



Bachat ka Doosra Naam

**Annual Report
2014**



Aik Teer Sey Dou Shikar

PAKISTAN
CAPITAL MARKET
FUND

MCB-Arif Habib Savings and Investments Limited

TABLE OF CONTENTS

1	Vision Mission & Core Values	02
2	Fund's Information	03
3	Report of the Director of Management Company	04
4	Report of the Fund Manager	08
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	16
10	Income Statement	17
11	Statement of Comprehensive Income	18
12	Distribution Statement	19
13	Statement of Movement in Unit Holders' Fund	20
14	Cash Flow Statement	21
15	Notes to and Forming part of the Financial Statements	22
16	Pattern of holding as per Requirement of Code of Corporate Governance	51
17	Pattern of Units Holding by Size	52
18	Performance Table	53

Vision

To become synonymous with Savings.

Mission

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

Core Values

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

FUND'S INFORMATION

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

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2014

The board of Directors of MCB Arif Habib Savings and Investments Limited, the Management Company of Pakistan Capital Market Fund (PCMF), is pleased to present the Annual Report on the affairs of PCMF for the year ending June 30, 2014.

ECONOMY AND MONEY MARKET OVERVIEW

Economic optimism generally prevailed throughout the year, as the new government managed to close the performance of their first fiscal year with improving macroeconomic indicators. Single-digit inflation, improvement in reserves, stability in rupee and successful implementation of fiscal reforms managed to dilute the negative impact arising from wide fiscal and current account deficits on the economy.

Despite poor law and order situation and energy crisis, the real GDP growth remained in the vicinity of 4% in FY14, as opposed to 3.7% during the previous fiscal year. During the year, the country successfully entered into a three-year \$6.6 billion loan program with IMF. The country received four tranches of around \$540 million each during FY14 as against the total \$3 billion repayments to IMF due in FY14.

The reserves had remained under pressure during the first eight months of FY14 on account of hefty repayments to foreign donors. However, multilateral agencies and close allies along with fewer repayments towards the latter part of the year helped improve reserve balance to \$13.99 billion as on 27-June-2014 from the trough of \$7.59 billion touched on 7-February-2014. Not to mention, \$1.5 billion from Saudi Arabia in March 2014. Local currency managed to appreciate to Rs98 against dollar from a record low of Rs108.6 against dollar on 5-December-2013.

Despite implementation of fiscal reforms, inflation remained in single digit with CPI averaging around 8.62% in FY14. Although the government had twice announced 50 bps hikes in the discount rate in the monetary policy held in September and November, bringing the discount rate to 10%, stable inflation and improvement in foreign reserve convinced policy makers to keep discount rate unchanged in the later three monetary policies, in spite of IMF pressure of maintaining positive real returns.

The Current Account balance remained in pressure posting a deficit of \$2.57 billion in 11MFY14 as opposed to deficit of \$2.15 billion reported in 11MFY13. Last year's saving grace came in the form of proceeds under Coalition Support Funds (CSF) where the country received \$1 billion as opposed to inflows of \$1.8 billion received during 11MFY14. The country's import bill nudged up by 3.31% to \$38.13 billion and exports stayed constant at last year's level of around \$23 billion. At the same time, remittances improved to \$14.33 billion from \$12.75 billion reported in 11MFY13.

The country's financial account registered a surplus of \$4.36 billion, as opposed to surplus of \$212 million in the previous year. Thanks to higher FDIs as proceeds amounted to \$ 1.36 billion in 11MFY14, nearly \$34 million higher than the previous fiscal year. A large portion of this increase could be attributed to sale of 3G & 4G licenses.

The lower current account deficit along with surplus in financial account and capital account summed to an overall surplus of \$3.33 billion in 11MFY14 as opposed to deficit of \$1.86 billion during the previous year.

On the heels of structural reforms, the country's performance on fiscal side improved, with the government expected to conclude the year by recording a fiscal deficit of 5.8% largely lower than the year's target of 6.3% and the last year's level of 8%. A big part of this reduction could be attributed to large Circular Debt transaction towards the end of last fiscal year.

The tax revenue collection is expected to remain close to the budgeted amount of around Rs 2.51 trillion, while higher than expected growth in non-tax revenues would help the country to record Rs 3.59 trillion in gross receipts that is nearly 10% higher than the budgeted revenue.

While being overly aggressive with their tax collection drive the government's debt management has left a lot to be desired. Perhaps a better strategy could here helped the Govt. borrow long at better rates while developing the mid to long end debt market.

EQUITIES MARKET OVERVIEW

KSE-100 index rose by a remarkable 41% in FY14 as against an average annual growth of 46% recorded during the past three fiscal years. Aided by smooth political transition and improving fundamentals, the stock market started the year on a positive note. The market touched an all-time high (intraday) of around 29,789.85 on 2nd June, 2014.

This double-digit growth in performance has helped the local equity market to shine as one of the best performing markets in the world. Pakistan ranked first amongst Asian Frontier markets in FY14 as MSCI Pakistan gained 23% outpacing Bangladesh, 21%; Vietnam, 13%; and Sri Lanka, -1%.

The volumes remained healthy with an average daily market turnover of around 216 million shares during the year, nearly 1.2 times higher

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2014

than the average volume during the past three fiscal years. Foreign investors remained net buyers given that the market closed its fiscal year recording net foreign inflows of around \$261.8 million as opposed to the net inflow of around \$552.6 million in FY13

A combination of smooth political transition, successful political transition, entry into IMF program and foreign inflows helped the stock market climb strongly during the year. In addition, monetary easing in developed countries also played a catalyst as they continued to facilitate the flow of funds towards the developing countries.

Moreover, a combination of improving economic indicators, strong inherent bottom line growth and healthy payouts helped keep the investors' interest alive in the stock market. The rally remained broad based, but interest largely remained in Pharmaceuticals, Banks and Automobile sectors.

Pharmaceutical stocks managed to lead the pack on the heels of upward revision in drugs prices, while rupee appreciation towards the latter half of the fiscal year improved the margins of automobile companies. The successful entry into GSP plus program brought few profitable textile companies into limelight in the face of rupee appreciation which bodes negative for textile companies and Cement companies thrived on widening of margins owing to increase in cement prices and lower coal prices.

FUND PERFORMANCE

During the period under review, the fund delivered a return of 26.10% as against its benchmark return of 27.12%. On the equities front fund changed its sector allocations several times in response to varying investment climate, however overall equity allocation was maintained around 64%. The fund maintained its exposure in Construction and Materials and Oil & Gas sectors, while exposure was increased in General Industrial and Commercial Banking sector.

In order to capitalize on changing interest rate scenario during the year, fund increased its exposure in T-Bills during 1HFY14 while exposure towards PIBs was increased in latter half of FY14. On the fixed income side, the fund maintained its exposure in Government securities to 11.7% and TFC exposure to around 8.4%.

The Net Assets of the Fund as at June 30, 2014 stood at Rs.364.63 million as compared to Rs 400.54 million as at June 30, 2013 registering a decrease of 8.9%.

The Net Asset Value (NAV) per unit as at June 30, 2014 was Rs. 9.06 as compared to opening NAV of Rs.9.67 per unit as at June 30, 2013 registering a decrease of Rs. 0.61 per unit.

Income Distribution

During the period The Management Company has announced the following final distribution

Date of distribution	Per unit distribution
	Rs.
June 27, 2014	1.5100

FUTURE OUTLOOK

The country's trade deficit is likely to reduce on account of stable commodity prices, stronger rupee and incremental exports due to GSP plus facility. Also, in consideration of various reforms introduced in FY15, targeted fiscal deficit level of 4.9% doesn't appear as farfetched as it has been in the last few years. The government expects reserve position to improve further on the back pledges made by multilateral agencies, approved project financing and divestment of strategic assets.

