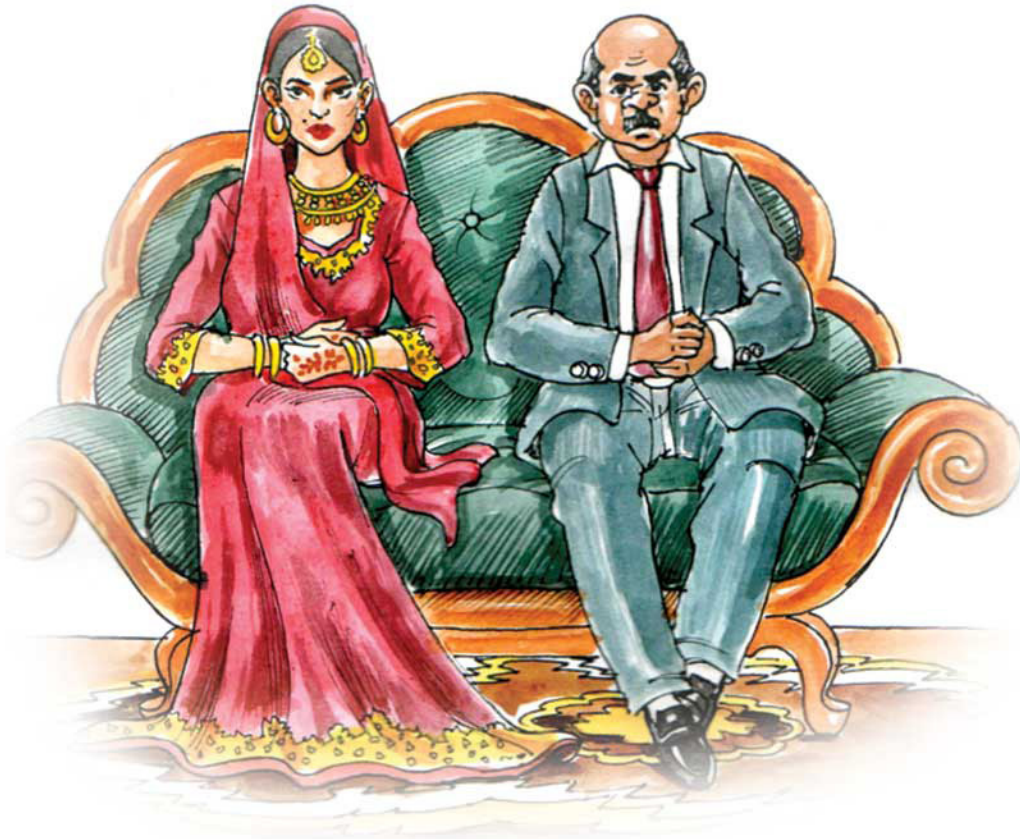




**Bachat** ka Doosra Naam

**Annual Report  
2013**



**Hing lagey na phatkari, rang bhi chowka**

**METROBANK**  
**PAKISTAN SOVEREIGN  
FUND**

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

## TABLE OF CONTENTS

---

---

1	Vision Mission & Core Values	02
2	Fund's Information	03
3	Report of the Director of the Management Company	04
4	Report of the Fund Manager	09
5	Trustee Report to the Unit Holders	10
6	Statement of Compliance with the Code of Corporate Governance	11
7	Review Report to the Unit Holders on the Statement of Compliance with the best Practices of the Code of Corporate Governance	13
8	Independent Auditors Report to the Unit Holders	14
9	Statement of Assets and Liabilities	17
10	Income Statement	18
11	Distribution Statement	19
12	Statement of Movement in Unit Holders' Fund	20
13	Cash Flow Statement	21
14	Notes to and Forming part of the Financial Statements	22
15	Pattern of holding as per Requirement of Code of Corporate Governance	44
16	Pattern of Units Holding by Size	45
17	Performance Table	46

---

---

## **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

<b>Management Company</b>	<b>MCB-Arif Habib Savings and Investments Limited</b> (Formerly: Arif Habib Investments Limited) 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Board of Directors of the Management Company</b>	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)
<b>Audit Committee</b>	Mr. Haroun Rashid Mr. Nasim Beg Mr. Samad A. Habib	Chairman Member Member
<b>Human Resource Committee</b>	Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Yasir Qadri	Chairman Member Member Member Member
<b>Company Secretary &amp; Chief Operating Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Financial Officer</b>	Mr. Umair Ahmed	
<b>Trustee</b>	Central Depository Company of Pakistan Limited CDC House, 990B Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
<b>Bankers</b>	Habib Metropolitan Bank Limited MCB Bank Limited Bank Al Falah Limited Faysal Bank Limited Allied Bank Limited	
<b>Auditors</b>	KPMG Taseer Hadi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Building No. 2 Beaumont Road, Karachi - 75530	
<b>Legal Advisor</b>	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
<b>Transfer Agent</b>	<b>MCB-Arif Habib Savings and Investments Limited</b> (Formerly: Arif Habib Investments Limited) 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Rating</b>	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 Metrobank-Pakistan Sovereign Fund (MSF), is pleased to present the Annual Report on the affairs of MSF for the year ended June 30, 2013.

### **Economy and Money Market Overview**

Though economic optimism generally prevailed throughout the year, the actual economic news released remained a mixed bag. Despite pressure on fiscal side and reserve position, some of the key macroeconomic indicators have depicted positive trend during the period.

In essence, easing inflation, along with smooth political transition in the later part of the year, managed to dilute the impact of higher fiscal deficit, reserve depletion and rupee depreciation on the economy. Hammered by poor law and order situation and energy crisis, the real GDP growth clocked in around 3.6 % in FY13, less than the targeted 4.3 % and far below the growth recorded by other developing countries in the region.

Thanks to the lower global commodity prices and the base effect by virtue of which inflation eased down to around 7.4 percent in FY13, nearly 3.6 percentage points lower than the previous fiscal year. With economy in the throes of weak GDP growth, lower inflationary pressures and excessive liquidity created to do unwarranted government borrowing from Central Bank developed a case for monetary easing. Consequently, policy makers reduced discount rate by a total of 3 percentage points during the year to 9 % at the end of the fiscal year.

The external account remained manageable, aided by a narrower trade and services gap. The current account deficit amounted to \$2.29 billion in FY13 compared to \$4.7 billion in the last year.

Against the backdrop of lower import bill, trade deficit narrowed down to around \$15 billion in FY13 from \$15.7 billion in the last year. The country's import bill nudged down by 1.6% to \$39.8 billion while exports stayed constant at the last year's level of around \$24.7 billion. At the same time, inflows of around \$1.8 billion under Coalition Support Fund helped reduce services deficit to \$1.13 billion from \$3.2 billion. At the same time, remittances totaled to \$13.9 billion from \$ 13.2 billion reported in FY12.

Juxtaposed the country's financial account registered a deficit of \$80 million, as opposed to surplus of \$1.28 billion in the previous year. In the face of higher FDIs, the financial account swung into the negative territory. FDI proceeds amounted to \$ 1.4 billion in FY13, nearly \$626 million higher than the previous year.

