the Fund (2012: 37,149 shares)	4,027	6,176
D. G. Khan Cement Company Limited		
71,406 shares held by the Fund (2012: 191,000 shares)	5,976	7,522
Fatima Fertilizer Company Limited		
1,850,500 shares held by the Fund (2012: 1,428,826 shares)	45,948	35,249
Nishat Mills Limited		
225,500 shares held by the Fund (2012: nil shares)	21,244	-
Arif Habib Limited		
Brokerage *	96	-
Next Capital		
Brokerage *	22	-

* The amount disclosed represents the amount of brokerage paid to connected persons and not the purchase or sale value of securities transacted through them. The purchase or sale value has not been treated as transactions with connected persons as the ultimate counter parties are not connected persons.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

16.3 Transactions during the year with connected persons / related parties in the units of the Fund:

	2013		2012	
	Units	(Rupees in '000)	Units	(Rupees in '000)
Units sold to:				
MCB Bank Limited	-	-	509,020	51,250
Adamjee Life Insurance Company Limited (Income Multiplier Fund)	754,659	86,458	145,421	13,325
Key management personnel	61,238	7,541	14,818	1,387
Bonus units issued to:				
MCB Bank Limited	-	-	71,444	6,116
MCB Employees Provident Fund	-	-	174,635	14,950
MCB Employees Pension Fund	-	-	133,828	11,456
D. G. Khan Cement Company Limited Employees Provident Fund	-	-	2,957	253,113
The Bank of Punjab	-	-	281,458	24,094
Adamjee Life Insurance Company Limited (Income Multiplier Fund)	-	-	20,411	1,747
Key management personnel	-	-	1,640	140
Units redeemed by:				
MCB Bank Limited	580,464	63,321	-	-
The Bank of Punjab	-	-	496,075	41,300
MCB Asset Management Company Limited (Staff Provident Fund)	-	-	-	-
Adamjee Life Insurance Company Limited (Income Multiplier Fund)	17,668	2,000	-	-
Key management personnel	52,170	6,145	21,569	1,794
	2013	2012	2013	2012
	Units		(Rupees in '000)	
Units held by:				
The Bank of Punjab	-	2,286,769	-	196,871
MCB Bank Limited	-	580,464	-	49,972
MCB Employees Provident Fund	1,418,860	1,418,860	186,353	122,150
MCB Employees Pension Fund	1,087,311	1,087,311	142,807	93,607
D. G. Khan Cement Company Limited - Employees Provident Fund	24,023	24,023	3,155	2,068
Key management personnel	22,831	13,763	2,999	1,185
Adamjee Life Insurance Company Limited (Income Multiplier Fund)	902,823	165,832	118,577	14,276

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

17. FINANCIAL RISK MANAGEMENT

The Board of Directors of management company has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board is also responsible for developing and monitoring the Fund's risk management policies.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Fund's activities expose it to a variety of financial risks such as:

- Market risk
- Credit risk and
- Liquidity risk

17.1 Market risk

Market risk is the risk that the fair values or future cash flows of the financial instruments will fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines and regulations laid down by the SECP.

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

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 Rupee

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

As at 30 June 2013, the Fund holds Treasury Bills which are classified as at fair value through profit or loss exposing the Fund to fair value interest rate risk. In case of 100 basis points increase / decrease in rates announced by Financial Markets Association of Pakistan on 30 June 2013 with all other variables held constant, the net income for the year and net assets would be lower / higher by Rs. 0.055 million (2012: Rs. 0.054 million).

The composition of the Fund's investment portfolio and rates announced by Financial Markets Association of Pakistan is expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2013 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

Other price risk

Other price risk is the risk of changes in the fair value of equity securities as the result of changes in the levels of Karachi Stock Exchange (KSE) and other respective market indices and the value of individual shares. The equity price risk exposure arises

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

from the Fund's investments in equity securities. This arises from investments held by the Fund for which prices in the future are uncertain. The Fund's policy is to manage price risk through diversification within specified limits set by internal risk management guidelines.

The fund is exposed to equity price risk because of investments held by the Fund and classified on the Statement of Assets and Liabilities as financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the trust deed. The Fund's constitutive document / NBFC Regulations also limit individual equity securities to no more than 10% of net assets, or issued capital of the investee company and sector exposure limit to 25% of net assets.

A summary analysis of local investments by industry sector, the percentage in relation to Fund's own net assets and the issued capital of the investee company is presented in note 6.1.