Earnings growth is expected to continue in Cement, Autos and Consumer goods sector, amongst others. The rupee appreciation bodes well for Autos and Consumer goods sectors, while higher allocation in PSDP will increase demand for cement. Moreover, expected monetary easing down the line would reignite the market's interest in the leveraged scripts.

Above all, the equity market will continue to attract foreign investors owing to divestment of the government's holding in listed companies and increase in the country's weight in MSCI FM Index.

Corporate Governance

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2014

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 Karachi Stock Exchange.

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

- a. Financial statements present fairly the statement of affairs, the results of operations, cash flows and Change in unit holders' fund.
- b. Proper books of accounts of the Fund have been maintained during the year.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable prudent judgment.
- d. Relevant International Accounting Standards, as applicable in Pakistan, provisions of the Non Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- h. Key financial data as required by the Code of Corporate Governance has been summarized in the financial statements.
- i. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- j. The statement as to the value of investments of provident fund is not applicable on the Fund but applies to the Management Company, hence no 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 21.3 to the attached financial statements. Below is the details of committee meetings held during the year ended June 30, 2014:

1. Meeting of Human resource and remuneration committee (held on July 31, 2013).

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

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2014

2. Meeting of Audit Committee (held on August 02, 2013, October 22, 2013, November 18, 2013, February 04, 2014 and April 18, 2014)

S. No.	Name	Designation	Total Meetings Held	No. of Meetings Attended	Leave granted
1.	Mr. Haroun Rashid	Chairman	5	4	1
2.	Mr. Nasim Beg	Member – Executive Vice Chairman	5	4	-
3.	Mr. Samad A. Habib	Member	5	3	2
4.	Mr. Ahmed Jahangir*	Member	5	1	-

- * During the period Mr. Nasim Beg retired from audit committee and Mr. Ahmed Jahangir has been appointed as a member of audit Committee.

- m. During the year one of the Directors and in total Three Directors, have completed all parts of the program offered by the Pakistan Institute of Corporate Governance. Further Directors have been briefed regarding the changes in laws and regulations impacting the Management Company.
- n. No trades in the Units of the Fund were carried out during the year 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.

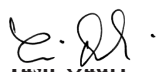
External Auditors

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, 2015. 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, 2015.

Acknowledgement

The Board of Directors of the Management Company is thankful to the valued investors of the Fund for their reliance and trust in MCB-Arif Habib Savings and Investments Limited. 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 Karachi Stock Exchange, Islamabad Stock Exchange and Lahore Stock Exchange for their continued cooperation, guidance, substantiation and support. The Board also acknowledges the efforts put in by the team of the Management Company for the growth and meticulous management of the Fund.

For and on behalf of the board



Chief Executive

Karachi: July 28, 2014

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2014

Fund Type and Category

Pakistan Capital Market Fund (PCMF) is an Open-End Balanced Scheme

Fund Benchmark

The benchmark for Pakistan Capital Market Fund is 50% KSE 100 Index + 50% 1 Year T-Bill

Investment Objective

The objective of the Fund is to maximize returns available from Pakistan's capital market by investing the Fund Property in equity as well as debt instruments while diversifying the risk within the market.

Investment Strategy

Pakistan Capital Market Fund (PCM) is an open-end balanced fund that invests in a range of asset classes such as equity and debt in Pakistan's capital market. The asset allocation to equity and debt is made on the basis of relative attractiveness of each asset class. The investment process is driven by fundamental research. For equities investment, fundamental outlook of sectors/companies and DCF (Discounted Cash Flow) valuations are the primary factors in sectors' allocation and stock selection. For debt investment, interest rate outlook is the key determining factor and allocation to this segment is increased when the yields are comparatively higher compared to the total returns on equities. Investment is made in corporate bonds (investment grade) and government bonds. Cash is kept in deposits with highly rated banks. PCM is a long only Fund and cannot 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

PCM delivered a return of 26.1% vis-à-vis benchmark (50% KSE100+50% 1 Yr T-Bill) return of 27.12% in FY14. Net assets of the fund were Rs 401million at the beginning of the period decreased by around 8.9% to Rs 365 million at the end of the year. Average equity allocation of the fund comes out to be around 64% for the year.

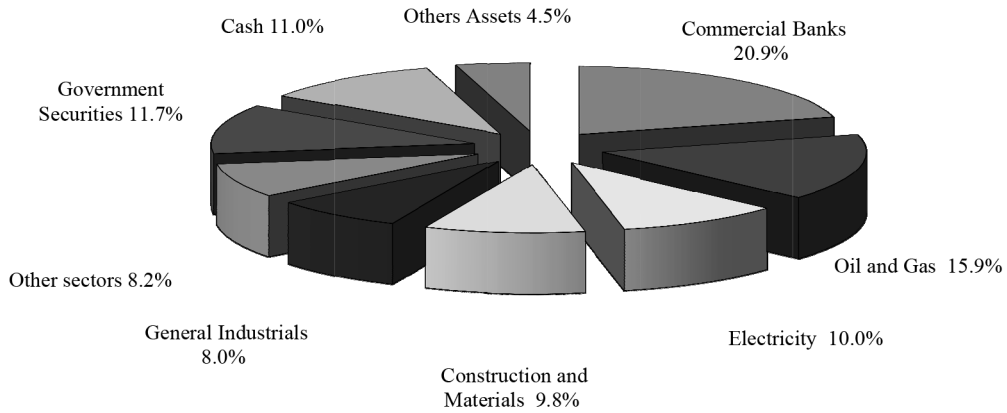
During FY14 KSE 100 index delivered 41.16% return. This double-digit growth in performance helped the local equity market to shine as one of the best performing markets in the world. The volumes remained healthy with an average daily market turnover of around 216 million shares during the year. Smooth political transition, entry into IMF program and foreign inflows helped the stock market climb strongly during the year. In addition, monetary easing in developed countries also played a catalyst as they continued to facilitate the flow of funds towards the developing countries. Moreover, a combination of improving economic indicators, strong inherent bottom line growth and healthy payouts helped keep the investors' interest alive in the stock market. The rally remained broad based, but interest largely remained in Construction and Materials, Pharmaceuticals, Banks and Automobile sectors.

Equity allocation was increased from June 2013 of 57.6% to 64.4% in June 2014. On sector basis fund generally increased its exposure in Electricity and Construction and Materials while exposure in Oil and Gas, Chemicals and Personal Goods was reduced during the year. Fund also took active positions in growth and value companies of miscellaneous sectors in the period under review.

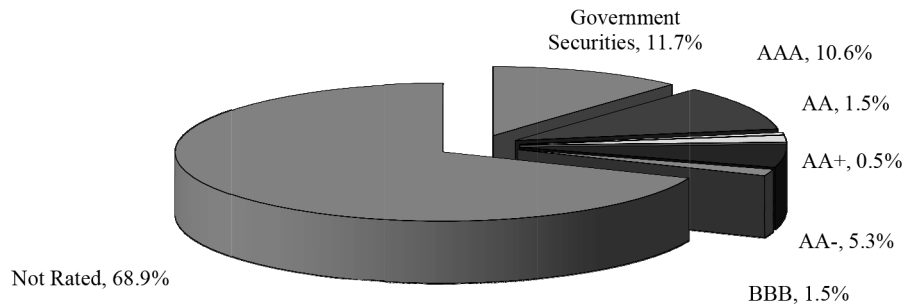
The fund decreased allocation in TFCs from 14.3% to 8.4% by year end. Cash exposure fluctuated during the year with a year end exposure of 11.6%.