The lower current account deficit along with meager deficit in financial account and surplus of \$238 million in capital account summed to overall deficit of \$2.4 billion in FY13 as opposed to \$3.3 billion.

Although, the overall balance of payment deficit improved, foreign reserves depleted by around \$4.2 billion during the year to around \$11 billion at the end of the year largely on the account of timely loan repayments to IMF. Consequently, rupee depleted by 5 % to 98.4 against dollar towards the end of the year.

In the absence of structural reforms, the country's performance on fiscal side remained abysmal. Fiscal indiscipline continued to remain a cause of concern leading to the gaping 8.8% budgetary deficit as percentage of GDP. During the first three quarters the country's fiscal deficit stood at 4.4 % of GDP. Part of the deficit can also be attributed to the current governments first move to settle circular debt largely through borrowing from Central Bank.

The previous government's attempts at reform were a day late and a dollar short. The tax revenue collection target of Rs 2.5 trillion remained elusive as the government is expected to collect at total of Rs1.9 trillion in FY13. The collection through non-tax sources was also off the mark as the government failed to roll out 3G licenses in FY13.

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

With the country nursing with wider revenue expenditure shortfall, thin external flows tilted the borrowing pressure towards domestic sources. The net financing to the government increased by Rs 460 billion during FY13 to Rs 1.6 trillion at the year end. The scheduled banks continued to bear a large part of the burden since the borrowing from the banking sector alone increased by Rs 389 billion to Rs 1.025 trillion at the year end.

Banking on Net domestic assets (NDA), money supply (M2) posted a double digit growth of 17.08% during the year. This can be gauged from the fact that NDA increased by Rs 1.5 trillion (data as of 28th June, 2013) during FY13 as opposed to Rs 1.2 trillion in FY12. While, Net foreign assets(NFA) fell by Rs 184 billion as opposed to decline of Rs 248 billion during the previous year.

### Future outlook

To a large extent, trade deficit outlook hinges on global commodity prices. Increase in GST and imposition of additional tax measures as announced in FY14 budget will set the stage for higher inflation level going forward. However, nod from IMF on loan restructuring at the onset of FY14 will reduce pressure on reserves position.

### Fund's Performance

The net assets of the fund declined by 79% on Y/Y basis to the size of around PKR 1.27 billion as on June 30, 2013. The investment objective of the fund is to deliver income primarily from investment in Government securities. The fund is benchmarked against 12-month PKRV. The fund, through active management and carefully selected trading positions was able to yield an annualized return of 12.3% during the period under review as against the benchmark return of 11% during the same period.

The fund continued to deploy assets cautiously, without aggressively chasing available instruments. Although the fund maintained decent exposure towards government papers throughout the year, it managed its portfolio's duration actively to take advantage of the declining interest rate scenario.

The yields for MSF-Perpetual alongside its benchmark for the period under review remained as follows:

Performance Information (%)	MSF-Perpetual	Benchmark
Last 12 Months Return (Annualized)	12.3%	11.0%
Since Inception (CAGR)	6.9%	8.6%

During the year your fund earned net income of Rs 594.61 million. The Board in the meeting held on July 04, 2013 has declared final distribution amounting to Rs. 34.17 million (i.e. Rs. 1.38 per unit). In addition to Final distribution, the Board has approved following interim distribution during the year ended 30th June, 2013.

Date of distribution	Distribution PKR / Unit
September 27, 2012	2.51
December 26, 2012	1.20
March 26, 2013	0.86

During the period, units worth Rs. 3,071.83 million (including Rs. 538.17 million worth of bonus units) were issued and units with a value of Rs. 7,955.57 million were redeemed. As on 30th June, 2013 the NAV of the Fund was Rs. 51.38 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

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

---

West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment it appears that WWF Ordinance has become applicable to all Collective Investment Schemes (CISs) whose income exceeds Rs. 0.5 million in a tax year. In light of this, the Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honorable Sindh High Court challenging the applicability of WWF on CISs which was dismissed mainly on the ground that MUFAP is not an aggrieved party.

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

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

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

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

- a. Financial statements present fairly the statement of affairs, the results of operations, cash flows and Change in unit holders' fund.
- b. Proper books of accounts of the Fund have been maintained during the year.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements.

Accounting estimates are based on reasonable prudent judgment.

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

- d. Relevant International Accounting Standards, as applicable in Pakistan, provisions of the Non Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- h. Key financial data as required by the Code of Corporate Governance has been summarized in the financial statements.
- i. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- j. The statement as to the value of investments of provident fund is not applicable on the Fund but applies to the Management Company; hence appropriate disclosure has been made in the Directors' Report of the Management Company.
- k. The detailed pattern of unit holding, as required by NBFC Regulations and the Code of Corporate Governance are enclosed.
- l. The details of attendance of Board of Directors meeting is disclosed in note 20.3 to the attached financial statements. Below is the details of committee meetings held during the year ended June 30, 2013:

1. Meetings 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 Salaman Shah	Chairman	2	2	-
2.	Mr. Haroun Rashid	Member	2	1	1
3.	Mr. Nasim Beg	Member	2	2	-
4.	Mr. Ahmed Jehangir	Member	2	2	-
5.	Mr. Yasir Qadri	Member	2	2	-



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

2. Meetings 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.

- l. 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.
- m. 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:

S. No.	Name	Designation	Investment	Redemption	Bonus
			(Number of Units)		
1.	Mr. Nasim Beg	Executive Vice Chairman	-	-	-
2.	Yasir Qadri	Chief Executive Officer	10,329	32,762	5,180
3.	Mr. Saqib Saleem	Chief Operating Officer & Company Secretary	-	-	-
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 Arif Habib Investments Limited. The Board also likes to thank the Securities and Exchange Commission of Pakistan, State Bank of Pakistan, Central Depository Company of Pakistan Limited (the Trustee of the Fund) and the management of the Islamabad Stock Exchange for their continued cooperation, guidance, substantiation and support. The Board also acknowledges the efforts put in by the team of the Management Company for the growth and meticulous management of the Fund.

For and on behalf of the board



**Yasir Qadri**

Chief Executive

Karachi: August 05, 2013

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

## Fund Type and Category

Metro-Bank Pakistan Sovereign Fund-Perpetual (MSF) is an open end fund, which invests in bonds and debt securities issued by the Government of Pakistan as well as Reverse Repurchase transactions (Reverse-REPOs) against government securities. MSF is a long only fund and does not undertake leveraged investments. Under the NBFC Rules, it is only allowed to borrow up to 15% of net assets for up to 90 days to meet redemption needs.

## Fund Benchmark

The benchmark for MSF is 6-month T-Bill Rate.

## Investment Objective

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

## Investment Strategy

The Fund through active management will aim to provide optimum returns for its Unit Holders by investing in bonds and debt securities issued by the Government of Pakistan as well as Reverse Repurchase transactions (Reverse-REPOs) against government securities. MSF is a long only fund and does not undertake leveraged investments. Under the NBFC Rules, it is only allowed to borrow up to 15% of net assets for up to 90 days to meet redemption needs.

