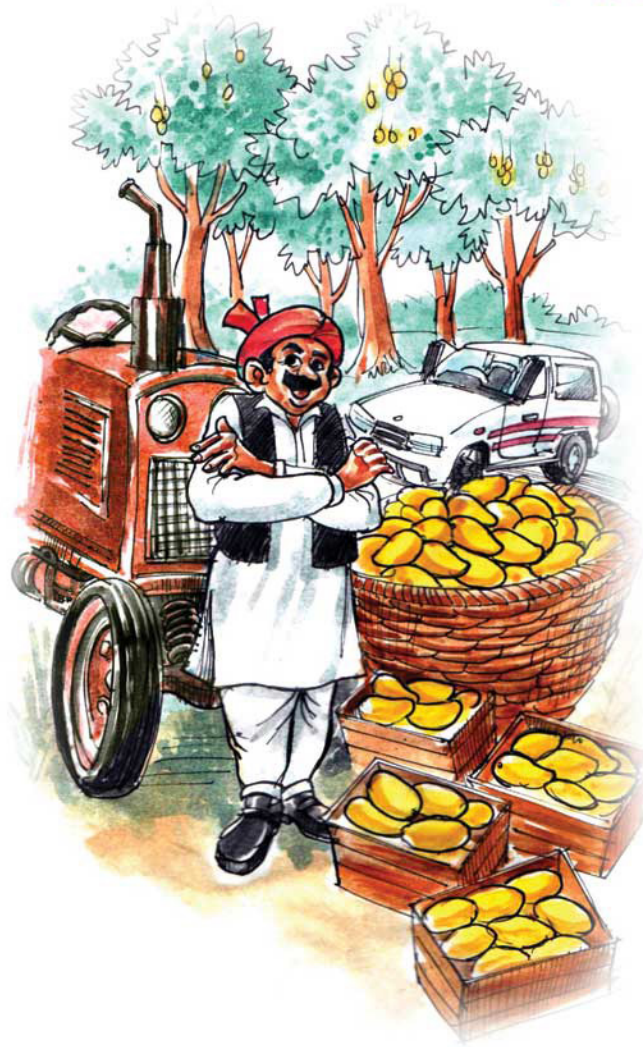




Bachat ka Doosra Naam

**Annual Report
2013**



Sabar Ka Phal Meetha

PAKISTAN

**PREMIER
FUND**

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

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Vision

To become synonymous with Savings.

Mission

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

Core Values

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

FUND'S INFORMATION

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

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

The Board of Directors of MCB-Arif Habib Saving & Investments Limited (Formerly Arif Habib Investments Limited), the Management Company of Pakistan Premier Fund (PPF), is pleased to present the Annual Report on the affairs of PPF for the year ended June 30, 2013.

Equities Market Overview

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

Buoyed by stable macroeconomic environment and strengthening fundamentals, the stock market started the year on a strong note. The market touched an all-time high (intraday) of around 22,833.2 on 13th June, 2013.

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

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

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

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

Benefiting from inventory gains, in the presence of China's insatiable appetite for yarn, scripts of textile companies managed to lead the pack. While higher cement prices in the local market amid lower coal prices helped cement companies to stay on a roll. The decline in discount rate brought debt-laden companies to limelight, while rupee depreciation widen the margins of power and oil sector, chemical sector, textile sector and companies involved in exports business. In a nutshell, the broad-based rally also helped small and mid cap stocks to sizzle.

On the contrary, fertilizer and banking sector remained in the negative trajectory. In keeping with lower discount rate, investors shied away from stocks of banking sector. While gas curtailment issues kept investor at bay from fertilizer sector.

MLCF, NCL, PAKT, MUREB and TRG managed to rank as the best five performing stock on KSE-100 index, as their share prices rose by 3.59 times, 2.78 times, 2.12 times, 1.96 times and 1.86 times, respectively, during the year.

Future Outlook

A string of positive developments arising out since the formation of new government suggests positive outlook for the equity market. The government's commitment towards the resolution of circular debt, recovery of \$800 million from Etisalat, privatization

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

of state owned companies, together with higher PSDP allocation for FY14 and rescheduling of IMF loan repayments, will continue to keep investors' confidence intact in the equity market.

Higher PSDP allocation will curry favor with stocks of companies involved in construction materials, while rupee depreciation will support textile, chemical and energy sector.

The country's likely comeback in fresh IMF program will pave the way for structural reform in the shape of higher discount rate and cut in power sector subsidy. An interest hike bodes well for banking sector, while decline in power sector subsidy will raise power tariff resulting in higher production cost in the country.

With the global commodity prices likely to remain in remission, the market doesn't expect significant pressure on trade balance in the near future. Also, in consideration of various tax measures imposed in FY14, targeted fiscal deficit level of 6.3% doesn't look like a tall order.

Fund's Performance

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

The fund generated a return of 47.6% during the year as against its benchmark KSE-100 Index return of 52.2%, an underperformance of 4.6%. Since inception return of the fund has been staggering at 795.7% as against its benchmark return of 687.8%, an out-performance by 107.9%. During the year, net assets of fund increased by Rs 84m (around 15%).