The table below summarises the sensitivity of the Fund's net assets attributable to unit holders to equity price movements as at 30 June. The analysis is based on the assumption that KSE-100 index increased by 5% and decreased by 5%, with all other variables held constant and that the fair value of the Fund's portfolio of equity securities moved according to their historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE-100 index, having regard to the historical volatility of index of past three years.

At 30 June, the fair value of equity securities exposed to price risk is disclosed in note 6.1.

The impact below arises from the reasonable possible change in the fair value of listed equity securities.

	2013	2012
	(Rupees in '000)	
Effect on income statement, net assets attributable to unit holders and equity investments due to increase / decrease in the KSE-100 index	34,979	32,726

The sensitivity analysis presented is based upon the portfolio composition as at 30 June 2013 and the historical correlation of the securities comprising the portfolio to the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE and other respective market indices, is expected to change over time. Accordingly, the sensitivity analysis prepared as at 30 June 2013 is not necessarily indicative of the effect on the Fund's net assets attributed to unit holders of future movements in the level of the KSE and other respective market indices.

17.2 Credit risk

Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties in case of reverse re-purchase transactions or other arrangements to fulfill their obligations resulting in financial loss to the Fund. These credit exposures exist within financing relationships, derivatives and other transactions. There is also a risk of default by participants and of failure of the financial markets / stock exchanges, the depositories, the settlements or the central clearing system etc.

The credit risk of the Fund mainly arises from its investment in debt securities. The Fund is also exposed to counterparty credit risk on cash and cash equivalents, deposits and other receivable balances.

Credit risk management

It is the Fund's policy to enter into financial contracts with reputable, diverse and creditworthy counterparties and wherever possible or deemed necessary obtain collaterals in accordance with internal risk management policies and investment guidelines designed for credit risk management. The Investment Committee closely monitors the creditworthiness of the Fund's counterparties by reviewing their credit ratings, financial statements and press releases on a regular basis.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Exposure to credit risk

Is summary, compared to the maximum amount included in Statement of Assets and Liabilities, the maximum exposure to credit risk as at 30 June is as follows:

	2013		2012	
	Statement of Assets and Liabilities (Rupees in '000)	Maximum Exposure	Statement of Assets and Liabilities (Rupees in '000)	Maximum Exposure
Balances with banks	56,970	56,970	69,895	69,895
Investments	824,668	-	685,569	-
Receivable against sale of investments	20,591	-	-	-
Dividend and profit receivables	662	662	1,606	1,606
Security deposits	3,951	3,951	3,951	3,951
	906,842	61,583	761,021	75,452

Difference in the balance as per Statement of Assets and Liabilities and maximum exposure in investment is due to the fact that investment in equity securities of Rs. 740.171 million (2012: Rs. 651.117 million) and receivable against sale of investments amounting to Rs. 20,591 (2012: Rs. nil) are not exposed to credit risk.

Investment in treasury bills amounting to Rs. 84.497 million (2012: Rs. 34.452 million) do not expose the Fund to credit risk as the counter party to the investment is the Government of Pakistan.

None of the financial assets were considered to be past due or impaired as on 30 June 2013.

Details of credit rating of balance with banks, deposits and other receivables as at 30 June are as follows:

	2013 (Percentage holding)	2012
AA+	35.17%	34.81%
AA	64.81%	64.92%
AA-	0.02%	0.27%
	100.00%	100.00%

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

Details of the Fund's concentration of credit risk of financial instruments by industrial distribution are as follows:

	30 June 2013		30 June 2012	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
Commercial banks	56,970	92.51%	69,895	92.64%
Others	4,613	7.49%	5,557	7.36%
	61,583	100.00%	75,452	100.00%

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

17.3 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its obligations arising from its financial liabilities that are settled by delivering cash or other financial assets or that such obligations will have to be settled in a manner disadvantageous to the Funds. Liquidity risk also arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's applicable redemption price calculated in accordance with the Fund's constitutive documents and guidelines laid down by the SECP.

The Fund's policy to managing liquidity is to have sufficient liquidity to meet its liabilities, including estimated redemptions of units as and when due, without incurring undue losses or risking damage to the Fund's reputation.

The Fund has the ability to borrow, with prior approval of trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of net assets at the time of borrowing with a condition of repayment within 90 days of such borrowings. No such borrowings have arisen during the year.

In order to manage the Fund's overall liquidity, the Fund may also 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 liquidity position of the Fund is monitored by Fund Manager and Risk and Compliance Department on daily basis.

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.