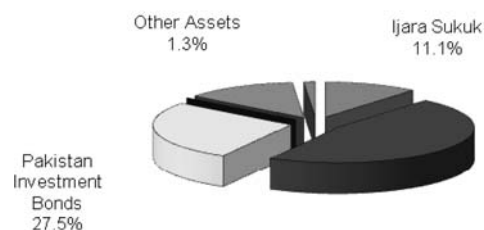
## Manager's Review

MSF Perpetual was able to generate an annualized return of 12.3% during the year under review as against the fund's benchmark return of 11% during the same period, an outperformance of 1.3%.

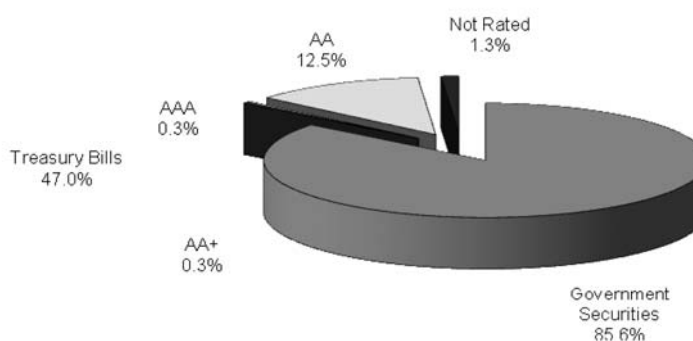
During the year, the fund capitalized strongly on both PIBs and T-Bills owing to better risk-return proposition while maintaining a marginal exposure in GoP Ijarah Sukuk (GIS). The fund's year end allocation were around 47% in treasury bills, 11% in Ijarah Sukuk, 27.5% in PIBs and the rest in cash & bank deposits. During the earlier part of the year, the fund increased its duration significantly to take advantage of monetary easing by SBP and took it to a level of 356 days at the end of Oct'12. However on the external front, given rising macroeconomic imbalance, SBP maintained a status quo during the latter half of the year. Following the interest rate direction, the fund kept on bringing its portfolio duration down significantly, taking portfolio duration down to 104 days by end of. The fund later increased its portfolio duration in last 2 months of FY'13 in the anticipation of reduction in discount rates and ended the year at a level of 331 days.

During the year under review, the net assets of the fund shrunk to a size of around PKR 1.3 billion as against PKR 6.1 billion a year ago.

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



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



**Mr. Kashif Rafi**  
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

### METROBANK - PAKISTAN SOVEREIGN FUND

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

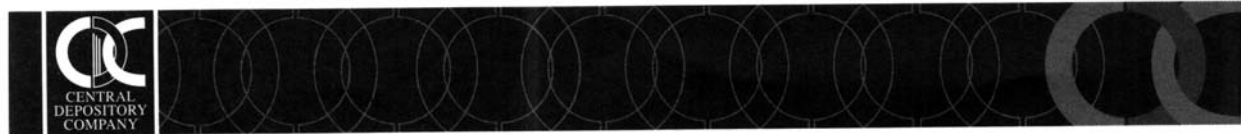
We Central Depository Company of Pakistan Limited, being the Trustee of Metrobank – Pakistan Sovereign Fund (the Fund) are of the opinion that MCB – Arif Habib Savings and Investments Limited (formerly Arif Habib Investments Limited) being the Management Company of the Fund has in all material respects 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.

A handwritten signature in black ink, appearing to read 'Muhammad Hanif Jakhura', written over a horizontal line.

**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 MetroBank Pakistan Sovereign Fund ("the Fund") to comply with the Code of Corporate Governance contained in Regulation No. 35 of Listing Regulations of Islamabad Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

MetroBank Pakistan Sovereign Fund is an open end mutual fund and is listed at Islamabad Stock Exchange. The Fund, being a unit trust scheme, does not have its own Board of Directors. The Management Company, 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	<ol style="list-style-type: none"> <li>1. Dr. Salman Shah</li> <li>2. Mr. Haroun Rashid</li> <li>3. Mr. Mirza Mehmood</li> </ol>
Executive Directors	<ol style="list-style-type: none"> <li>1. Mr. Nasim Beg – Executive Vice Chairman</li> <li>2. Mr. Yasir Qadri – Chief Executive Officer</li> </ol>
Non – Executive Directors	<ol style="list-style-type: none"> <li>1. Mian Mohammad Mansha</li> <li>2. Mr. Ahmed Jehangir</li> <li>3. Mr. Samad Habib</li> </ol>

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  
Beaumont Road  
Karachi, 75530 Pakistan

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

## **Review report to the Unit holders of MetroBank Pakistan Sovereign Fund – Perpetual “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 Islamabad 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 Islamabad 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 **MetroBank Pakistan Sovereign Fund – Perpetual** (“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.

*Other matters*

The financial statements of the Fund for the year ended 30 June 2012 were audited by another firm of auditors whose report dated 17 September 2012, expressed an unqualified opinion thereon.

***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



KPMG Taseer Hadi & Co.  
Chartered Accountants  
Mazhar Saleem



# **FINANCIAL STATEMENTS**

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

	<i>Note</i>	<b>2013</b>	2012
		<b>(Rupees in '000)</b>	
<b>Assets</b>			
Balances with banks	4	195,220	1,625,819
Investments	5	1,271,200	4,487,022
Profit receivables	6	17,861	22,380
Advances and prepayments	7	2,046	1,955
<b>Total assets</b>		<b>1,486,327</b>	<b>6,137,176</b>
<b>Liabilities</b>			
Payable to Management Company	8	2,799	6,353
Payable to Central Depository Company of Pakistan Limited - Trustee	9	211	410
Payable to Securities and Exchange Commission of Pakistan	10	3,848	3,908
Payable against purchase of Investments		174,013	-
Accrued and other liabilities	11	35,068	22,974
<b>Total liabilities</b>		<b>215,939</b>	<b>33,645</b>
<b>Net assets</b>		<b>1,270,388</b>	<b>6,103,531</b>
<b>Unit holders' fund</b>		<b>1,270,388</b>	<b>6,103,531</b>
<b>Contingencies and commitments</b>	12		
		<b>(Number of Units)</b>	
<b>Number of units in issue (face value of units is Rs. 50 each)</b>		<b>24,724,228</b>	<b>121,898,751</b>
		<b>(Rupees)</b>	
<b>Net asset value per unit</b>	3.7	<b>51.38</b>	<b>50.07</b>

The notes 1 to 22 form an integral part of these financial statements.