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2014

Asset Allocation as on June 30, 2014 (% of total assets)



Asset Quality as on June 30, 2014 (% of total assets)



Mr. Mohsin Pervaiz
Fund Manager

Karachi: July 28, 2014

TRUSTEE REPORT TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2014

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

PAKISTAN CAPITAL MARKET 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 Pakistan Capital Market Fund (the Fund) are of the opinion that MCB - Arif Habib Savings and Investments Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2014 in accordance with the provisions of the following:

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


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

Karachi: October 13, 2014



STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2014

This statement is being presented by the Board of Directors of MCB Arif Habib Savings and Investments Limited, the Management Company of Pakistan Capital Market Fund (“the fund”) to comply with the Code of Corporate Governance contained in Regulation no.35 of Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited 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.

Pakistan Capital Market Fund is an open end mutual fund and is listed at Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited. The Fund, being a unit trust scheme, does not have its own Board of Directors. The Management Company, MCB-Arif Habib Saving and Investment Limited, on behalf of the Fund, has applied the principles contained in the Code in the following manner:

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

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

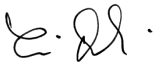
The independent directors meet the criteria of independence under clause i (b) of the Code.

- The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies, where applicable)
- All the resident Directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- During the period no casual vacancy occurred on the Board of the Management Company
- The Management Company has prepared a ‘Code of Conduct’ and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.
- 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.
- 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.
- 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.
- During the year one of the Directors and in total Three Directors, have completed all parts of the program offered by the Pakistan Institute of Corporate Governance. Further Directors have been briefed regarding the changes in laws and regulations impacting the Management Company.
- There have been no appointments of Chief Operating Officer and Company Secretary, Chief Financial Officer and Head of Internal Audit during the year. However, during the year, Chief Executive Officer has been re-appointed and his remuneration has been revised and approved by the Board.
- The Directors’ Report for the year ended June 30, 2014 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- The financial statements were duly endorsed by Chief Executive Officer and Chief Financial Officer of the Management Company before approval of the Board.

STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2014

13. The Directors, Chief Executive Officer and executives of the Management Company do not hold any interest in the units 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, which 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 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 a Human Resource and Remuneration Committee. It comprises of five members, of whom three 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 Management Company.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares / units of the Management Company / Fund. The firm and all its partners are also in compliance with International Federation of Accountants guidelines on code of ethics as adopted by the 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 net assets value of the fund / market price of Management Company's shares, was determined and intimated to directors, employees and the stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through the stock exchanges.
23. We confirm that all other material principles enshrined in the Code have been complied with.

On behalf of the Board



Yasir Qadri
Chief Executive

Karachi: July 28, 2014

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 Pakistan Capital Market Fund (“the Fund”) on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (“the Code”) prepared by the Board of Directors of MCB-Arif Habib Savings and Investments Limited (“the Management Company”) of the Fund for the year ended 30 June 2014 to comply with the requirements of Listing Regulation No. 35 of Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited, where the Fund is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. 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.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm’s length transactions and transactions which are not executed at arm’s length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee. 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 as applicable for the Fund for the year ended 30 June 2014.

Date: 28 July 2014

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, 2014



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 **Pakistan Capital Market Fund** ("the Fund"), which comprise of the statement of assets and liabilities as at 30 June 2014, and the related income statement, statement of comprehensive income, distribution statement, statement of movement in Unit Holders' Fund, cash flow statement for the year ended 30 June 2014, 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 2014, 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, 2014



KPMG Taseer Hadi & Co.

Report on Other Legal and Regulatory Requirements

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

Date: 28 July 2014

Karachi

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.

Chartered Accountants

Mazhar Saleem

**STATEMENT OF ASSETS AND LIABILITIES
AS AT 30 JUNE 2014**

	<i>Note</i>	30 June 2014	30 June 2013
(Rupees in '000)			
Assets			
Balance with banks	4	41,664	37,294
Dividend and other receivables	5	1,726	4,093
Investments	6	315,979	362,589
Advances and deposits	7	9,770	4,146
Receivable against sale of investment		9,941	3,997
Total assets		379,081	412,119
Liabilities			
Payable to the Management Company	8	714	782
Payable to Central Depository Company of Pakistan Limited - Trustee	9	59	89
Payable to Securities and Exchange Commission of Pakistan	10	304	322
Dividend payable		2,783	2,783
Payable against redemption of units		216	-
Accrued expenses and other liabilities	11	10,368	7,607
Total liabilities		14,444	11,583
Contingencies and commitments	12		
Net assets		364,636	400,536
Unit holders' funds		364,636	400,536
(Number of units)			
Number of units in issue (face value of units is Rs. 10 each)		40,226,029	41,414,596
(Rupees)			
Net asset value per unit	3.7	9.06	9.67

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

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


Chief Executive Officer


Director

**INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014**

	<i>Note</i>	30 June 2014	30 June 2013
		(Rupees in '000)	
Income			
Capital gain / (loss) on sale of investments - net		34,691	46,220
Dividend income		12,404	18,828
Income from government securities		6,652	8,030
Income from term finance certificate		6,064	7,800
Income from preference shares		-	22
Profit on bank deposits		3,483	2,578
Other income		173	87
		63,467	83,565
Net unrealised appreciation on re-measurement of investments classified as 'at fair value through profit or loss'	6	24,797	32,154
Total income / (loss)		88,264	115,719
Expenses			
Remuneration of the Management Company	8.1	7,161	7,566
Sindh Sales tax and Federal Excise Duty on Management Fee	8.2 & 11.1	2,475	1,285
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9	743	757
Annual fee - Securities and Exchange Commission of Pakistan	10	304	322
Brokerage expense		1,866	2,684
Auditor's remuneration	13	534	535
Other expenses		536	531
		13,619	13,680
Net operating income / (loss) for the period		74,645	102,039
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		1,786	(5,540)
Provision for Workers' Welfare Fund	11.2	(1,615)	(6,197)
Reversal / (Provision) against term finance certificate	6.1.2	4,302	(2,520)
Net income / (loss) for the year before taxation		79,118	87,782
Taxation	14	-	-
Net income for the year after taxation		79,118	87,782
Earning / (loss) per unit	15		

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

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



Chief Executive Officer



Director

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014**

	<i>Note</i>	30 June 2014	30 June 2013
		(Rupees in '000)	
Net income for the year after taxation		79,118	87,782
<u>Other comprehensive income:</u>			
<i>Items that are or may be reclassified subsequently to income statement</i>			
Net unrealised (diminution) in investments classified as 'available for sale'		(92)	-
Total comprehensive income for the year		<u>79,026</u>	<u>87,782</u>

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

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



Chief Executive Officer



Director

**DISTRIBUTION STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014**

	30 June 2014	30 June 2013
	(Rupees in '000)	
Accumulated losses brought forward		
- Realised (loss)	(48,099)	(120,301)
- Unrealised gain	<u>34,432</u>	<u>2,389</u>
	(13,667)	(117,912)
Total comprehensive income for the year	79,026	87,782
Net element of income and capital gains included in prices of units issued less those in units redeemed	1,864	16,463
Distributions to the unit holders of the Fund:		
Final distribution at the rate Rs. 1.51 per unit (2013: Rs Nil per unit) for the year ended 30 June 2014 Declared on 27 June 2014		
- Bonus distribution 5,784,691 units	(52,062)	-
Final distribution at the rate Rs. 1.2760 (2012: Rs. Nil) per unit for the year ended 30 June 2013 Declared on 4 July 2013		
- Bonus distribution 6,298,573 units	(52,845)	-
	24,017	104,245
Accumulated losses carried forward:	(37,684)	(13,667)
Accumulated loss comprising of:		
- Realised (loss)	(66,386)	(48,099)
- Unrealised gain	<u>28,702</u>	<u>34,432</u>
	(37,684)	(13,667)