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

Performance Information (%)	PPF	Benchmark
Last twelve Months Return	47.6%	52.2%
Since Inception	795.7%	687.8%

During the year your fund earned net income of Rs 177.94 million. The Board in the meeting held on July 04, 2013 has declared final distribution amounting to Rs. 125.65 million (i.e. Rs. 3.2764 per unit).

During the period, units worth Rs.26.91 million were issued and units with a value of Rs.139.769 million were redeemed. As on 30 June 2013 the NAV of the Fund was Rs. 14.39 per unit.

Update on Workers' Welfare Fund

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

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

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

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

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

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

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

Corporate Governance

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

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

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

Accounting estimates are based on reasonable prudent judgment.

- d. Relevant International Accounting Standards, as applicable in Pakistan, provisions of the Non Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.

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

- 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 it applies to the Management Company; hence appropriate disclosure has been made in the Directors' Report of the Management Company.
- k. The detailed pattern of unit holding, as required by NBFC Regulations and the Code of Corporate Governance are enclosed.
- l. The details of attendance of Board of Directors meeting is disclosed in note 20.3 to the attached financial statements. Below is the details of committee meetings held during the year ended June 30, 2013:

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

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

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

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

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

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

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

S. No.	Name	Designation	Investment	Redemption	Bonus
			(Number of Units)		
1	Mr. Nasim Beg	Executive Vice Chairman	-	4,764	-
2	Mr. Yasir Qadri	Chief Executive Officer	-	-	-
3	Mr. Saqib Saleem	Company Secretary & Chief Operating Officer	-	-	-
4	Umair Ahmed	Chief Financial Officer	-	-	-
5	Asif Mehdi Rizvi	Head of Internal Audit & Compliance	-	-	-


External Auditors

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

Acknowledgement

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

For and on behalf of the board



Yasir Qadri

Chief Executive

Karachi: August 05, 2013

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

Fund Type and Category

Pakistan Premier Fund PPFL is an Open-End Equity Scheme.

Fund Benchmark

The benchmark for PPFL is KSE 100 Index.

Investment Objective

The objective of the fund is to provide investors long term capital appreciation from its investments in Pakistani equities.

Investment Strategy

Pakistan Premier Fund Limited (PPFL) is an open end equity fund. The fund takes a long term value investing approach and the portfolio is diversified across all major sectors with stocks having long term positive fundamentals. PPFL is a long only fund. The funds which are not invested in equities are required to be kept in bank deposits and short-term money market instruments/Placements.

Manager's Review

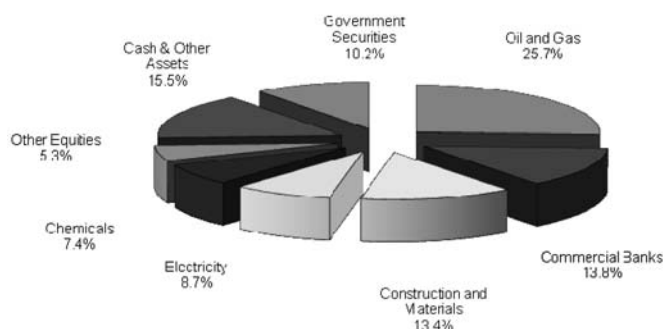
During the year under review, NAV per unit of Pakistan Premier Fund increased by 50.37% as compared to the benchmark KSE-100 Index return of 52.2%, resulting in an under performance of 1.83% by the fund. Cut in the Discount Rate, growth in corporate earnings, General Elections and the return of foreigners in the market remained the positive highlighting factors during the year, which kept the market rolling. Unstable political conditions hitting in patches, deteriorating macro-factors, worsening law and order situation did not impact the equity market performance anytime of the year. The fund remained vigilant and tried to concentrate its exposure in those stocks and sectors that are largely immune fundamentally from deteriorating macroeconomic conditions. The fund changed overall equity allocation several times during the year in sync with various developing market scenarios.

The fund started the year with an equity allocation of 86.3%. Fund manager changed overall equity allocation several times during the year in sync with various developing market scenarios. Maximum equity allocation during the year remained at around 88% while minimum was 74%. Average equity allocation during the year comes out to be around 78%.

The fund initially had around 14.38% exposure in Oil and Gas sector which was gradually increased and maintained between 27%-30% as this sector is relatively shielded from deteriorating economic fundamentals. The fund exposure in selected Oil & Gas, Commercial Banks, Constriction & Material and Electricity sector scrips have been increased due to favorable economic fundamentals. The fund took small exposures in Engineering, Automobile and Parts, Personal Goods, Pharma & Bio Tech and Fixed Line Telecommunication sectors throughout the year to capitalize on various positive developments within these sectors.

Since inception return of the fund was 795.7% as compared to the benchmark's return of 687.8%, an out-performance of 108%. The fund's Net Assets increased by 18% from PKR 468 Million at the beginning of the year to PKR 552 Million as on June 30, 2013.