  
\_\_\_\_\_  
Chief Executive Officer

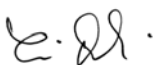
MCB-Arif Habib Savings and Investments Limited  
(formerly: Arif Habib Investments Limited)  
(Management Company)

  
\_\_\_\_\_  
Director

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

	<i>Note</i>	<b>2013</b>	2012
		<b>(Rupees in '000)</b>	
<b>Income</b>			
Income from government securities		463,430	579,234
Capital gain on sale of government securities - net		182,483	21,691
Income from reverse repurchase transactions of government securities		-	6,225
Profit on bank deposits		41,568	36,132
		<b>687,481</b>	<b>643,282</b>
Net unrealised appreciation on re-measurement of investment classified as 'at fair value through profit or loss'	5.1	7,109	11,634
<b>Total income</b>		<b>694,590</b>	<b>654,916</b>
<b>Expenses</b>			
Remuneration of Management Company	8.1	58,918	68,752
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9	4,509	4,623
Annual fee to Securities and Exchange Commission of Pakistan	10	3,757	3,908
Provision for workers' welfare fund	11.1	10,870	21,858
Brokerage expenses		2,273	1,725
Auditor's remuneration	13	828	745
Other expenses		608	787
<b>Total operating expenses</b>		<b>81,763</b>	<b>102,398</b>
<b>Net operating income for the year</b>		<b>612,827</b>	<b>552,518</b>
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed		(18,213)	78,722
<b>Net income for the year before taxation</b>		<b>594,614</b>	<b>631,240</b>
Taxation	14	-	-
<b>Net income for the year after taxation</b>		<b>594,614</b>	<b>631,240</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>594,614</b>	<b>631,240</b>
<b>Earnings per unit</b>	15		

The notes 1 to 22 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)	
<b>Undistributed income brought forward:</b>		
- Realised (loss) / income	(3,043)	130,952
- Unrealised income	<u>11,634</u>	<u>7,907</u>
	<b>8,591</b>	<b>138,859</b>
Net income for the year	<b>594,614</b>	<b>631,240</b>
Net element of (loss) and capital (losses) included in prices of units issued less those in units redeemed - amount representing unrealised (diminution)	<b>(6,802)</b>	<b>(19,736)</b>
<b>Distributions to the unit holders of the Fund:</b>		
Final Distribution for the year ended 30 June 2011: Rs.2.7739 per unit declared on 4 July 2011		
- Bonus distribution	-	(76,334)
- Cash distribution	-	(79,315)
Final Distribution for the year ended 30 June 2012: Rs 0.71 per Unit declared on 25 June 2012		
- Bonus distribution	-	(85,332)
Interim distribution at the rate of Rs. 2.51 (2012: Rs. 1.53) per unit declared on 27 September 2012		
- Bonus distribution	<b>(308,409)</b>	(48,944)
- Cash distribution	<b>(24,058)</b>	(106,484)
Interim distribution at the rate of Rs. 1.20 (2012: Rs. 2.05) per unit declared on 26 December 2012		
- Bonus distribution	<b>(158,195)</b>	(93,261)
- Cash distribution	-	(162,887)
Interim distribution at the rate of Rs. 0.86 (2012: Rs. 0.75) per unit declared on 26 March 2013		
- Bonus distribution	<b>(71,567)</b>	(29,622)
- Cash distribution	-	(59,593)
	<b>(562,229)</b>	<b>(741,772)</b>
<b>Undistributed income carried forward</b>	<b><u>34,174</u></b>	<b><u>8,591</u></b>
<b>Undistributed income carried forward:</b>		
- Realised income / (loss)	<b>27,408</b>	<b>(3,043)</b>
- Unrealised income	<b>6,766</b>	<b>11,634</b>
	<b><u>34,174</u></b>	<b><u>8,591</u></b>

The notes 1 to 22 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 (Rupees in '000)	2012
<b>Net assets at beginning of the year</b>	<b>6,103,531</b>	2,944,462
Issue of 49,384,460 units (2012: 199,620,833 units)	<b>2,533,660</b>	10,240,243
Issue of 10,748,370 bonus units (2012: 6,699,835 bonus units)	<b>538,171</b>	333,494
Redemption of 157,307,353 units (2012: 140,533,942 units)	<b>(7,955,572)</b>	(7,225,414)
	<b>(4,883,741)</b>	3,348,323
Net element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed:		
- amount representing loss / (income) and capital losses / (gains) - transferred to income statement	<b>18,213</b>	(78,722)
- amount representing loss and capital losses that forms part of unit holder's fund - transferred to distribution statement	<b>6,802</b>	19,736
	<b>25,015</b>	(58,986)
Net element of (loss) and capital (losses) included in prices of units issued less those in units redeemed - transferred to distribution statement	<b>(6,802)</b>	(19,736)
Net income for the year (excluding net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss' and capital gains on sale of government securities - net)	<b>405,022</b>	597,915
Capital gain on sale of government securities - net	<b>182,483</b>	21,691
Net unrealised appreciation on re-measurement of investments classified as 'at fair value through profit or loss'	<b>7,109</b>	11,634
	<b>594,614</b>	631,240
Final Distribution for the year ended 30 June 2011: Rs.2.7739 per unit declared on 4 July 2011		
- Bonus distribution	-	(76,334)
- Cash distribution	-	(79,315)
Final Distribution for the year ended 30 June 2012: Rs 0.71 per Unit declared on 25 June 2012		
- Bonus distribution	-	(85,332)
Interim distribution at the rate of Rs. 2.51 (2012: Rs. 1.53) per unit declared on 27 September 2012		
- Bonus distribution	<b>(308,409)</b>	(48,944)
- Cash distribution	<b>(24,058)</b>	(106,484)
Interim distribution at the rate of Rs. 1.20 (2012: Rs. 2.05) per unit declared on 26 December 2012		
- Bonus distribution	<b>(158,195)</b>	(93,261)
- Cash distribution	-	(162,887)
Interim distribution at the rate of Rs. 0.86 (2012: Rs. 0.75) per unit declared on 26 March 2013		
- Bonus distribution	<b>(71,567)</b>	(29,622)
- Cash distribution	-	(59,593)
	<b>(562,229)</b>	(741,772)
<b>Net assets at end of the year</b>	<b>1,270,388</b>	6,103,531
	<b>(Rupees in '000)</b>	
<b>Net asset value per unit at the beginning of the year</b>	<b>50.07</b>	52.47
<b>Net asset value per unit at the end of the year</b>	<b>51.38</b>	50.07

The notes 1 to 22 form an integral part of these financial statements.

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

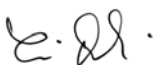
  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Director

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

	2013	2012
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	594,614	631,240
<b>Adjustments for non cash and other items:</b>		
Net unrealised (appreciation) / diminution on re-measurement of investments classified as 'at fair value through profit or loss'	(7,109)	(11,634)
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	18,213	(78,722)
	11,104	(90,356)
	605,718	540,884
<b>(Increase) / decrease in assets</b>		
Investments	3,222,931	(1,532,006)
Profit receivables	4,519	(20,355)
Advances and prepayments	(91)	(1,955)
	3,227,359	(1,554,316)
<b>Increase / (decrease) in liabilities</b>		
Payable to Management Company	(3,554)	4,672
Payable to the Central Depository Company of Pakistan Limited - Trustee	(199)	262
Payable to Securities and Exchange Commission of Pakistan	(60)	2,695
Payable against redemption of units	-	(27)
Payable against purchase of Investments	174,013	-
Accrued and other liabilities	12,094	22,034
	182,294	29,636
	4,015,371	(983,796)
<b>Net cash generated / (used in) from operating activities</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issuance of units	2,533,660	10,240,243
Payments against redemption of units	(7,955,572)	(7,225,414)
Cash distribution	(24,058)	(408,278)
<b>Net cash (used in) / generated from financing activities</b>	(5,445,970)	2,606,551
	(1,430,599)	1,622,755
Net (decrease) / increase in cash and cash equivalents		
Cash and cash equivalents at beginning of the year	1,625,819	3,064
<b>Cash and cash equivalents at end of the year</b>	195,220	1,625,819

The notes 1 to 22 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

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

The Board of Directors have approved that the Fund should be categorised as "Income Scheme" as per the categories defined by the Securities and Exchange Commission of Pakistan Circular 7 of 2009 dated 6 March 2009.