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

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



Chief Executive Officer



Director

**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS
FOR THE YEAR ENDED 30 JUNE 2014**

	30 June 2014	30 June 2013
	(Rupees in '000)	
Net assets at beginning of the period	400,536	354,053
Issue of 8,320,964 units (2013: 216,775 units)	80,527	1,985
Issue of 12,083,264 bonus units (2013: nil units)	104,907	-
Redemption of 21,592,795 units (2013: 5,686,891 units)	(193,667)	(48,824)
	(8,233)	(46,839)
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed :		
-amount representing loss / (income) and capital losses / (gains) transferred to income statement	(1,786)	5,540
-amount representing (income) that forms part of unit holders' fund transferred to Distribution Statement	(1,864)	(16,463)
	(3,650)	(10,923)
Net element of income and capital gains included in prices of units issued less those in units redeemed transferred to distribution statement	1,864	16,463
Net unrealised (diminution) in fair value / reclassification adjustment for net gains realised on disposal of investments classified as 'available for sale'	(92)	-
Net income for the period (excluding net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss' and capital gains / (loss) on sale of investments)	19,630	9,408
Capital gain on sale of investments - net	34,691	46,220
Net unrealised appreciation on re-measurement of investments classified as 'at fair value through profit or loss'	24,797	32,154
Total comprehensive income for the year	79,026	87,782
Distributions during the year	(104,907)	-
Net assets at the end of the period	364,636	400,536
Net assets value at the beginning of the year	9.67	7.55
Net assets value at the end of the year	9.06	9.67

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

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



Chief Executive Officer



Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	30 June 2014	30 June 2013
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	79,118	87,782
Adjustments for non-cash and other items:		
Net unrealised (appreciation) / diminution on re-measurement of investments classified as 'at fair value through profit or loss'	(24,797)	(32,154)
Net element of (income) / (loss) and capital (gains) / losses included in prices of units issued less those in units redeemed	(1,786)	5,540
(Reversal) / Provision against non performing debt securities	(4,302)	2,520
Provision for Workers' Welfare Fund	1,615	-
Dividend income	(12,404)	(18,828)
	(41,674)	(42,922)
Net cash generated from operations before working capital changes	37,444	44,860
Working capital changes		
<i>(Increase) / decrease in assets</i>		
Investments	75,616	(5,296)
Receivable against sale of investment	(5,944)	(3,997)
Dividend and other receivables	2,653	267
Advances and deposits	(5,624)	(403)
	66,701	(9,429)
<i>Increase / (decrease) in liabilities</i>		
Payable to the Management Company	(68)	183
Payable to Central Depository Company of Pakistan Limited - Trustee	(30)	29
Payable to Securities and Exchange Commission of Pakistan	(18)	17
Dividend payable	-	(15)
Payable against redemption of units	216	(1)
Payable against purchase of investments	-	(2,798)
Accrued expenses and other liabilities	1,146	5,864
	1,246	3,279
Dividend received	12,119	18,828
Net cash generated from operating activities	117,510	57,538
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments against redemption of units	(193,667)	(48,824)
Receipts against issuance of units	80,527	1,985
Net cash (used in) financing activities	(113,140)	(46,839)
Net increase in cash and cash equivalents	4,370	10,699
Cash and cash equivalents at the beginning of the period	37,294	26,595
Cash and cash equivalents at the end of the period	41,664	37,294

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

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



Chief Executive Officer



Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Capital Market Fund (PCMF) was established under a trust deed executed between Arif Habib Investments Limited (AHIL) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee on October 27, 2003. The Investment Adviser of PCMF obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake investment advisory services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. Formation of PCMF as a closed-end scheme was authorized by SECP on November 5, 2003.

During the year 2005, the Fund was converted from a closed-end scheme to an open-end scheme. The Fund is listed on all three stock exchanges in Pakistan. The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by SECP. The registered office of the management company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.

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

Pursuant to the merger of MCB Asset Management Limited and Arif Habib Investment Limited, the name of the Management Company has been changed from Arif Habib Investment Limited to MCB-Arif Habib Savings and Investments Limited.

The fund primarily invests in a mix of listed equity and debt securities, unlisted government securities and secured debt securities, money market transactions and reverse purchase transactions.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned long-term entity-rating of MCB-Arif Habib Savings and Investments Limited, the Asset Management Company, "3 Star" while outlook as "Stable".

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations 2008) and directives issued by the SECP. Wherever, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations 2008 and the said directives differ with the requirements of these standards, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations 2008 and the said directives shall prevail.

The Directors of the asset management company declare that these financial statements give a true and fair view of the Fund.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, cannot be determined with precision.

Other assets

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

2.5 New Accounting Standards/Amendments and IFRS interpretation that are effective for the year ended 30th June 2014

The following standards, amendments and interpretations are effective for the year ended June 30, 2014. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

Standards / amendments / interpretations

Effective from accounting period beginning on or after

Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information.

January 01, 2013

Standards / amendments / interpretations

Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction.

January 01, 2013

Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities.

January 01, 2013

Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities.

January 01, 2013

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

2.6 New accounting standards and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the fund's operations or are not expected to have significant impact on the fund's financial statements other than certain additional disclosures.

<i>Standards / amendments / interpretations</i>	<i>Effective from accounting period beginning on or after</i>
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	January 01, 2014
IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	January 01, 2014
IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	January 01, 2014
IFRIC 21 - Levies	January 01, 2014

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IAS 27 (Revised 2011) – Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11

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 assets

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

All derivatives in a net receivable position (positive fair value), are reported as financial asset 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

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

c) 'Available-for-sale'

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

d) Financial liabilities

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

Recognition

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

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

Fair value measurement principles

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

Basis of valuation of quoted equity securities

The investment of the Fund in equity securities is valued on the basis of closing quoted market prices available at the stock exchange. Basis of valuation of debt securities

Investment in debt securities are valued at the rates determined and notified by Mutual Funds Association of Pakistan (MUFAP) as per the methodology prescribed by SECP via Circular 1 of 2009, Circular 33 of 2012 and Circular 35 of 2012. The Circulars also specify

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

criteria for application of discretionary discount to yield of any debt security calculated by MUFAP and contain criteria for the provisioning of non-performing debt securities.

Investment in thinly and non-traded debt securities with maturity up to six months are valued at their amortised cost in accordance with the requirements of Circular 1 of 2009 issued by the SECP.

Basis of valuation of government securities

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

Securities under repurchase/ resale agreements

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

Impairment

Financial assets not carried 'at fair value through profit or loss' are reviewed at each balance sheet date to determine whether there is any indication of impairment. 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.

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. 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.

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 right to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred on in which the Fund neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial assets.

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

Offsetting of financial instruments

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

3.3 Unit holders' Fund

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.

3.4 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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

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

3.5 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 estimate.

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 circulation at the year end.

3.8 Taxation

Current

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income of that year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the Fund's unit holders.

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

Deferred

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax assets on unutilised tax losses to the extent that these will be available for set off against future taxable profits.

However, the Fund has previously availed the tax exemption by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders. Accordingly, no current tax and deferred tax has been recognized in these financial statements.

3.9 Revenue recognition

- Mark-up on term finance certificates, government securities and money market placements are recognised on an accrual basis.
- Discount on purchase of market treasury bills is amortised to income statement using the straight line method.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

- Profit on bank deposits is recognised on an accrual basis.
- Gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised capital gains / (losses) arising on valuation of investments classified as financial assets at fair value through profit or loss' and derivatives are included in the income statement in the period in which they arise.
- Dividend income is recognised when the right to receive dividend is established.
- Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed is recognised when the units are issued and redeemed at the transaction date.

3.10 Expenses

All expenses including management fee, trustee fee and Securities Exchange Commission of Pakistan fee are recognised in the income statement on an accrual basis.