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



Mr. Muhammad Asim, CFA
Fund Manager

Karachi: August 05, 2013

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



**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

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



TRUSTEE REPORT TO THE UNIT HOLDERS

PAKISTAN PREMIER 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 Premier Fund (the Fund) are of the opinion that MCB – Arif Habib Savings and Investments Limited (formerly Arif Habib Investments Limited) being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2013 in accordance with the provisions of the following:

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


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

Karachi: October 10, 2013



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

This statement is being presented by the Board of Directors of MCB-Arif Habib Savings and Investments Limited (formerly Arif Habib Investments Limited), the Management Company of Pakistan Premier Fund ("the Fund") to comply with the Code of Corporate Governance contained in Regulation No. 35 of Listing Regulations of Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Category	Names
Independent Directors	<ol style="list-style-type: none"> 1. Dr. Salman Shah 2. Mr. Haroun Rashid 3. Mr. Mirza Mehmood
Executive Directors	<ol style="list-style-type: none"> 1. Mr. Nasim Beg – Executive Vice Chairman 2. Mr. Yasir Qadri – Chief Executive Officer
Non – Executive Directors	<ol style="list-style-type: none"> 1. Mian Mohammad Mansha 2. Mr. Ahmed Jehangir 3. Mr. Samad Habib

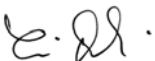
The independent directors meets the criteria of independence under clause i (b) of the Code.

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

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

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

For and on behalf of the board



Yasir Qadri

Chief Executive

Karachi: August 05, 2013

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



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

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

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (“Statement of Compliance”) prepared by the Board of Directors of MCB-Arif Habib Savings and Investments Limited (formerly Arif Habib Investments Limited) (“the Management Company”) of the Fund to comply with the Listing Regulations of Lahore Stock Exchange Limited, where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund’s compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Management Company’s personnel and review of various documents prepared by the Management Company to comply with the Code.


As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board’s statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company’s corporate governance procedures and risks.

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

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

Date: 05 August 2013

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants

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

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



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

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Independent Auditors' Report to the Unit Holders

Report on the Financial Statements

We have audited the accompanying financial statements of **Pakistan Premier Fund** ("the Fund"), which comprise of the statement of assets and liabilities as at 30 June 2013, and the related income statement, distribution statement, statement of movement in Unit Holders' Fund, cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

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

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



KPMG Taseer Hadi & Co.

Other matters


The financial statements of the Fund for the year ended 30 June 2012 were audited by another firm of auditors who vide their report dated 17 September 2012 expressed unmodified opinion with emphasis of matter paragraph on the financial statements of the Fund for the year ended 30 June 2012. The emphasis pertains to non provision of Workers' Welfare Fund.

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: 05 August 2013

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

FINANCIAL STATEMENTS

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

	<i>Note</i>	2013	2012
		(Rupees in '000)	
Assets			
Balances with banks	4	68,721	34,756
Receivable against sale of units		-	215
Receivable against sale of investments		15,952	-
Investments	5	494,294	463,605
Dividend and profit receivable	6	551	978
Advances and deposits	7	5,355	5,355
Total assets		584,873	504,909
Liabilities			
Payable on redemption of units		-	1,831
Payable against purchase of investments		-	17,013
Payable to Management Company	8	5,142	5,983
Payable to Central Depository Company of Pakistan Limited - Trustee	9	93	77
Payable to Securities and Exchange Commission of Pakistan	10	483	518
Unclaimed dividend	11	9,978	10,266
Accrued expenses and other liabilities	12	17,464	1,289
Total liabilities		33,160	36,977
Net assets		551,713	467,932
Unit holders' fund		551,713	467,932
		(Number of units)	
Number of units in issue		38,349,502	48,007,325
		(Rupees)	
Net assets value per unit		14.39	9.75

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



Chief Executive Officer

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



Director

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

	<i>Note</i>	2013	2012
		(Rupees in '000)	
Income			
Capital gain on sale of investments - net		153,781	15,681
Dividend income		35,701	41,162
Income from government securities		1,600	2,464
Profit on bank deposits		2,942	6,146
		194,024	65,453
Net unrealised appreciation on re-measurement of investments classified as 'at fair value through profit or loss'	5.4	39,707	12,088
Total income		233,731	77,541
Expenses			
Remuneration of Management Company	8.1	11,898	12,641
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9	1,017	1,090
Annual fee - Securities and Exchange Commission of Pakistan	10	483	518
Provision for Workers' Welfare Fund		16,093	-
Securities transaction cost		6,224	4,275
Settlement and bank charges		547	345
Legal, professional and other charges		219	214
Auditors' remuneration	13	542	549
Printing and related expenses		68	898
Total expenses		37,091	20,530
		196,640	57,011
Net element of (loss) / income and capital gains / (losses) for the year included in prices of units issued less those in units redeemed		(18,696)	490
Net income for the year before taxation		177,944	57,501
Taxation	14	-	-
Net income for the year after taxation		177,944	57,501
Earnings per unit	15		

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



Chief Executive Officer

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



Director

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

	2013	2012
	(Rupees in '000)	
Undistributed loss brought forward:		
- Realised losses	(24,227)	(50,920)
- Unrealised gains	<u>12,088</u>	<u>24,890</u>
	<u>(12,139)</u>	<u>(26,030)</u>
Net element of income and capital gains for the year included in prices of units issued less those in units redeemed	2,414	13,420
Net income for the year	177,944	57,501
<i>Distributions:</i>		
Final distribution at the rate of Re. 0.2100 per unit for the year ended 30 June 2011 - [Date of distribution: 5 July 2011]		
- Issue of bonus units	-	(14,985)
Final distribution at the rate of Re. 0.9568 per unit for the year ended 30 June 2012 - [Date of distribution: 25 June 2012]		
- Issue of bonus units	-	(42,045)
	-	(57,030)
Undistributed income / (loss) carried forward	<u>168,219</u>	<u>(12,139)</u>
Undistributed income / (loss) carried forward:		
- Realised gains / (losses)	126,597	(24,227)
- Unrealised gains	<u>41,622</u>	<u>12,088</u>
	<u>168,219</u>	<u>(12,139)</u>