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

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 issued by SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.

MetroBank Pakistan Sovereign Fund has a policy of investing in Pakistani rupee denominated debt securities issued by the government of Pakistan, reverse repurchase transaction in government securities and any otherwise un-invested funds in deposits with banks and financial institutions. In addition, the Fund can also invest in sub-scheme of the Fund.

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 Fund is listed on the Islamabad Stock Exchange.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of 'AM2' to the MCB-Arif Habib Savings and Investments Limited, the Asset Management Company and has assigned stability rating of "AA (f)" (Double A ; fund rating) to the Fund.

The Fund consists of a 'Perpetual' (the scheme). In addition, the Fund had also issued other sub-scheme which matured as follows:

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

---

Name of sub-scheme	Maturity date of sub-scheme
MetroBank - Pakistan Sovereign Fund - (December 2012)	31 December 2012
MetroBank - Pakistan Sovereign Fund - (December 2007)	31 December 2007
MetroBank - Pakistan Sovereign Fund - (December 2005)	31 December 2005
MetroBank - Pakistan Sovereign Fund - (December 2003)	31 December 2003

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 PREPARATION

### 2.1 *Statement of compliance*

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP prevail.

### 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.



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

## *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).

## **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 the 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) *Loans and receivables***

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

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

---

**c) *Available for sale***

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

**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.

***Initial recognition and measurement***

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 financial assets.

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' Fund until derecognised or impaired, when the accumulated adjustments recognised in Unit Holders' Fund are included in the Income Statement. The financial instruments classified as loans and receivables are subsequently measured at amortised cost less provision for impairment, if any.

***Basis of valuation of government securities and GoP Ijara sukuk certificates***

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.

The fair value of the investments in GoP Ijara sukuk certificates is determined by using the market rates from Reuters page.

***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. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of asset and that loss events had an impact on the future cash flows of that asset that can be estimated reliably.

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

---

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. In case of an investment in an equity security, a significant or prolonged decline in fair value below its cost is objective evidence of impairment. Impairment losses are recognised in Income Statement. Any subsequent decrease in impairment loss on debt securities classified as available-for-sale is recognised in Income Statement. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognised in other comprehensive income.

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.

### ***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 assets and liabilities***

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

### **3.4 Issue and redemption of units**

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

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

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

---

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

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

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

### 3.6 **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 amount of obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimates.

### 3.7 **Net asset value per unit**

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

### 3.8 **Earnings per unit**

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

### 3.9 **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.

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

### 3.10 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on valuation of investments classified as 'at fair which they value through profit or loss' and derivatives are included in the Income Statement at the period in which they arise.
- Profit on bank deposits is recognised on time proportion basis using effective interest rate method.
- Income on Pakistan investment bonds and sukuks are recognised on an accrual basis.
- 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.
- Discount on purchase of market treasury bills is amortised to income statement using the straight line method

### 3.11 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.

### 3.12 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.

### 3.13 Other assets

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

### 3.14 Dividend distributions and appropriations

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

## 4. BALANCES WITH BANKS

		2013	2012
		(Rupees in '000)	
Saving accounts	4.1	195,215	1,625,814
Current account		5	5
		195,220	1,625,819

4.1 These carry mark-up at rates ranging between 6% to 12.25% per annum (30 June 2012: 6% to 11% per annum).

## 5. INVESTMENTS

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

Pakistan investment bonds	5.1	408,386	369,478
Market treasury bills	5.1	697,919	3,775,888
Government of Pakistan ijara sukuks	5.1	164,895	217,108
Investment in sub scheme	5.2	-	124,548
		1,271,200	4,487,022

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

**5.1 Government securities**

	Face value			As at 30 June 2013		Market value		
	As at 1 July 2012	Purchases during the year	Sales / matured during the year	As at 30 June 2013	Carrying value	Market value	As a percentage of net assets	As a percentage of total investments
<b>Pakistan Investment Bond</b>								
PIB - 3 years	250,000	5,735,500	5,760,500	225,000	230,274	233,656	18.39	18.38
PIB - 5 years	100,000	1,900,000	1,975,000	25,000	25,915	26,290	2.07	2.07
PIB - 10 years	25,500	1,432,200	1,310,000	147,700	146,116	148,440	11.68	11.68
<b>Total - 30 June 2013</b>					<b>402,305</b>	<b>408,386</b>		<b>6.081</b>
Total - 30 June 2012					369,222	369,478		256
<b>Market Treasury Bills</b>								
Treasury bills - 3 months	2,555,000	15,828,175	18,208,175	175,000	174,013	174,007	13.70	13.69
Treasury bills - 6 months	7,500	8,812,780	8,820,280	-	-	-	-	-
Treasury bills - 12 months	1,261,700	22,274,250	22,981,550	554,400	523,191	523,912	41.24	41.21
<b>Total - 30 June 2013</b>					<b>697,204</b>	<b>697,919</b>		<b>715</b>
Total - 30 June 2012					3,777,208	3,775,888		(1,320)
<b>Government of Pakistan Ijara Sukuk</b>								
Ijarah sukuk V - 3 years	50,000	25,000	75,000	-	-	-	-	-
Ijarah sukuk VIII - 3 years	167,000	-	2,500	164,500	164,582	164,895	12.98	12.97
Ijarah sukuk IX - 3 years	-	200,000	200,000	-	-	-	-	-
Ijarah sukuk XII - 3 years	-	400,000	400,000	-	-	-	-	-
Ijarah sukuk XIII - 3 years	-	2,135,000	2,135,000	-	-	-	-	-
<b>Total - 30 June 2013</b>					<b>164,582</b>	<b>164,895</b>		<b>313</b>
Total - 30 June 2012					217,746	217,108		(638)
<b>Total of investments in Government Securities - 30 June 2013</b>					<b>1,264,091</b>	<b>1,271,200</b>		<b>71.09</b>
Total of investments in Government Securities - 30 June 2012					4,364,176	4,362,474		(1,702)

**5.1.1** These Pakistan Investment Bonds have a cost of Rs. 402.07 million (2012 : 369.22 million) maturing till 19 July 2022 (2012: 18 August 2021) and carry interest at the rate of 8% to 12% (2012: 8% to 12%) per annum.

**5.1.2** These Treasury bills have a amortized cost of Rs. 697.204 million (2012 : Rs. 3,777.208 million) maturing up till 12 June 2014 (2012 : 9 February 2013) and carry effective yield ranging between 8.97% to 9.85% per annum (2012 : 11.63% to 11.95%).

**5.1.3** These Government of Pakistan Ijara Sukuk have a cost of Rs. 164.582 million (2012 : 217.746 million) maturing on 16 May 2014 (2012: 16 May 2014) and carry interest at the rate of 8.9161% to 11.9405% (2012: 11.7903% to 11.9405%) per annum.