3.11 Cash and cash equivalents

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

3.12 Other assets

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

3.13 Dividend distributions and appropriations

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

4. BALANCE WITH BANKS

		2014	2013
		(Rupees in '000)	
Saving accounts	4.1	38,883	34,512
Current account		2,781	2,782
		41,664	37,294

4.1 These carry mark-up at rates ranging between 6.5% to 9% per annum (30 June 2013: 6% to 11% per annum).

5. DIVIDEND AND PROFIT RECEIVABLE

		2014	2013
		(Rupees in '000)	
Dividend receivable		434	148
Profit receivable on bank deposits		180	105
Profit receivable on term finance certificates		1,112	2,069
Profit receivable on government securities		-	1,771
		1,726	4,093

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Name of the investee company	As at 1 July 2013	Purchases during the period	Bonus / right issue during the period	Sales during the period	As at 30 June 2014	Carrying value as at 30 June 2014	Market value as at 30 June 2014	Appreciation / (diminution)	Market Value as percentage of net assets	Market Value as percentage of total investments	held as a percentage of total paid up capital of the investee company
Limited Class 'A'	-	147,500	-	(147,500)	-	-	-	-	-	-	-
BANKS											
Allied Bank Limited	-	54,500	4,450	(58,950)	-	-	-	-	-	-	-
Askari Bank Limited	47	-	-	(47)	-	-	-	-	-	-	-
Bank Al Falah Limited	233,000	885,000	-	(608,000)	510,000	14,281	14,026	(255)	3.85%	4.44%	0.04%
Bank Al Habib Limited	271,000	317,500	10,000	(419,000)	179,500	7,454	8,074	620	2.21%	2.56%	0.02%
Faysal Bank Limited	-	457,000	-	(122,000)	335,000	4,885	5,410	525	1.48%	1.71%	0.03%
Habib Bank Limited	17,600	-	1,260	(5,000)	13,860	1,502	2,686	1,184	0.74%	0.85%	0%
Habib Metropolitan Bank	-	222,000	-	-	222,000	6,854	7,146	292	1.96%	2.26%	0.02%
MCB Bank Limited	-	26,000	2,600	(26,000)	2,600	667	784	117	0.22%	0.25%	0%
Meezan Bank Limited	40,720	234,000	-	(274,720)	-	-	-	-	-	-	-
National Bank Of Pakistan	-	195,500	-	(170,000)	25,500	1,484	1,587	103	0.44%	0.50%	0%
United Bank Limited	63,000	207,554	-	(192,000)	78,554	12,412	13,241	829	3.63%	4.19%	0.01%
						49,539	52,954	3,415			
NON LIFE INSURANCE COMPANIES											
Adamjee Insurance Company Limited	67,000	-	-	(67,000)	-	-	-	-	-	-	-
Pakistan Reinsurance Company Limited	315,000	-	-	(315,000)	-	-	-	-	-	-	-
IGI Insurance Limited	-	35,900	-	-	35,900	7,720	8,175	455	2.24%	2.59%	0.03%
						7,720	8,175	455			
Total as at 30 June 2014						204,944	228,340	23,397			
Total as at 30 June 2013						206,843	237,521	30,678			

* Par value of Rs. 5 each

6.1.1.1 Investments include quoted equity security with market value of Rs. 15,277 million (2013 : Rs. 16,571 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular No. 11 dated 23 October 2007 issued by the Securities and Exchange Commission of Pakistan.

6.1.1.2 Cost of investment of equity securities is Rs. 201 million (2013: Rs. 205 million).

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

6.1.3 Government Securities

	Tenor	Face Value			Balance as at 30 June 2014		Market Value		
		As at 1 July 2013	Purchases during the period	Sold/ Matured during the period	As at 30 June 2014	Carrying Value	Market Value	As a percentage on net assets	As a percentage of total investments
----- (Rupees in '000) -----									
Unless stated otherwise, the holdings are in certificates having face value of Rs. 100 each.									
Pakistan Investment Bonds									
Total - 30 June 2014	3 Years	25,000	37,500	(62,500)	-	-	-	-	-
Total - 30 June 2013					25,580	25,962	382		
Market Treasury Bill									
Total - 30 June 2014	3 months 12 months	-	2,450,000 810,000	(2,000,000) (810,000)	450,000	44,516	(1)	12%	14%
Total - 30 June 2013					44,517	44,516	(1)		
Government of Pakistan Ijara Sukuk									
Total - 30 June 2014	3 Years	40,000	-	(40,000)	-	-	-	-	-
Total - 30 June 2013					40,020	40,060	40		
Total of investment in Government Securities - 30 June 2014									
Total of investment in Government Securities - 30 June 2013					44,517	44,516	(1)		
					65,600	66,022	422		

6.1.3.1 These Pakistan Investment Bonds have a cost of Rs.Nil (2013: Rs.25,580 million) and carry interest at the rate of 11.25% per annum as at 30 June 2013.

6.1.3.2 These Treasury bills have a cost of Rs.44,216 million (2013: Rs.Nil) maturing at various dates up till 21 August 2014 and carry effective yield ranging between 9.8833% to 9.9067% (2013: 9.13% to 11.94%) per annum .

6.1.3.3 These Government of Pakistan Ijarah Sukuk have a cost of Rs.Nil (2013: Rs.40,40 million) and carry interest at the rate of 9.2253% to 11.9405% per annum as at 30 June 2013.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

6.2 'Investments classified as available for sale'

6.2.1 Quoted equity securities

Name of the investee company	As at 1 July 2013	Purchases during the period	Bonus / right issue during the period	Sales during the period	As at 30 June 2014	Carrying value as at 30 June 2014	Market value as at 30 June 2014	Appreciation / (diminution)	Market Value as percentage of net assets	Market Value as percentage of total investments	Paid up value of shares held as a percentage of total paid up capital of the
----- Rupees in '000 -----											
OIL AND GAS											
Pakistan Petroleum Limited	-	50,000	-	-	50,000	11,309	11,217	(92)	3%	4%	0%
Total as at 30 June 2014						11,309	11,217	(92)			
Total as at 30 June 2013						-	-	-			

6.2.1.1 Investments include quoted equity security with market value of Rs. 1.474 million (2013 : Rs. Nil) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular No. 11 dated 23 October 2007 issued by the Securities and Exchange Commission of Pakistan.

6.2.2.2 Cost of investment of equity securities is Rs. 11.309 million (2013: Rs.Nil)

6.2.2 Government Securities

Tenor	As at 1 July 2013	Purchases during the period	Face Value Sold / Matured during the period	Balance as at 30 June 2014		Market Value	As a percentage of total investments	As a percentage on net assets
				As at 30 June 2014	Market Value			
----- (Rupees in '000) -----								
Pakistan Investment Bonds								
3 Years	-	40,000	(40,000)	-	-	-	-	-
Total - 30 June 2014								
Total - 30 June 2013								

Unless stated otherwise, the holdings are in certificates having face value of Rs. 100 each.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

6.3 Details of non-compliant investments with the investment criteria as specified by the Securities and Exchange Commission of Pakistan

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

In accordance with clause (iv) of the investment criteria laid down for 'Balanced Scheme' in circular 7 of 2009, the Fund is not allowed to invest in any debt security having a rating lower than A- (A minus). However, as at 30 June 2013, the Fund is non-compliant with the above mentioned requirement in respect of the following:

Name of non-compliant investment	Type of investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
Investment in debt securities *	Maple Leaf Cement Factory Limited - Term Finance Certificate (03-Dec-2007)	5,804	-	5,804	1.59%	1.53%

* At the time of purchase, the above investments was in compliance of the said Circular (i.e. investment grade) and was subsequently downgraded to D due to default in payments of principal and mark-up due on respective coupon dates. During the year, the investment has been classified as BBB after payment of previous defaulted installments.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

7. ADVANCES AND DEPOSITS		2014	2013
		(Rupees in '000)	
Advance tax		342	342
Advance against offer for sale in relation to Initial Public Offer	7.1	4,459	-
Deposit with National Clearing Company of Pakistan Limited		3,101	3,028
Deposit with Central Depository Company of Pakistan Limited		300	300
Others		1,567	476
		<u>9,770</u>	<u>4,146</u>

7.1 This represents advance provided against privately placed issued of shares of Pakistan Petroleum Limited carried out on 26 June 2014 - 27 June 2014. The advanced is unsecured.