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



Chief Executive Officer

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



Director

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

	2013 (Rupees in '000)	2012
Net assets at beginning of the year	467,932	687,525
Issue of 2,118,244 units (2012: 545,564 units)	26,910	5,474
Issue of Nil bonus units (2012: 5,928,023 bonus units)	-	57,030
Redemption of 11,776,067 units (2012: 29,821,725 units)	(139,769)	(282,078)
	(112,859)	(219,574)
Net element of (income) / loss and capital (gains) / losses for the year included in prices of units issued less those in units redeemed		
- amount representing accrued (income) / loss and realised capital (gains) / losses - transferred to the Income Statement	18,696	(490)
- amount representing unrealised capital (gains) / losses - transferred to Distribution Statement	(2,414)	(13,420)
	16,282	(13,910)
Net income / (loss) for the year (excluding net unrealised appreciation on re-measurement of investments classified as 'at fair value through profit or loss' and capital gain on sale of investments)	(15,544)	29,732
Capital gain on sale of investments - net	153,781	15,681
Net unrealised appreciation on re-measurement of investments classified as at fair value through profit or loss'	39,707	12,088
	177,944	57,501
Net element of (loss) / income and capital (loss) / gains included in prices of units issued less those in units redeemed - transferred to Distribution Statement	2,414	13,420
Final distribution at the rate of Re. 0.2100 per unit for the year ended 30 June 2011 - [Date of distribution: 5 July 2011]		
- Issue of bonus units	-	(14,985)
Final distribution at the rate of Re. 0.9568 per unit for the year ended 30 June 2012 - [Date of distribution: 25 June 2012]		
- Issue of bonus units	-	(42,045)
	-	(57,030)
Net assets at end of the year	551,713	467,932
	(Rupees)	
Net assets value per unit as at beginning of the year	9.75	9.64
Net assets value per unit as at end of the year	14.39	9.75

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

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



Chief Executive Officer



Director

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

	2013	2012
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	177,944	57,501
Adjustments for non-cash and other items:		
Net unrealised appreciation on re-measurement of investments classified as 'at fair value through profit or loss'	(39,707)	(12,088)
Provision for Workers' Welfare Fund	16,093	-
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	18,696	(490)
	(4,918)	(12,578)
	173,026	44,923
Decrease in assets		
Investments - net	9,018	102,074
Dividend and profit receivable	427	362
	9,445	102,436
Increase / (decrease) in liabilities		
Payable against purchase of investments	(17,013)	17,013
Payable to Management Company	(841)	(861)
Payable to Central Depository Company of Pakistan Limited - Trustee	16	(39)
Payable to Securities and Exchange Commission of Pakistan	(35)	(583)
Unclaimed dividend	(288)	-
Accrued expenses and other liabilities	82	647
	(18,079)	16,177
Net cash generated from operating activities	164,392	163,536
CASH FLOWS FROM FINANCING ACTIVITIES		
Net payment from sale and redemption of units	(130,427)	(275,182)
Net increase in cash and cash equivalents during the year	33,965	(111,646)
Cash and cash equivalents at beginning of the year	34,756	146,402
Cash and cash equivalents at end of the year	68,721	34,756

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


Chief Executive Officer

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


Director

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

1. LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Premier Fund ("the Fund") was constituted by virtue of a Scheme of Arrangement for conversion of Pakistan Premier Fund Limited (PPFL) into an open end scheme under a Trust Deed executed between Arif Habib Investments Limited (AHIL), as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on 12 November 2010 after being approved by the Securities and Exchange Commission of Pakistan (SECP) on 11 November 2010 in accordance with the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

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

The Management Company of the Fund has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.

The Fund is listed on the Lahore Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund has been categorised as "Equity" scheme by the Board of Directors of the Asset Management Company in pursuant to Circular 7 of 2009 dated 6 March 2009 issued by the SECP.

Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of "AM2" to the Management Company while the Fund has been assigned a stability short-term and long term rating of 3-star.

The Fund primarily invests in shares of listed equity securities to provide investors long term capital appreciation.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

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

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

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

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

2.4 Basis of measurement

These financial statements have been prepared under the historical cost convention except that certain financial assets are measured at fair value.

2.5 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.

2.6 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. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of its revision and future periods if the revision affects both current and future periods. In particular, information about assumption and estimation uncertainties that have a significant risk of resulting in material adjustment within the next financial year as well as critical judgements in applying accounting policies that have the most significant effect on the amounts 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 listed equity securities and government securities by using quotations from The Karachi Stock Exchange Limited and Financial Markets Association of Pakistan (Reuters), respectively.

Other assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. At present, the Fund has no item to be reported in other comprehensive income. Hence, no such statement is prepared and net income for the current and comparative year is equal to total comprehensive income.

3.1 Financial instruments

The Fund classifies its financial instruments in the following categories:

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

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

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

b) *Loans and receivables*

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.

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.