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

	Number of units			As at 30 June 2013		Market value		
	As at 1 July 2012	Bonus / Purchases	Sales/Matured during the period	As at 30 June 2013	Carrying value	Market value	As a percentage of net assets	As a percentage of total investments
<b>MetroBank Pakistan Sovereign Fund - December 2012</b>	2,582,903	63,207	2,646,110	-	-	-	-	-
Total as at 30 June 2012					111,212	124,548		13,336

**5.2.1** Sub scheme MSF December 2012 has been matured on 31 December 2012 and the investment has been realised on maturity of the sub scheme.

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

		2013	2012
		(Rupees in '000)	
<b>6.</b>	<b>PROFIT RECEIVABLES</b>		
	Profit receivable on bank deposits	120	1,044
	Profit receivable on government securities	17,741	21,336
		<u>17,861</u>	<u>22,380</u>
<b>7.</b>	<b>ADVANCES AND PREPAYMENTS</b>		
	Advance tax	1,955	1,955
	Prepaid Stability Rating-PACRA	91	-
		<u>2,046</u>	<u>1,955</u>
<b>8.</b>	<b>PAYABLE TO MANAGEMENT COMPANY</b>		
	Management fee payable	8.1 2,682	6,353
	Sales load payable	117	-
		<u>2,799</u>	<u>6,353</u>

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

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

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2013 is as follows:

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

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

**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 classified as 'Income Fund', is required to pay as annual fee to the SECP, an amount equal to 0.075 percent of the average annual net assets of the Fund.

**11. ACCRUED EXPENSES AND OTHER LIABILITIES**

	<b>2013</b>	<b>2012</b>
	<b>(Rupees in '000)</b>	
Auditors' remuneration payable	<b>470</b>	557
Brokerage payable	<b>129</b>	196
Legal fee payable	<b>100</b>	96
Provision for workers' welfare fund	<i>11.1</i> <b>34,215</b>	21,858
Printing and publication charges payable	<b>75</b>	111
Others	<b>79</b>	156
	<b>35,068</b>	<b>22,974</b>

**11.1** 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.

Subsequent to the year ended 30 June 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) on 8 July 2010 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 counsel 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 the Court.

Subsequent to the year ended 30 June 2011, the Honourable Lahore High Court (LHC) in a constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. In March 2013 a larger bench of the Sindh High Court (SHC) in various constitutional petitions filed by institutions other than the 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.

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 view of the aforementioned 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 retain the entire provision for WWF amounting to Rs 34.215 million (including Rs 10.870 million for the current year) in these financial statements.

The liability of WWF includes liability of Sub-Scheme (December 2012) amounting to Rs. 1.487 million which has matured on December 2012 as mentioned in note 5.2.1.

**12. CONTINGENCIES AND COMMITMENTS**

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



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

13. AUDITORS' REMUNERATION	2013	2012
	(Rupees in '000)	
Annual audit fee	352	286
Half yearly review fee	204	190
Other cortication and services	200	238
Out of pocket expenses	72	31
	<u>828</u>	<u>745</u>

**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. EARNINGS PER UNIT**

Earnings per unit (EPU) has not been disclosed as in the opinion of the management determination of 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)	
<b>Management Company</b>		
Remuneration of the Management Company	<u>50,593</u>	<u>59,268</u>
Federal excise duty on remuneration of the Management Company	<u>198</u>	<u>-</u>
Sindh sales tax on remuneration of the Management Company	<u>8,127</u>	<u>9,484</u>
Sales load	<u>481</u>	<u>1</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of the Trustee	<u>4,509</u>	<u>4,623</u>
<b>Habib Metropolitan Bank Limited</b>		
Profit on bank deposits	<u>8,424</u>	<u>4,109</u>
Bank charges	<u>361</u>	<u>464</u>
<b>MCB Bank Limited</b>		
Profit on bank deposits	<u>2,722</u>	<u>21,018</u>
Bank charges	<u>6</u>	<u>-</u>

**16.2 Balance outstanding as at the year end are as follows:**

<b>Management Company</b>		
Management fee payable	<u>2,114</u>	<u>5,477</u>
Federal excise duty payable on management fee	<u>198</u>	<u>-</u>
Sindh sales tax payable on management fee	<u>370</u>	<u>876</u>
Sales load payable	<u>117</u>	<u>-</u>
<b>Central Depository Company of Pakistan Limited</b>		
Remuneration payable	<u>211</u>	<u>410</u>
<b>Habib Metropolitan Bank Limited</b>		
Bank deposits	<u>842</u>	<u>22,334</u>
Profit receivable	<u>6</u>	<u>236</u>
<b>MCB Bank Limited</b>		
Bank deposits	<u>4,200</u>	<u>3,394</u>
Profit receivable	<u>22</u>	<u>808</u>

**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:**

	For the year ended 30 June 2013		For the year ended 30 June 2012	
	Units	(Rupees in '000)	Units	(Rupees in '000)
<b>Units sold to:</b>				
Management Company	1,433,849	72,427	-	-
Habib Metropolitan Bank Limited	3,965,107	200,000	34,840,776	1,750,000
MCB Bank Limited	-	-	48,868,459	2,500,000
Suraj Cotton Mills Limited	3,912,948	200,000	-	-
MCB AMC Staff Provident Fund	37,343	1,900	-	-
Adamjee Insurance Company Limited	4,906,771	250,000	-	-
Adamjee Life Assurance Company Limited	137,532	7,000	-	-
Jubilee General Insurance Company Limited	3,853,060	200,000	-	-
Key management personnel	66,264	3,444	67,239	3,400
<b>Bonus units issued to:</b>				
Management Company	27,806	1,392	-	-
Habib Metropolitan Bank Limited	3,081,342	154,283	4,970,711	247,207
MCB Bank Limited	6,657,202	333,326	1,099,956	54,998
Jubilee General Insurance Company Limited	178,797	8,952	-	-
Key management personnel	8,419	422	3,831	191
<b>Units redeemed by:</b>				
Management Company	669,810	33,792	-	-
Habib Metropolitan Bank Limited	41,308,938	2,111,365	27,983,210	1,400,000
MCB Bank Limited	85,218,831	4,289,894	-	-
Key management personnel	86,099	4,364	14,014	705
<b>Bonus units received from investment:</b>				
Sub-scheme - MetroBank Pakistan Sovereign Fund - December 2012	-	-	401,418	19,333
	<b>30 June 2013</b>	<b>30 June 2012</b>	<b>30 June 2013</b>	<b>30 June 2012</b>
	Units		(Rupees in '000)	
<b>Units held by:</b>				
Management Company	791,845	-	40,685	-
Habib Metropolitan Bank Limited	4,432,969	38,695,458	227,766	1,937,095
MCB Bank Limited	-	78,561,629	-	3,933,620
Suraj Cotton Mills Limited	3,912,948	-	201,047	-
MCB AMC Staff Provident Fund	37,343	-	1,919	-
Adamjee Insurance Company Limited	4,906,771	-	252,110	-
Adamjee Life Assurance Company Limited	137,532	-	7,066	-
Jubilee General Insurance Company Limited	4,031,857	-	207,157	-
Key management personnel	45,640	57,056	2,345	2,856
<b>Investment in units:</b>				
Sub-scheme - MetroBank Pakistan Sovereign Fund - December 2012	-	2,582,903	-	124,548

## 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 activates exposes it to a variety of financial risks:

- Market risk
- Credit risk and
- Liquidity risk

#### 17.1 Market risk

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

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

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

##### *Currency Risk*

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

##### *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. The Fund holds fixed rate instrument in the form of government securities that expose the Fund to fair value interest rate risk.