8. PAYABLE TO MANAGEMENT COMPANY

Sindh sales tax payable of mangement fee	8.2	94	117
Management fee payable	8.1	589	660
Front end load payable		30	5
		<u>714</u>	<u>782</u>

8.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities 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. The management company has charged remuneration at the rate of 2% (2013: 2%) per annum of average annual net assets of the Fund. The remuneration is paid to Management Company on monthly basis in arrears.

8.2 Management fee charged during the year is inclusive of 16% general sales tax levied by government of sindh.

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

		2014	2013
		(Rupees in '000)	
Trustee fee	9.1	59	73
CDS charges payable		-	16
		<u>59</u>	<u>89</u>

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

Based on the Trust Deed, the tariff structure applicable to the Fund as at 30 June 2014 is as follows:

Amount of Funds Under Management (Average NAV)	Tariff per annum
Upto Rs. 1,000 million	Rs 0.7 million or 0.20% p.a. of NAV, whichever is higher
On an amount exceeding Rs 1,000 million	Rs 2.0 million plus 0.10% p.a. of NAV exceeding Rs 1,000

The remuneration is paid to the trustee monthly in arrears.

10. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the NBFC Regulations, a collective investment scheme categorised as 'Balanced Scheme' is required to pay as annual fee to the SECP, an amount equal to 0.085 percent of the average annual net assets of the Fund.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

11. ACCRUED EXPENSES AND OTHER LIABILITIES	2014	2013
	(Rupees in '000)	
Legal and professional charges payable	-	80
Brokerage payable	332	154
Auditor's remuneration payable	364	400
Credit rating fee	109	110
Provision for Federal Excise Duty and related taxes	11.1 1,403	74
Provision for Workers' Welfare Fund	11.2 7,812	6,197
Payable to National Clearing Company Limited	15	-
Others	333	672
	<u>10,368</u>	<u>7,607</u>

11.1 The Finance Act 2013 introduced an amendment to Federal Excise Act 2005 where by Federal Excise Duty (FED) has been imposed at the rate of 16% of the services rendered by assets management companies. In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the levy of Federal Excise Duty on Asset Management Services after the Eighteenth Amendment. The SHC in its short order of September 2013 directed the FBR not to take any coercive action against the petitioners pursuant to impugned notices till next date of hearing. In view of uncertainty regarding the applicability of FED on asset management services, the management, as a matter of abundant caution, has decided to retain and continue with the provision of FED in these financial statements aggregating to Rs. 1.403 million as at 30 June 2014. In case the suit is decided against the fund the same would be paid to management company, who will be responsible for submitting the same to authorities. Had the said provision of FED not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 0.03 per unit.

11.2 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, challenging the applicability of WWF to the CISs, which is pending for adjudication.

On 15 July 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on 14 December 2010, the Ministry filed its response against the Constitutional Petition requesting the court to dismiss the petition. According to the legal 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 Court.

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

The management company, as a matter of abundant precaution, has decided to retain the entire provision for WWF in these financial statements.

12. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 30 June 2014.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

13. AUDITOR'S REMUNERATION	2014	2013
	(Rupees in '000)	
Annual audit fee	260	275
Half yearly review	130	150
Other certifications and services	104	100
Out of pocket expenses	40	10
	<u>534</u>	<u>535</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 Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders. The management intends to distribute at least 90% of the income earned by the Fund by the year end 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. We have been given to since the management has distributor the income earned by the fund during the year to the unit holder in the manner as explained above. According, no tax provision has been made in this financial statements.

15. EARNINGS / (LOSS) PER UNIT

Earnings per unit has not been disclosed as in the opinion of the management determination of weighted average number of outstanding units for calculating earnings per unit 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% of net assets 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 at contracted rates.

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

	2014	2013
	(Rupees in '000)	
MCB Arif Habib Savings and Investments Limited		
Remuneration to the Management Company (including indirect taxes)	<u>9,636</u>	<u>8,851</u>
Summit Bank Limited		
Profit on bank deposits	<u>-</u>	<u>38</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

	2014	2013
	(Rupees in '000)	
MCB Bank Limited		
Bank charges	13	13
Mark-up Income	2,767	1,411
Nishat Mills Limited		
Dividend income	-	490
Nishat Chunian Power Limited		
Dividend income	135	1,202
Nishat Power Limited		
Dividend income	188	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration for the year	743	757
CDC settlement charges	41	55
Arif Habib Limited - Brokerage House		
Brokerage expense*	382	121
16.2 Balance outstanding as at year end are as follows:		
MCB Arif Habib Savings and Investments Limited		
Remuneration payable to the Management Company	589	670
Sales tax payable on remuneration of Management Company remuneration	95	107
Sales load payable	30	5
Central Depository Company of Pakistan Limited of the Fund		
Remuneration payable to the Trustee	59	73
CDC Settlement charges payable	-	16
Security deposit	300	300
MCB Bank Limited		
Bank balances	37,784	33,472
Profit receivable on bank balances	132	49
Nishat Mills Limited		
Nil shares held by the Fund (30 June 2013: 64,500 shares)	-	6,077
Nishat Power Limited		
237,500 shares held by the Fund (30 June 2013: Nil shares)	8,450	-
Adamjee Insurance Company Limited		
Nil shares held by the Fund (30 June 2013: 67,000 shares)	-	5,097
Arif Habib Limited - Brokerage House		
Brokerage payable*	28	17

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

16.3 Transactions during the period with connected persons / related party in the units of the Fund:

	2014		2013	
	Units	(Rs. in '000)	Units	(Rs. in '000)
Units issued to:				
Key management personnel	-	-	18,303	163
Bonus units issued to:				
National Logistic Cell	1,714,915	14,388	-	-
Key management personnel	6,321	55	-	-
Units redeemed by:				
National Logistic Cell	12,990,887	12,991	-	-
Key management personnel	-	-	1,283	10
Units held by:				
National Logistic Cell	-	-	11,275,972	109,039
Key management personnel	24,624	223	18,303	177

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

17. FINANCIAL RISK MANAGEMENT

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

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

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

- Market risk
- Credit risk and
- Liquidity risk

17.1 Market risk

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

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

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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

Interest rate risk

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

As at 30 June, details of the interest rate profile of the Fund's interest bearing financial instruments were as follows:

	2014	2013
	(Rupees in '000)	
Fixed rate instruments		
Treasury bills	44,516	-
Pakistan Investment Bonds	-	25,962
	44,516	25,962
Variable rate instruments		
Term finance certificates	31,906	59,046
Government of Pakistan - Ijara Sukuk	-	40,060
	31,906	99,106
	76,422	125,068

(a) *Sensitivity analysis for fixed rate instruments*

As at 30 June 2014, 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 2014, the net income for the year and net assets would be lower by Rs. 0.049 million (2013: Rs. Nil). In case of 100 basis points decrease in rates announced by the Financial Market Association on 30 June 2014, the net income for the year and net assets would be higher by Rs. 0.050 million (2013: Rs. Nil).

(b) *Sensitivity analysis for variable rate instruments*

Presently, the Fund holds KIBOR based interest bearing Term Finance Certificates exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on 30 June 2014, 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. 0.123 (2013: Rs 0.343 million).

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by the Financial Market Association of Pakistan is expected to change over time. Further, in case of variable rate instruments, the sensitivity has been done from the last repricing date.

Accordingly, the sensitivity analysis prepared as of 30 June 2014 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Other price risk

Other price risk is the risk of changes in the fair value of equity securities as the result of changes in the levels of Karachi Stock Exchange (KSE) and other respective market indices and the value of individual shares. The equity price risk exposure arises from the Fund's investments in equity securities. This arises from investments held by the Fund for which prices in the future are uncertain. The Fund's policy is to manage price risk through diversification within specified limits set by internal risk management guidelines.