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

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 derivative is valued at its last sale price on such exchange on the date on which it is valued or if such exchange is not open on such date, then at its last sale price on the next preceding date on which such exchange was open and if no sale is reported for such date the security is valued at an amount neither higher than the closing ask price nor lower than the closing bid price.

Basis of valuation of Government Securities

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

Securities under repurchase/ resale agreements

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

Impairment

Financial assets not carried 'at fair value through profit or loss' are reviewed at each balance sheet date to determine whether there is any indication of impairment. 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 amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. In case of an investment in an equity security, a significant or prolonged decline in fair value below its cost is objective evidence of impairment. Impairment losses are recognised in Income Statement. Any subsequent decrease in impairment loss on debt securities classified as available-for-sale is recognised in Income Statement. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognised in other comprehensive income.

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

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

Derecognition

The Fund derecognises a financial asset when the contractual right to the cash flows from the financial assets expires or it transfers the right to receive the contractual cashflows 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 expires.

Offsetting of financial instruments

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

3.2 Unit holders' fund

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

3.3 Issue and redemption of units

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

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

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

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

The element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the year is recognised in income statement and the remaining portion of element of income / (loss) and capital gains / (losses) is held in separate reserve account and at the end of an accounting period (whether gain or loss) is included in amount available for distribution to the unit holders.

3.5 Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.6 Net assets value per unit

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

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

3.7 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.

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

However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

3.8 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Income on reverse repurchase transactions and debt securities is recognised on a time proportion basis using effective interest rate method.
- Unrealised gains / (losses) arising on valuation of investments classified as 'at fair which they value through profit or loss' and derivatives are included in the Income Statement in the period in which they arise.
- Dividend income is recognised when the right to receive the dividend is established.
- Profit on bank deposits is recognised on time proportion basis using effective interest rate method.
- Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed is included in the Income Statement on the date of issue and redemption of units.

3.9 Expenses

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

3.10 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.

3.11 Other assets

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

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

3.12 Dividend distributions and appropriations

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

4. BALANCES WITH BANKS	2013	2012
	(Rupees in '000)	
In current accounts	9,976	24,116
In deposit accounts	4.1 <u>58,745</u>	<u>10,640</u>
	<u>68,721</u>	<u>34,756</u>

4.1 These carry profit at the rate ranging from 6% to 11% (2012: 10.5% to 12%) per annum.

5. INVESTMENTS

'At fair value through profit or loss'

- Government securities	5.1	59,645	29,580
- Equity securities			
Quoted	5.2	<u>432,542</u>	<u>431,883</u>
Unquoted	5.3	<u>2,107</u>	<u>2,142</u>
		434,649	434,025
		<u>494,294</u>	<u>463,605</u>

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

5.1 Government Securities - 'at fair value through profit or loss' - held for trading

Treasury Bills

Issue date	Face value		Balance as at 30 June 2013			Market value			
	As at 1 July 2012	Purchases during the year	Sales / Matures during the year	As at 30 June 2013	Carrying value	Market value	Appreciation / (diminution)	as a percentage of net assets	as a percentage of total investment
----- (Rupees in 000) -----									
1 year (Tenor)									
26 July 2012	-	50,000	-	50,000	49,692	49,704	12	0.09	0.10
09 February 2013	-	30,000	30,000	-	-	49,704	12	-	-
					49,692	49,704			
3 months (Tenor)									
03 May 2012	20,000	-	20,000	-	-	-	-	-	-
09 August 2012	-	15,000	15,000	-	-	-	-	-	-
26 July 2012	-	10,000	10,000	-	-	-	-	-	-
28 June 2012	10,000	-	10,000	-	-	-	-	-	-
07 February 2013	-	25,000	25,000	-	-	-	-	-	-
21 March 2013	-	50,000	50,000	-	-	-	-	-	-
02 May 2013	-	10,000	-	10,000	9,939	9,941	2	0.02	0.02
					9,939	9,941	2		
Total as at 30 June 2013					59,631	59,645	14		

Issue Date	Face value		Balance as at 30 June 2012			Market value			
	As at 1 July 2011	Purchases during the year	Sales / Matures during the year	As at 30 June 2012	Carrying value	Market value	Appreciation / (diminution)	as a percentage of net assets	as a percentage of total investment
----- (Rupees in 000) -----									
6 months (Tenor)									
02 June 2011	-	25,000	25,000	-	-	-	-	-	-
07 April 2011	-	50,000	50,000	-	-	-	-	-	-
19 May 2011	-	25,000	25,000	-	-	-	-	-	-
24 March 2011	-	20,000	20,000	-	-	-	-	-	-
					-	-	-	-	-
3 months (Tenor)									
21 April 2011	50,000	-	50,000	-	-	-	-	-	-
02 June 2011	50,000	-	50,000	-	-	-	-	-	-
03 May 2012	-	20,000	-	20,000	19,843	19,838	(5)	0.04	0.04
08 March 2012	-	25,000	25,000	-	-	-	-	-	-
16 June 2011	-	35,000	35,000	-	-	-	-	-	-
19 May 2011	-	25,000	25,000	-	-	-	-	-	-
28 June 2012	-	10,000	-	10,000	9,741	9,742	1	0.02	0.02
30 June 2011	-	25,000	25,000	-	-	-	-	-	-
					29,584	29,580	(4)		
Total as at 30 June 2012					29,584	29,580	(4)		