##### *Sensitivity analysis for variable rate instruments*

Presently, the Fund holds GOP Ijarah Sukuk exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase/decrease in 6 months weighted average yield of market treasury bills on 30 June 2013 with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs. 206,748 (2012: Rs. 274,840).

##### *Sensitivity analysis for fixed rate instruments*

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

As at 30 June 2013, the Fund holds Pakistan Investment Bonds 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 in rates announced by the Financial Market Association on 30 June 2013, the net income for the year and net assets would be lower by Rs. 7,223,027 (2012: 5,441,805). In case of 100 basis points decrease in rates announced by the Financial Market Association on 30 June 2013, the net income for the year and net assets would be higher by Rs. 7,460,436 (2012: 5,591,236).

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

As at 30 June 2013, the Fund holds Treasury Bills which are classified as fair value through profit or loss, exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the Financial Market Association on 30 June 2013, the net income for the year and net assets would be lower by Rs. 3,271,792 (2012: Rs. 3,928,046). In case of 100 basis points decrease in rates announced by the Financial Market Association on 30 June 2013, the net income for the year and net assets would be higher by Rs. 3,305,108 (2012: Rs. 3,947,898).

The composition of the Fund's investment portfolio and rates announced by the Financial Market Association is expected to change over time. Accordingly, the sensitivity analysis prepared as of 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*

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

### 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.

### *Exposure to credit risk*

In 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	195,220	195,220	1,625,819	1,625,819
Investments	1,271,200	-	4,487,022	-
Profit receivables	17,861	120	22,380	1,044
Advances and prepayments	2,046	2,046	1,955	1,955
	<b>1,486,327</b>	<b>197,386</b>	<b>6,137,176</b>	<b>1,628,818</b>

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

Difference in the balance as per Statement of Assets and Liabilities and maximum exposure in investment is due to the fact that investment in government securities (including profit receivables) of Rs. 1.289 million (2012: Rs. 4.508 million) are not exposed to credit risk.

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 as at 30 June are as follows:

<i>Bank Balance Percentages by rating category</i>	<b>2013</b>
AA	<b>95.51%</b>
AA+	<b>4.49%</b>
	<b><u>100.00%</u></b>
	2012
AA	98.42%
AA+	1.58%
	<b><u>100.00%</u></b>

### *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.

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

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

	-----June 30, 2013-----			
	Upto three months	More than three months and upto one year	More than one year	Total
	------(Rupees in '000)-----			
<b>Liabilities</b>				
Payable to Management Company	2,799	-	-	2,799
Payable to Trustee	211	-	-	211
Payable against purchase of Investments	174,013	-	-	174,013
Accrued and other liabilities	853	-	-	853
	<b>177,876</b>	<b>-</b>	<b>-</b>	<b>177,876</b>

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

**17.4 Financial instruments by category**

As at 30 June 2013, all the financial assets and liabilities are 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'.

	-----June 30, 2013-----			
	Loans and receivables	Assets at fair value through profit or loss	Available for Sale	Total
	------(Rupees in '000)-----			
<b>Assets</b>				
Balances with banks	195,220	-	-	195,220
Investments	-	1,271,200	-	1,271,200
Profit receivables	17,861	-	-	17,861
	<b>213,081</b>	<b>1,271,200</b>	<b>-</b>	<b>1,484,281</b>

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

	-----June 30, 2013-----		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	------(Rupees in '000)-----		
<b>Liabilities</b>			
Payable to Management Company	-	2,799	2,799
Payable to Trustee	-	211	211
Payable against purchase of Investments	-	174,013	174,013
Accrued and other liabilities	-	853	853
	-	177,876	177,876

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

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

**18. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**

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**

Details of pattern of unit holding

	As at 30 June 2012		
	Number of unit holders	Investment Amount Rupees in '000	Percentage Investment
Individuals	91	11,540	0.19%
Associated companies	1	3,933,620	64.45%
Directors	1	2,749	0.05%
Insurance companies	1	31	0.00%
Bank / DFIs	1	1,937,095	31.73%
Public Limited companies	1	101,724	1.67%
Others	5	116,772	1.91%
	<u>101</u>	<u>6,103,531</u>	<u>100.00%</u>

**20.2 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:

	<b>2013 Percentage</b>
1 Invest & Finance Securities Limited	<b>38.11%</b>
2 Invest Capital Markets Limited	<b>34.24%</b>
3 KASB Securities Limited	<b>7.74%</b>
4 Optimus Markets (Private) Limited	<b>4.46%</b>
5 Global Securities Pakistan Limited	<b>2.85%</b>
6 Summit Capital (Private) Limited	<b>2.51%</b>
7 Alfalah Securities (Private) Limited	<b>2.23%</b>
8 Icon Securities (Private) Limited	<b>2.07%</b>
9 BMA Capital Management Limited	<b>1.36%</b>
10 C & M Management (Private) Limited	<b>1.21%</b>
	<b>2012 Percentage</b>
1 Invest Capital Markets Limited	24.11%
2 BMA Capital Management Limited	19.94%
3 Invisor Markets (Private) Limited	13.72%
4 JS Global Capital Limited	7.83%
5 KASB Securities Limited	7.31%
6 Invest One Markets (Private) Limited	5.64%
7 Invest & Finance Securities Limited	4.20%
8 Summit Capital (Private) Limited	4.10%
9 Elixer Securities Pakistan (Private) Limited.	3.99%
10 ICON Securities (Private) Limited	3.12%

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

---

**20.3 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

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

Name of Director	Number of meetings			
	Held	Attended	Leave granted	Meeting not attended
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.*

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

---

---

**20.4 Particulars of investment committee and fund manager**

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

<b>Name</b>	<b>Designation</b>	<b>Qualification</b>	<b>Experience in years</b>
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 of Equities	MBA & CFA	10
Mrs. Uzma Khan	Assistant Vice President - Head of Research	MBA & CFA	8
Mr. Mohsin Pervez	Vice President - Investments	MBA & CFA (Level I)	12

**20.5 Other funds managed by the fund manager**

**Mr. Kashif Rafi**

Mr. Kashif Rafi 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 (level 1). Other funds being managed by him are as follows:

- MCB Dynamic Cash Fund ; and
- MCB Cash Management Optimizer


**21. DISTRIBUTIONS BY THE FUND**

**21.1 Non-adjusting event after the reporting date**

The Board of Directors of the management company has approved final distribution of Rs. 1.38 per unit for the year ended 30 June 2013 amounting to Rs. 34.119 million in total 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.