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

A summary analysis of local investments by industry sector, the percentage in relation to Fund's own net assets and the issued capital of the investee company is presented in note 6.1.1 and 6.2.1.

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

At 30 June, the fair value of equity securities exposed to price risk is disclosed in note 6.1.1 and 6.2.1

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

	2014	2013
	(Rupees in '000)	
Effect on income statement, net assets attributable to unit holders and equity investments due to increase / decrease in the KSE-100 index	12,380	10,869

The sensitivity analysis presented is based upon the portfolio composition as at 30 June 2014 and the historical correlation of the securities comprising the portfolio to the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE and other respective market indices, is expected to change over time. Accordingly, the sensitivity analysis prepared as at 30 June 2014 is not necessarily indicative of the effect on the Fund's net assets attributed to unit holders of future movements in the level of the KSE and other respective market indices.

18.2 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 fulfil their obligations resulting in financial loss to the Fund. These credit exposures exist within financing relationships, derivatives and other transactions. There is also a risk of default by participants and of failure of the financial markets / stock exchanges, the depositories, the settlements or the central clearing system etc.

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

Credit risk management

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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:

	2014		2013	
	Statement of Assets and Liabilities	Maximum Exposure	Assets and Liabilities	Maximum Exposure
	(Rupees in '000)		(Rupees in '000)	
Balance with banks	41,664	41,664	37,294	37,294
Dividend and other receivables	1,726	1,726	4,093	2,322
Investments	315,979	31,906	362,589	63,348
Advances and deposits	9,770	4,969	4,146	3,804
Receivable against sale of investment	9,941	-	3,997	-
	379,080	80,265	412,119	106,768

Difference in the balance as per statement of assets and liabilities and maximum exposure in investment is due to the fact that investment in equity and government securities of Rs. 284.072 million (2013: Rs. 303.543 million) and receivable against sale of investment amounting to million (2013: Rs. 3.997) are not exposed to credit risk.

None of the financial assets were considered to be past due or impaired as on 30 June 2014. Details of credit rating of balance with banks, deposits and other receivables as at 30 June are as follows:

	2014	2013
	(Percentage holding)	
A1+	99.99%	100.00%
A-1	0.01%	0.00%
Unrated	0.00%	0.00%
	100.00%	100.00%

The analysis below summarises the credit quality of the Fund's investment in term finance certificates as at 30 June:

	2014	2013
	(Percentage holding)	
AA	18.32%	27.83%
AA-	63.49%	32.06%
A+	0.00%	31.43%
BBB	18.19%	0.00%
Unrated	0.00%	8.68%
	100.00%	100.00%

An analysis of the financial assets that are individually impaired as per the requirements of Circular No. 1 dated 6 January 2009 and Circular No. 13 dated 4 May 2009 issued by the Securities and Exchange Commission of Pakistan are as under:

Term Finance Certificates

15 to 89	-	-
90 to 179	-	-
180 to 270	-	-
270 to 365	-	-
over 365	-	5,496
	-	5,496

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Concentration of credit risk

Concentration is the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentration of risks arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

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

	30 June 2014		30 June 2013	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
Commercial banks	67,766	84.43%	37,294	34.93%
Others	12,498	15.57%	69,474	65.07%
	80,264	100.00%	106,768	100.00%

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.

18.3 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 Securities and Exchange Commission of Pakistan.

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, 2014**

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

	30 June 2014			Total
	Up to three months	More than three months and up to one year	More than one year	
----- (Rupees in '000) -----				
Payable to Management Company	714	-	-	714
Payable to Central Depository Company of Pakistan Limited - Trustee	59	-	-	59
Payable to Securities and Exchange Commission of Pakistan	304	-	-	304
Dividend payable	2,783	-	-	2,783
Payable on redemption of units	216	-	-	216
Accrued expenses and other liabilities	1,153	-	-	1,153
	5,229	-	-	5,229
----- (Rupees in '000) -----				
	30 June 2013			Total
	Up to three months	More than three months and up to one year	More than one year	
----- (Rupees in '000) -----				
Payable to Management Company	856	-	-	856
Payable to Central Depository Company of Pakistan Limited - Trustee	89	-	-	89
Payable to Securities and Exchange Commission of Pakistan	322	-	-	322
Dividend payable	2,783	-	-	2,783
Payable on redemption of units	-	-	-	-
Accrued expenses and other liabilities	1,336	-	-	1,336
	5,386	-	-	5,386

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

18.4 Financial instrument by category

	30 June 2014			Total
	Loans and receivables	Assets at fair value through profit or loss	Available for sale	
----- (Rupees in '000) -----				
Assets				
Balance with banks	41,664	-	-	41,664
Dividend and profit receivables	1,726	-	-	1,726
Investments	-	304,762	11,217	315,979
	43,390	304,762	11,217	359,369

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

	30 June 2014		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	------(Rupees in '000)-----		
Liabilities			
Payable to Management Company	-	714	714
Payable to Central Depository Company of Pakistan Limited - Trustee	-	59	59
Payable to Securities and Exchange Commission of Pakistan	-	304	304
Payable against redemption of units	-	216	216
Accrued expenses and other liabilities	-	10,368	10,368
Dividend payable	-	2,783	2,783
	-	14,444	14,444

	30 June 2013			Total
	Loans and receivables	Assets at fair value through profit or loss	Available for sale	
	------(Rupees in '000)-----			
Assets				
Balance with banks	37,294	-	-	37,294
Dividend and profit receivables	4,093	-	-	4,093
Investments	-	362,589	-	362,589
	41,387	362,589	-	403,976

	30 June 2013		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	------(Rupees in '000)-----		
Liabilities			
Payable to Management Company	-	856	856
Payable to Central Depository Company of Pakistan Limited - Trustee	-	89	89
Payable to Securities and Exchange Commission of Pakistan	-	322	322
Payable against redemption of units	-	-	-
Accrued expenses and other liabilities	-	7,533	7,533
Dividend payable	-	2,783	2,783
	-	11,583	11,583

19. UNIT HOLDERS'S FUND RISK MANAGEMENT

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

30 June 2014	Level 1	Level 2 (Rupees in '000)	Level 3
'At fair value through profit or loss'			
<i>Held for trading</i>			
- Quoted equity securities	228,340		-
- Fixed income securities	-	44,516	-
- Variable income securities	-	31,906	-
'Available for sale'			
- Quoted equity securities	11,217		-
- Fixed income securities			-
- Variable income securities			-
 30 June 2013			
'At fair value through profit or loss'			
<i>Held for trading</i>			
- Quoted equity securities	237,521	-	-
- Fixed income securities	-	25,962	-
- Variable income securities	-	102,214	1,194

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

21. SUPPLEMENTARY NON FINANCIAL INFORMATION

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

21.1 Pattern of unit holding

Details of pattern of unit holding as at 30 June:

	30 June 2014		
	Number of unit holders	Investment Amount (Rupees in '000)	Percentage Investment
Individuals	2,750	337,731	92.62%
Insurance companies	2	963	0.26%
Banks / DFIs	1	3	0.00%
NBFCs	3	311	0.09%
Retirement funds	7	15,325	4.20%
Others	30	10,302	2.83%
	2,793	364,636	100.00%

	30 June 2013		
	Number of unit holders	Investment Amount (Rupees in '000)	Percentage Investment
Individuals	2,950	261,890	65.38%
Insurance companies	4	1,543	0.39%
Banks / DFIs	3	109,057	27.23%
NBFCs	3	247	0.06%
Retirement funds	5	10,533	2.63%
Others	30	17,266	4.31%
	2,995	400,536	100.00%