5.1.1 These Treasury Bills having an amortised cost of Rs. 59.22 (2012 : Rs. 29.21 million) carries effective yield ranging from 9.41% to 9.49% (2012: 11.91%) per annum.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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5.2 Quoted equity securities - 'at fair value through profit or loss' - held for trading

Shares of listed companies - fully paid ordinary shares of Rs. 10 each unless stated otherwise

Name of the investee company	As at 1 July 2012	Purchases during the year	Bonus / right issue during the year	Sales during the year	As at 30 June 2013	Carrying value as at 30 June 2013	Market value as at 30 June 2013	Appreciation/ (diminution) as at 30 June 2013	Market value as a percentage of		Paid up value of shares held as a percentage of total paid up capital of the investee company
									investments	net assets	
-----Number of shares----- (Rupees in 000)											
Oil And Gas											
Attock Petroleum Limited	92,293	32,300	-	99,522	25,071	12,511	14,068	1,557	2.85%	2.55%	0.04%
National Refinery Limited	-	93,000	-	91,000	2,000	479	481	2	0.10%	0.09%	0.00%
Oil & Gas Development Company	109,600	579,500	-	570,100	119,000	23,820	27,221	3,401	5.51%	4.93%	0.00%
Pakistan Oilfields Limited	117,980	73,900	-	129,900	61,980	26,749	30,827	4,078	6.24%	5.59%	0.03%
Pakistan Petroleum Limited	242,217	179,400	44,304	350,200	115,721	20,477	24,484	4,007	4.95%	4.44%	0.01%
Pakistan State Oil Company Limited	14,710	511,800	14,740	375,010	166,240	49,529	53,260	3,731	10.77%	9.65%	0.07%
Shell Pakistan Limited	-	26,100	-	26,100	-	-	-	-	0.00%	0.00%	0.00%
Attock Refinery Limited	-	28,500	-	28,500	-	-	-	-	0.00%	0.00%	0.00%
Chemicals											
Engro Corporation Limited	92,000	1,014,800	-	1,090,600	16,200	2,080	1,975	(104)	0.40%	0.36%	0.00%
Fatima Fertilizer Company Limited	909,577	2,081,000	-	1,859,577	1,131,000	27,738	28,083	344	5.68%	5.09%	0.05%
Fauji Fertilizer Company Limited	252,067	888,000	-	1,140,067	-	-	-	-	0.00%	0.00%	0.00%
Fauji Fertilizer Bin Qasim Limited	-	619,000	-	410,000	209,000	8,769	7,846	(923)	1.59%	1.42%	0.02%
Lotte Chemical Pakistan Limited	-	775,000	-	775,000	-	-	-	-	0.00%	0.00%	0.00%
ICI Pakistan Limited	-	109,400	-	109,400	-	-	-	-	0.00%	0.00%	0.00%
Dawood Hercules Corporation Limited	-	430,000	-	319,000	111,000	6,024	5,118	(906)	1.04%	0.93%	0.02%
Clairant Pakistan Limited	-	23,500	-	23,500	-	-	-	-	0.00%	0.00%	0.00%
						<u>133,565</u>	<u>150,341</u>	<u>16,776</u>			
General Industrials											
Thal Limited	-	26,000	-	26,000	-	-	-	-	0.00%	0.00%	0.00%
Construction And Materials (Cement)											
Cherat Cement Company Limited	200,478	583,000	-	387,000	396,478	17,368	23,071	5,703	4.67%	4.18%	0.41%
D.G. Khan Cement Company Limited	133,000	1,117,500	-	1,204,553	45,947	3,844	3,845	1	0.78%	0.70%	0.01%
Kohat Cement Company Limited	131,374	772,000	-	611,500	291,874	23,157	25,052	1,895	5.07%	4.54%	0.23%
Lafarge Pakistan Cement Limited	1,259,000	322,000	-	1,581,000	-	-	-	-	0.00%	0.00%	0.00%
Lucky Cement Limited	171,000	466,000	-	564,100	72,900	11,704	15,289	3,585	3.09%	2.77%	0.02%
Fauji Cement Company Limited	-	4,487,000	-	4,487,000	-	-	-	-	0.00%	0.00%	0.00%
Fecto Cement Limited	-	233,975	-	176,000	57,975	1,948	2,783	835	0.56%	0.50%	0.12%
Mappe Leaf Cement Factory Limited	-	230,000	-	-	230,000	5,737	5,044	(693)	1.02%	0.91%	0.04%
Pioneer Cement Limited	-	120,000	-	-	120,000	3,810	3,524	(286)	0.71%	0.64%	0.05%
						<u>67,568</u>	<u>78,608</u>	<u>11,040</u>			
Engineering											
Millat Tractors Limited	21,918	36,000	1	57,900	19	10	10	(0)	0.00%	0.00%	0.00%
						<u>10</u>	<u>10</u>	<u>10</u>			
Automobile And Parts											
Exide Pakistan Limited	13,699	500	-	14,199	-	-	-	-	0.00%	0.00%	0.00%
Indus Motors Company Limited	-	10,000	-	10,000	-	-	-	-	0.00%	0.00%	0.00%
Pak Suzuki Motor Company Limited	-	15,500	-	-	15,500	1,819	2,305	486	0.47%	0.42%	0.02%
						<u>1,819</u>	<u>2,305</u>	<u>486</u>			