The maturity profile of the Fund's liabilities based on contractual maturities is given below:

	30 June 2013			Total
	Up to three months	More than three months and up to one year	More than one year	
	----- (Rupees in '000) -----			
Payable to Management Company	2,397	-	-	2,397
Payable to Central Depository Company of Pakistan - Trustee	151	-	-	151
Payable to Securities and Exchange Commission of Pakistan	718	-	-	718
Accrued and other liabilities	1,769	-	-	1,769
	5,035	-	-	5,035

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

	30 June 2012			Total
	Up to three months	More than three months and up to one year	More than one year	
----- (Rupees in '000) -----				
Payable to Management Company	1,582	-	-	1,582
Payable to Central Depository Company of Pakistan - Trustee	130	-	-	130
Payable to Securities and Exchange Commission of Pakistan	649			649
Payable against purchase of investments	25,388			25,388
Accrued and other liabilities	1,293	-	-	1,293
	29,042	-	-	29,042

Units of the Fund are redeemable on demand at the holder's option, however, the Fund does not anticipate significant redemption of units.

17.4 Financial instruments by category

As at 30 June 2013, all the financial assets carried on the Statement of Assets and Liabilities are categorised either as 'loans and receivables' or financial assets 'at fair value through profit or loss'. All the financial liabilities carried on the Statement of Assets and Liabilities are categorised as other financial liabilities i.e. liabilities other than 'at fair value through profit or loss'.

	As at 30 June 2013		
	Loans and receivables	Assets at fair value through profit or loss	Total
----- (Rupees in '000) -----			
Assets			
Balances with Banks	56,970	-	56,970
Dividend and profit receivables	662	-	662
Investments	-	824,668	824,668
Receivable against sale of investments	20,591	-	20,591
Security deposits	3,951	-	3,951
	82,174	824,668	906,842
Liabilities			
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
----- (Rupees in '000) -----			
Payable to Management Company	-	2,397	2,397
Payable to Central Depository Company of Pakistan Limited - Trustee	-	151	151
Payable against purchase of investments	-	-	-
Accrued and other liabilities	-	1,769	1,769
	-	4,317	4,317

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

	As at 30 June 2012		
	Loans and receivables	Assets at fair value through profit or loss	Total
	(Rupees in '000)		
Assets			
Balances with Banks	69,895	-	69,895
Dividend and profit receivables	1,606	-	1,606
Investments	-	685,569	685,569
Receivable against sale of investments	-	-	-
Security deposits	3,951	-	3,951
	75,452	685,569	761,021
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	(Rupees in '000)		
Liabilities			
Payable to Management Company	-	1,582	1,582
Payable to Central Depository Company of Pakistan Limited - Trustee	-	130	130
Payable against purchase of investments	-	25,388	25,388
Accrued and other liabilities	-	1,293	1,293
	-	28,393	28,393

17.5 Unit holders' fund risk management

The Fund's capital is represented by redeemable units. The Fund is required by the NBFC Regulations, 2008, to maintain minimum fund size to Rs. 100 million to be maintained all the time during the life of the scheme. The units issued by the Fund provides an investor with the right to require redemption for cash at a value proportionate to the unit holder's share in the Fund's net assets at the redemption date.

The Fund's objective in managing the unit holders' fund is to ensure a stable base to maximise returns to all investors and to manage liquidity risk arising from redemption. In accordance with the risk management policies, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of investments.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments on the Statement of Assets and Liabilities are carried at fair value . The Management Company is of the view that the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are essentially short term in nature.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Valuation techniques using significant unobservable inputs.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

30 June 2013	Level 1	Level 2
	(Rupees in '000)	
'At fair value through profit or loss'		
<i>Held for trading</i>		
- Quoted equity securities	740,171	-
- Fixed income securities	-	84,497
 30 June 2012		
'At fair value through profit or loss'		
<i>Held for trading</i>		
- Quoted equity securities	651,117	-
- Fixed income securities	-	34,452

19. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding pattern of unit holding, list of top ten brokers, meetings of the Board of Directors of the management company and members of the Investment Committee are as follows:

19.1 Pattern of unit holding

Details of pattern of unit holding as at 30 June 2013

	As at 30 June 2013		
	Number of unit holders	Investment Amount	Percentage Investment
	(Rupees in '000)		
Individuals	466	274,895	31.00%
Associated companies / Directors	5	452,091	50.98%
Insurance companies	3	17,110	1.93%
NBFCs	1	13	0.00%
Retirement funds	9	113,277	12.77%
Others	8	29,341	3.32%
	492	886,727	100.00%

Details of pattern of unit holding as at 30 June 2012

	As at 30 June 2012		
	Number of unit holders	Investment Amount	Percentage Investment
	Rupees in '000		
Individuals	326	89,442	12.33%
Associated companies / Directors	6	282,740	38.97%
Insurance companies	-	-	0.00%
Banks / DFIs	1	196,869	27.13%
NBFCs	1	9	0.00%
Retirement funds	7	92,287	12.72%
Others	8	64,175	8.85%
	349	725,522	100.00%