21.2 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:

	2014 Percentage
1 Arif Habib Limited	11.72%
2 JS Global Capital Limited	10.83%
3 Invest And Finance Securities Limited	9.44%
4 KASB Securities Limited	8.03%
5 Fortune Securities Limited	7.26%
6 Foundation Securities (Private) Limited.	5.67%
7 Optimus Capital Management Private Limited	5.67%
8 Bma Capital Management Limited	4.85%
9 Elixir Securities Pakistan (Private) Limited	4.85%
10 Topline Securities (Private.) Limited	4.02%

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

	2013 Percentage
1 Arif Habib Limited	11.20%
2 Fortune Securities Limited	11.16%
3 Elixir Securities (Private) Limited	7.74%
4 Taurus Securities Limited	7.54%
5 Invest and Finance Securities Limited	6.32%
6 Top line Securities Limited	6.02%
7 KASB Securities Limited	5.27%
8 Foundation Securities Limited	4.74%
9 Jahangir Siddiqui Capital Limited	4.72%
10 Invisor Securities (Private) Limited	4.45%

21.3 Attendance at meetings of the Board of Directors

The 104th, 105th, 106th, 107th, 108th, 109th, 110th and 111th Board meetings were held on 4 July 2013, 5 August 2013, 23 October 2013, 31 December 2013, 6 February 2014, 7 March 2014, 21 April 2014 and 27 June 2014 respectively.

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

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave	
Mr. Mian Mohammad Mansha	8	1	7	104th, 105th, 106th, 107th, 108th, 109th, and 111th
Mr. Nasim Beg	8	7	1	106th
Mr. Yasir Qadri (Chief Executive Officer)	8	8	-	
Dr. Syed Salman Ali Shah	8	7	1	107th
Mr. Haroun Rashid	8	6	2	104th and 106th
Mr. Ahmed Jahangir	8	8	-	
Mr. Samad A. Habib	8	6	2	105th and 109th
Mr. Mirza Mehmood Ahmed	8	7	1	106th
Mr. M. Saqib Saleem (COO & Company Secretary)	8	8	-	
Mr. Umair Ahmed (Chief Financial Officer)	8	8	-	

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

21.4 Particulars of investment committee and fund manager

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

Name	Designation	Qualification	Experience in years
Mr. Yasir Qadri	Chief Executive Officer	MBA	19
Mr. Kashif Rafi	SVP - Head of Fixed Income Investments	MBA & CFA level I	13
Mr. Muhammad Asim	VP - Head of Equities	MBA & CFA	11
Mr. Mohsin Pervez	VP - Investments	MBA & CFA level I	13
Miss Uzma Khan	Senior Research Analyst	MBA, CFA & FRM	9

21.5 Other funds managed by the fund manager

Mr. Mohsin Pervez

Mr. Mohsin Pervez 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 I. Other funds being managed by him are as follows:

- Pakistan Strategic Allocation Fund

22. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified for the purposes of comparison and better presentation as follows:

Reclassification from component	Reclassification to component	(Rupees in '000)
Payable to Management Company	Accrued expenses and other liabilities - (Provision for Federal excise duty and related taxes)	74
Remuneration of the Management	Sindh Sales tax and Federal Excise Duty on Management Fee	1,285

23. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on July 28, 2014.

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



Chief Executive Officer



Director

**PATTERN OF HOLDING AS PER REQUIREMENT OF CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2014**

Category	No.of Unit Holders	Units
Associated Companies, undertakings and related Parties	-	-
Directors		
Nasim Beg	-	0
Public Sector Companies and Corporations	27	1,034,147
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance, Insurance Companies, Modarbas and Mutual Funds.	6	140,908
Individuals	2,750	37,257,949
Trust	10	1,793,025
Unitholders holding 5 percent or more Voting interest in the listed company		
Bank AlFalah Limited	-	0
	2,793	40,226,029

**PATTERN OF UNIT HOLDING BY SIZE
FOR THE YEAR ENDED JUNE 30, 2014**

No of Unit Holders	Unit Holdings	Total Units Held
2206	1-10000	6,746,526
529	10001-100000	15,012,790
55	100001-1000000	12,966,200
3	1000001-Onwards	5,500,513
2793		40,226,029

PERFORMANCE TABLE

	PCMF	PCMF	PCMF	PCMF	PCMF	PCMF	PCMF	PCMF	PCMF	PCMF	PCMF
	June 30, 2014 (Rupees in '000)	June 30, 2013 (Rupees in '000)	June 30, 2012 (Rupees in '000)	June 30, 2011 (Rupees in '000)	June 30, 2010 (Rupees in '000)	June 30, 2009 (Rupees in '000)	June 30, 2008 (Rupees in '000)	June 30, 2007 (Rupees in '000)	June 30, 2006 (Rupees in '000)	June 30, 2005 (Rupees in '000)	June 30, 2004 (Rupees in '000)
Net Assets	364,635	400,536	354,053	390,218	444,548	548,937	835,029	1,084,197	1,435,651	1,698,167	1,618,903
Net Income	79,118	87,782	32,314	42,625	140,941	(153,427)	86,943	108,929	392,053	525,758	126,354
Net Asset Value per Unit	9.06	9.67	7.55	8.06	9.97	8.28	10.85	14.59	14.53	13.08	9.97
Dividend distribution - interim (%)	-	-	-	-	-	-	-	-	-	12.50	-
Dividend distribution - final (%)	1.51	1.28	7.50	6.00	29.00	-	3.00	30.00	30.00	17.50	8.25
	(Rupees)										
Closing selling price per unit	9.31	9.94	7.70	8.22	10.17	8.45	11.30	14.96	14.90		
Highest selling price per unit	10.83	10.23	8.38	8.47	10.80	10.81	13.35	14.98	6.92		
Lowest selling price per unit	8.75	7.78	7.15	7.26	8.69	7.14	10.78	11.31	12.44		
Closing repurchase price per unit	9.06	9.67	7.55	8.06	9.97	8.28	10.85	14.59	14.53		
Highest repurchase price per unit	10.54	9.99	8.21	8.22	10.58	10.38	13.02	14.61	16.50		
Lowest repurchase price per unit	8.51	7.62	7.01	7.04	8.52	7.00	10.35	11.03	12.13		
Dividend distribution - Final	1.51	1.28	0.61		2.90	-	0.30	3.00	3.00		
	Announcement Date of Distribution										
Final	June 27, 2014	July 4, 2013	June 20, 2012	July 4, 2011	July 5, 2010	-	July 3, 2008	July 4, 2007	July 4, 2006		
	(Percentage)										
Total return of the Fund	26.10	28.08	9.40	13.97	20.41	(21.52)	(6.38)	26.54	28.24		
Income Distribution	1.51	16.48	7.50	8.44	35.02	-	2.59	26.02	26.48		
Capital growth	24.59	11.59	1.90	5.53	(14.61)	(21.52)	(8.97)	0.52	1.77		
Average Annual return of the fund											
One Year	26.10	28.08	9.40	13.97	20.41	(21.52)	(6.38)	26.54	28.24		
Two Year	61.51	20.06	12.36	37.30	(2.79)	(14.27)	8.84	26.84	34.64		
Three Year	76.72	20.00	16.73	7.70	(4.00)	(2.40)	14.63	31.88	-		

Disclaimer

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

Please find us on



by typing: **Bachat Ka Doosra Naam**

MCB-Arif Habib Savings and Investments Limited

Head Office: 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.

UAN: 11-11-622-24 (11-11-MCB-AH): Karachi, Lahore, Islamabad.

UAN: 111-468-378 (111-INVEST): Karachi, Lahore, Islamabad & Multan.

***BACHAT CENTER:** 0800-622-24 (0800-MCB-AH), Fax: (+92-21)32276898, 32276908

URL: www.mcbah.com, Email: info@mcbah.com