**22. 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-Arif Habib Savings and Investments Limited (Formerly Arif Habib Investments Limited)	1	791,845
MCB AMC Staff Provident Fund	1	37,343
Adamjee Insurance Company Limited	1	4,906,771
Adamjee Life Assurance Company Limited - NUIL Fund	1	78,570
Adamjee Life Assurance Company Limited - ISF	1	58,962
Directors		
Yasir Qadri	1	37,654
Public Sector Companies and Corporations	7	8,888,221
Insurance Companies	1	393,064
Individuals	144	1,134,978
Trust	2	57,171
Shareholders holding 5 percent or more voting interest in the listed company		
Habib Metropolitan Bank Limited	1	394,845
Suraj Cotton Mills Limited	1	3,912,948
Jubilee General Insurance Company Limited	1	4,031,857
	<b>163</b>	<b>24,724,229</b>

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

No. of Unit Holders	Units Holdings		Total Units Held
94	(SHAREHOLDING FROM 1.0000 TO 5000.0000)		66,769.06
20	(SHAREHOLDING FROM 5001.0000 TO 10000.0000)		137,263.67
5	(SHAREHOLDING FROM 10001.0000 TO 15000.0000)		61,264.51
10	(SHAREHOLDING FROM 15001.0000 TO 20000.0000)		174,416.81
3	(SHAREHOLDING FROM 20001.0000 TO 25000.0000)		67,935.58
3	(SHAREHOLDING FROM 25001.0000 TO 30000.0000)		81,651.78
1	(SHAREHOLDING FROM 30001.0000 TO 35000.0000)		30,554.22
4	(SHAREHOLDING FROM 35001.0000 TO 40000.0000)		150,348.39
1	(SHAREHOLDING FROM 40001.0000 TO 45000.0000)		43,152.46
4	(SHAREHOLDING FROM 50001.0000 TO 55000.0000)		208,367.52
2	(SHAREHOLDING FROM 55001.0000 TO 60000.0000)		117,486.77
1	(SHAREHOLDING FROM 60001.0000 TO 65000.0000)		60,645.22
2	(SHAREHOLDING FROM 70001.0000 TO 75000.0000)		142,680.44
1	(SHAREHOLDING FROM 75001.0000 TO 80000.0000)		78,570.11
1	(SHAREHOLDING FROM 95001.0000 TO 100000.0000)		99,601.59
1	(SHAREHOLDING FROM 375001.0000 TO 380000.0000)		377,227.09
1	(SHAREHOLDING FROM 390001.0000 TO 395000.0000)		393,064.11
1	(SHAREHOLDING FROM 425001.0000 TO 430000.0000)		427,347.93
1	(SHAREHOLDING FROM 615001.0000 TO 620000.0000)		616,937.27
1	(SHAREHOLDING FROM 790001.0000 TO 795000.0000)		791,844.03
1	(SHAREHOLDING FROM 980001.0000 TO 985000.0000)		984,251.96
1	(SHAREHOLDING FROM 2325001.0000 TO 2330000.0000)		2,328,301.25
1	(SHAREHOLDING FROM 3910001.0000 TO 3915000.0000)		3,912,948.16
1	(SHAREHOLDING FROM 4030001.0000 TO 4035000.0000)		4,031,857.11
1	(SHAREHOLDING FROM 4430001.0000 TO 4435000.0000)		4,432,969.84
1	(SHAREHOLDING FROM 4905001.0000 TO 4910000.0000)		4,906,771.32
163		Total :	24,724,228.20

## PERFORMANCE TABLE

PERFORMANCE TABLE	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003*
	------(Rupees in '000)-----										
Net assets	1,270,388	6,103,531	2,944,462	1,505,748	1,953,347	364,448	792,218	479,103	464,406	462,230	271,473
Net income / (loss) after taxation	594,614	631,240	219,489	146,525	15,050	56,852	31,680	34,375	(51,093)	9,471	(153)
	------(Rupees)-----										
Net assets value per unit	51.38	50.07	52.47	54.02	49.12	49.96	48.97	48.01	44.70	44.46	50.16
Dividend distribution per unit - 1st Interim	2.51	1.53	1.70	-	-	-	-	-	-	1.59	-
Dividend distribution per unit - 2nd Interim	1.20	2.05	-	-	-	-	-	-	-	0.14	-
Dividend distribution per unit - 3rd Interim	0.86	0.75	-	-	-	-	-	-	-	-	-
Dividend distribution per unit - Final	1.38	0.70	2.77	5.00	0.07	6.85	1.79	3.11	-	-	-
Total distribution per unit	5.95	5.03	4.47	5.00	0.07	6.85	1.79	3.11	-	1.74	-
Selling price per unit at end of the year	52.37	50.12	52.52	54.07	49.17	50.00	49.02	48.03	44.73	44.68	49.98
Reperchase price per unit at end of the year	51.31	50.07	52.47	54.02	49.12	49.95	48.97	47.98	44.69	44.59	49.88
Highest offer price per unit	53.36	51.80	52.52	54.09	49.17	50.29	49.02	48.03	44.74	51.18	52.60
Lowest offer price per unit	50.16	49.77	49.03	49.42	42.72	47.28	44.90	44.73	42.33	44.57	48.85
Highest repurchase price per unit	52.56	51.75	52.47	54.04	49.12	50.24	48.97	47.98	44.70	51.08	52.49
Lowest repurchase price per unit	50.07	49.72	48.98	49.37	42.68	47.23	44.86	44.69	42.25	44.48	48.75
	------(Announcement date of distribution)-----										
Dividend distribution per unit - Final	5-Jul-13	25-Jun-12	4-Jul-11	5-Jul-10	6-Jul-09	3-Jul-08	4-Jul-07	4-Jul-06	-	-	-
Dividend distribution per unit - 1st Interim	27-Sep-12	28-Sep-11	11-Dec-10	-	-	-	-	-	-	24-Sep-03	-
Dividend distribution per unit - 2nd Interim	26-Dec-12	27-Jan-12	-	-	-	-	-	-	-	24-Dec-03	-
Dividend distribution per unit - 2nd Interim	26-Mar-13	29-Mar-12	-	-	-	-	-	-	-	24-Dec-03	-
	------(Percentage)-----										
Total return of the fund	12.30	11.30	10.30	10.13	13.94	5.89	9.06	7.43	0.52	(7.98)	0.32
Annual dividend distribution	11.9	10.48	8.70	10.13	0.14	14.52	3.99	6.96	-	3.46	-
Capital growth	0.4	0.82	1.6	0	13.8	-8.63	5.07	0.47	0.52	-11.44	0.32
Average annual return (CAGR):											
One Year	12.30	11.30	10.30	10.13	13.94	5.89	9.06	7.43	0.52	(7.98)	0.96
Second Year	18.40	10.80	10.20	12.02	9.83	7.48	8.24	3.92	(3.82)	-	-
Third Year	16.90	10.60	11.40	9.93	9.57	7.47	5.60	(0.21)	-	-	-
Fund keeps the average duration of its portfolio 1.08 years.				54.02		43.11					

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

Disclaimer :-

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

Please find us on



by typing: **Bachat Ka Doosra Naam**

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

8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.  
UAN: (+92-21) 11-11-622-24 (11-11-MCB-AH), 111-468378 (111-INVEST)  
Bachat Center: 0800-622-24 (0800-MCB-AH), Fax: (+92-21)32276898, 32276908  
URL: [www.mcbah.com](http://www.mcbah.com), Email: [info@mcbah.com](mailto:info@mcbah.com)