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

Name of the investee company	As at 1 July 2012	Purchases during the year	Bonus / right issue during the year	Sales during the year	As at 30 June 2013	Carrying value as at 30 June 2013	Market value as at 30 June 2013	Appreciation/ (diminution) as at 30 June 2013	Market value as a percentage of		Paid up value of shares held as a percentage of total paid up capital of the investee company
									investments	net assets	
-----Number of shares----- (Rupees in 000)-----											
Personal Goods (Textile)											
Nishat Mills Limited	-	1,137,500	-	1,040,000	97,500	8,887	9,185	298	1.86%	1.66%	0.03%
Nishat Chunian Limited	-	532,000	-	520,000	12,000	440	717	277	0.15%	0.13%	0.19%
Gadoon Textile Mills Limited	-	45,500	-	32,500	13,000	1,459	1,612	153	0.33%	0.29%	0.01%
Azgard Nine Limited	-	50,000	-	50,000	-	-	-	-	0.00%	0.00%	0.00%
Blessed Textile Mills Limited	-	32,000	-	8,000	24,000	2,280	2,832	552	0.57%	0.51%	0.01%
						<u>13,066</u>	<u>14,346</u>	<u>1,280</u>			
Food Producers											
Engro foods limited	-	170,000	-	170,000	-	-	-	-	0.00%	0.00%	0.00%
Unilever Pakistan Limited	-	1,940	-	1,940	-	-	-	-	0.00%	0.00%	0.00%
Pharma And Bio Tech											
Abbott laboratories Pakistan limited	61,851	-	-	61,851	-	-	-	-	0.00%	0.00%	0.00%
Media											
Hum Network Limited	-	105,000	-	105,000	-	-	-	-	0.00%	0.00%	0.00%
Fixed Line Telecommunication											
Pakistan Telecommunication Company Limited	-	2,037,500	-	1,907,500	130,000	2,729	2,885	156	0.58%	0.52%	0.00%
Wateen telecom Limited	1,650,000	800,000	-	2,450,000	-	-	-	-	0.00%	0.00%	0.00%
Telecard Limited	-	125,000	-	125,000	-	-	-	-	0.00%	0.00%	0.00%
WorldCall Telecom Limited	-	620,000	-	620,000	-	-	-	-	0.00%	0.00%	0.00%
						<u>2,729</u>	<u>2,885</u>	<u>156</u>			
Electricity											
Hub Power Company Limited	876,165	824,500	-	921,000	779,665	38,278	48,066	9,788	9.72%	8.71%	0.07%
Kot Addu Power Company Limited	-	837,000	-	792,000	45,000	2,767	2,785	18	0.50%	0.50%	0.01%
Nishat Chunian Power Limited	822,051	840,000	-	1,662,051	-	-	-	-	0.00%	0.00%	0.00%
Nishat Power Limited	-	578,000	-	578,000	-	-	-	-	0.00%	0.00%	0.00%
Pakgen Power Limited	-	75,000	-	75,000	-	-	-	-	0.00%	0.00%	0.00%
						<u>41,045</u>	<u>50,851</u>	<u>9,806</u>			
Commercial Banks											
Allied Bank Limited	58,173	-	-	58,173	-	-	-	-	0.00%	0.00%	0.00%
Askari Bank Limited	363,750	1,334,478	-	1,698,111	117	2	2	(0)	0.00%	0.00%	0.00%
Bank Al-Falah Limited	2,469,155	2,461,000	-	3,799,655	1,130,500	20,000	20,598	598	4.17%	3.73%	0.08%
Bank Al-Habib Limited	761,130	1,270,000	-	1,328,000	703,130	21,088	19,118	(1,970)	3.87%	3.47%	0.07%
MCB Bank Limited	25,570	168,300	-	183,870	10,000	2,549	2,426	(123)	0.49%	0.44%	0.00%
Meezan Bank Limited	-	285,000	31,350	8,328	316,350	8,328	9,174	846	1.86%	1.66%	0.03%
National Bank of Pakistan	89,000	900,500	43,500	1,033,000	-	-	-	-	0.00%	0.00%	0.00%
United Bank Limited	300,029	816,000	-	950,000	166,029	16,928	17,861	933	3.61%	3.24%	0.01%
JS Bank Limited	-	461,000	-	461,000	-	-	-	-	0.00%	0.00%	0.00%
BankIslami Pakistan Limited	-	20,000	-	-	20,000	180	130	(50)	0.03%	0.02%	0.00%
Soneri Bank Limited	-	350,000	-	350,000	-	-	-	-	0.00%	0.00%	0.00%
Habib Bank Limited	-	110,000	2,000	16,000	96,000	11,205	11,447	242	2.32%	2.07%	0.01%
						<u>80,280</u>	<u>80,756</u>	<u>476</u>			
Non Life Insurance											
Adanjee Insurance Company Limited	-	70,000	-	70,000	-	-	-	-	0.00%	0.00%	0.00%
Pakistan Reinsurance Company Limited	-	736,525	-	338,000	398,525	8,120	9,417	1,297	1.91%	1.71%	0.13%
						<u>8,120</u>	<u>9,417</u>	<u>1,297</u>			
Share of Delisted Companies**											
Sarhad Ghee Mills Limited	113,000	-	-	-	113,000	-	-	-	0.00%	0.00%	-
Sunflo Citrus Limited	315,000	-	-	-	315,000	-	-	-	0.00%	0.00%	-
Total as at 30 June 2013						<u>392,814</u>	<u>432,542</u>	<u>39,728</u>			