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

19.2 Top ten brokers / dealers by percentage of commission paid

Details of commission paid by the fund to top ten brokers by percentage during the year are as follows:

	2013 Percentage
1 Foundation Securities (Private) Limited	8.92%
2 Arif Habib Limited	8.74%
3 Fortune Securities Limited	8.59%
4 Optimus Capital Management (Private) Limited	7.45%
5 Invest and Finance Securities Limited	6.82%
6 KASB Securities Limited	6.71%
7 JS Global Capital Market Limited	6.59%
8 First Capital Equities Limited	5.66%
9 Elixir Securities Pakistan (Private) Limited	5.49%
10 Habib Metropolitan Financial Services Limited	4.59%

	2012 Percentage
1 Fortune Securities Limited	9.12%
2 Arif Habib Securities Limited	8.76%
3 KASB Securities Limited	7.99%
4 Foundation Securities (Private) Limited	7.31%
5 Invest and Finance Securities Limited	7.06%
6 Elixir Securities Pakistan (Private) Limited	6.64%
7 Topline Securities (Private) Limited	6.19%
8 Optimus Securities Management Limited	4.33%
9 JS Global Capital Market Limited	4.33%
10 Habib Metropolitan Financial Services Limited	4.16%

19.3 Attendance at meetings of the Board of Directors

The 98th, 99th, 100th, 101st, 102nd, 103rd Board meetings were held on 16 July 2012, 15 August 2012, 4 October 2012, 24 October 2012, 4 February 2013 and 24 April 2013, respectively

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Number of meetings			
	Held	Attended	Leave	Meeting not
Mr. Mian Mohammad Mansha	6	2	4	98th, 99th, 100th, and 103rd
Mr. Nasim Beg	6	5	1	102nd
Mr. Yasir Qadri (Chief Executive Officer)	6	6	-	
Dr. Syed Salman Ali Shah	6	5	1	103rd
Mr. Haroun Rashid	6	4	2	100th and 101st
Mr. Ahmed Jahangir	6	6	-	
Mr. Samad A. Habib	6	4	2	98th and 100th
Mr. Mirza Mehmood Ahmed	6	3	3	98th, 99th and 101st
Mr. M. Saqib Saleem (Chief Operating Officer & Company Secretary)	6	6	-	
Mr. Umair Ahmed (Chief Financial Officer)*	6	3	-	

* Mr. Umair Ahmed has been appointed as CFO on 1 January 2013.

19.4 Particulars of investment committee and fund manager

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

Name	Designation	Qualification	Experience in years
Mr. Yasir Qadri	Chief Executive Officer	MBA	18
Mr. Kashif Rafi	Senior Vice President - Investments	MBA & CFA level I	12
Mr. Muhammad Asim	Vice President - Head Equities	MBA & CFA	10
Mr. Mohsin Pervez	Vice President - Investments	MBA & CFA level I	12
Mrs. Uzma Khan	Assistant Vice President - Head of Research	MBA & CFA	8

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

19.5 Other funds managed by the fund manager

Mr. Muhammad Asim

Mr. Muhammad Asim is the Manager of the Fund as at year end. He has obtained a Masters degree in Business Administration and is a Certified Financial Analyst. Other funds being managed by him are as follows:

- MCB Dynamic Allocation Fund
- Pakistan Premier Fund
- Pakistan Pension Fund


20. DISTRIBUTIONS BY THE FUND

20.1 Non-adjusting event after the reporting date

The Board of Directors of the Management Company has approved final distribution of Rs. 33.6889 per unit for the year ended 30 June 2013 amounting to Rs. 227.442 million in their meeting held on 4 July 2013. These financial statements do not include the effect of the above final distribution that will be accounted for subsequent to the year end.

21. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on 05 August 2013.



Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Limited)
(Management Company)



Director

**PATTERN OF HOLDING AS PER REQUIREMENT OF CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2013**

Category	No.of Unit Holders	Units
Associated Companies, undertakings and related Parties		
MCB Employees Provident Fund	1	1,418,860
MCB Employees Pension Fund	1	1,087,311
Adamjee Life Assurance Company Limited	1	902,824
D.G. Khan Cement Company Limited - Employees PF Trust	1	24,023
Directors		
Yasir Qadri	1	9,126
Public Sector Companies, Non-Banking Finance Institutions and Corporations		
	9	223,491
Insurance Companies		
	3	130,270
Individuals		
	465	1,730,738
Trust		
	8	549,961
Shareholders holding 5 percent or more voting interest in the listed company		
Mohammad Basheer	1	362,223
PSOCL Management Employees Pension Fund	1	312,412
	492	6,751,239

**PATTERN OF UNIT HOLDING BY SIZE
FOR THE YEAR ENDED JUNE 30, 2013**

No. of Unit Holders	Units Holdings	Total Units Held
387	(SHAREHOLDING FROM 1.0000 TO 5000.0000)	438,132.06
53	(SHAREHOLDING FROM 5001.0000 TO 10000.0000)	384,375.90
14	(SHAREHOLDING FROM 10001.0000 TO 15000.0000)	171,905.00
7	(SHAREHOLDING FROM 15001.0000 TO 20000.0000)	124,469.39
2	(SHAREHOLDING FROM 20001.0000 TO 25000.0000)	47,502.25
2	(SHAREHOLDING FROM 25001.0000 TO 30000.0000)	53,454.75
2	(SHAREHOLDING FROM 30001.0000 TO 35000.0000)	67,275.12
5	(SHAREHOLDING FROM 35001.0000 TO 40000.0000)	187,751.01
2	(SHAREHOLDING FROM 40001.0000 TO 45000.0000)	84,191.01
3	(SHAREHOLDING FROM 45001.0000 TO 50000.0000)	140,984.24
1	(SHAREHOLDING FROM 50001.0000 TO 55000.0000)	51,359.66
1	(SHAREHOLDING FROM 55001.0000 TO 60000.0000)	56,489.63
1	(SHAREHOLDING FROM 60001.0000 TO 65000.0000)	61,104.10
1	(SHAREHOLDING FROM 65001.0000 TO 70000.0000)	68,521.75
1	(SHAREHOLDING FROM 70001.0000 TO 75000.0000)	72,945.89
2	(SHAREHOLDING FROM 75001.0000 TO 80000.0000)	155,835.06
1	(SHAREHOLDING FROM 145001.0000 TO 150000.0000)	145,849.16
1	(SHAREHOLDING FROM 155001.0000 TO 160000.0000)	158,730.03
1	(SHAREHOLDING FROM 195001.0000 TO 200000.0000)	196,732.39
1	(SHAREHOLDING FROM 310001.0000 TO 315000.0000)	312,411.70
1	(SHAREHOLDING FROM 360001.0000 TO 365000.0000)	362,222.77
1	(SHAREHOLDING FROM 900001.0000 TO 905000.0000)	902,823.54
1	(SHAREHOLDING FROM 1085001.0000 TO 1090000.0000)	1,087,311.03
1	(SHAREHOLDING FROM 1415001.0000 TO 1420000.0000)	1,418,861.08
492	Total :	6,751,238.52

PERFORMANCE TABLE

Performance Information	2013	2012	2011	2010	2009	2008	2007
Total Net Assets Value – Rs. in million	886.73	725.52	698.00	651	643	863	958.66
Net Assets value per unit – Rupees	131.343	86.09	82.71	96.68	75.95	95.27	131.96
Highest offer price per unit	141.86	103.74	108.17	114.16	97.36	137.81	135.35
Lowest offer price per unit	90.03	78.55	79.66	77.9	47.88	95.54	101.83
Highest Redemption price per unit	137.09	101.21	104.93	111.31	94.92	134.37	131.96
Lowest Redemption price per unit	87.78	76.64	77.27	75.95	46.68	93.54	99.29
Distribution per unit (annual)* – Rs.	33.69	12.02	20.50	18.6601	-	-	25
Net Assets Value before distribution	131.34	97.38	103.37	96.6847	N/a	N/a	131.96
Net Assets Value after distribution	97.65	85.36	82.87	78.0246	N/a	N/a	106.96
Average Annual Return - %							
One year (2007: inception date March 01, 2007)	52.6%	18.70	32.22	27.3	-20.3	-10.82	31.96
Two year (inception date March 01, 2007)	40.6%	28.50	68.32	(1.5)	-28.99	1.69	N/a
Three year (inception date March 01, 2007)	46.5%	33.30	34.18	(9.6)	-6.3	N/a	N/a
Net Income / (loss) for the year / period – Rs. in million	305.51	117.02	176.78	139.570	-163.59	-105.94	232.23
Income Distribution – Rs. in million	227.44	88.49	137.56	125.613	-	-	181.63
Accumulated Capital Growth – Rs. in million	78.07	28.53	41.22	13.957	-	-	50.596

Disclaimer

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

*Please refer to note no. 20

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by typing: **Bachat Ka Doosra Naam**

MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Limited)

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