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

Name of the investee company	As at 1 July 2011	Purchases during the year	Bonus / right issue during the year	Sales during the year	As at 30 June 2012	Carrying value as at 30 June 2012	Market value as at 30 June 2012	Appreciation/ (diminution) as at 30 June 2012	Market value as a percentage of net assets		Paid up value of shares held as a percentage of total paid up capital of the investee company
									investments	net assets	
----- (Rupees in 000) -----											
----- Number of shares -----											
Oil & Gas											
Attock Petroleum Limited	-	109,100	-	16,807	92,293	38,060	43,781	5,721	9.44%	9.36%	0.13%
Attock Refinery Limited	-	5,000	-	5,000	-	-	-	-	0.00%	0.00%	0.00%
National Refinery Limited	-	57,700	-	57,700	-	-	-	-	0.00%	0.00%	0.00%
Oil and Gas Development Company Limited	-	353,995	-	244,395	109,600	16,679	17,584	905	3.79%	3.76%	0.00%
Pakistan Oilfields Limited	182,480	137,000	-	201,500	117,980	43,226	43,292	66	9.34%	9.25%	0.05%
Pakistan Petroleum Limited	239,334	132,000	23,383	152,500	242,217	45,039	45,607	568	9.84%	9.75%	0.02%
Pakistan State Oil Company Limited	-	235,314	-	220,604	14,710	3,764	3,469	(295)	0.75%	0.74%	0.01%
						146,768	153,733	6,965			
Chemicals											
Engro Corporation Limited	305,060	872,345	53,703	1,139,108	92,000	9,593	9,369	(224)	2.02%	2.00%	0.02%
Fatima Fertilizer Company Limited	-	2,681,262	-	1,771,685	909,577	22,968	22,439	(529)	4.84%	4.80%	0.05%
Fauji Fertilizer Company Limited	496,053	783,175	22,189	1,049,350	252,067	27,878	27,992	114	6.04%	5.98%	0.02%
Lotte Chemical Pakistan Limited	-	35,000	-	35,000	-	-	-	-	0.00%	0.00%	0.00%
						60,439	59,800	(639)			
Industrial Metals And Mining											
International Industries Limited	65,000	-	-	65,000	-	-	-	-	0.00%	0.00%	0.00%
General Industrials											
Packages Limited	588,011	-	-	588,011	-	-	-	-	0.00%	0.00%	0.00%
Construction And Materials (Cement)											
Cherat Cement Company Limited	-	291,478	-	91,000	200,478	4,708	5,938	1,230	1.28%	1.27%	0.21%
D G Khan Cement Company Limited	-	570,000	-	437,000	133,000	5,605	5,238	(367)	1.13%	1.12%	0.03%
Kohat Cement Company Limited	-	131,374	-	-	131,374	5,292	5,289	(3)	1.14%	1.13%	0.10%
Lafarge Pakistan Cement Limited	-	1,576,000	-	317,000	1,259,000	6,989	5,439	(1,550)	1.17%	1.16%	0.10%
Lucky Cement Limited	305,000	476,500	-	610,500	171,000	16,379	19,732	3,353	4.26%	4.22%	0.05%
						38,973	41,636	2,663			
Industrial Engineering											
Millat Tractors Limited	-	21,918	-	-	21,918	10,558	10,583	25	2.28%	2.26%	0.06%
						10,558	10,583	25			
Industrial Transportation											
Pakistan International Container Terminal Limited	428,329	8,108	-	436,437	-	-	-	-	0.00%	0.00%	0.00%
Automobile And Parts											
Exide Pakistan Limited	-	16,814	-	3,115	13,699	2,446	2,370	(76)	0.51%	0.51%	0.19%
Pak Suzuki Motor Company Limited	210,148	5,000	-	215,148	-	-	-	-	0.00%	0.00%	0.00%
						2,446	2,370	(76)			
Food Producers											
Engro Foods Limited	-	35,000	-	35,000	-	-	-	-	0.00%	0.00%	0.00%
Personal Goods (Textile)											
Kohinoor Mills Limited	547,932	-	-	547,932	-	-	-	-	0.00%	0.00%	0.00%
Nishat Mills Limited	828,514	100,464	-	928,978	-	-	-	-	0.00%	0.00%	0.00%

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

Name of the investee company	As at 1 July 2011	Purchases during the year	Bonus / right issue during the year	Sales during the year	As at 30 June 2012	Carrying value as at 30 June 2012	Market value as at 30 June 2012	Appreciation/ (diminution) as at 30 June 2012	Market value as a percentage of		Paid up value of shares held as a percentage of total paid up capital of the investee company
									investments	net assets	
----- (Rupees in 000) -----											
----- Number of shares -----											
Pharma And Bio Tech											
Abbot Laboratories Pakistan Limited	-	61,851	-	-	61,851	7,496	7,363	(133)	1.59%	1.57%	0.06%
						7,496	7,363	(133)			
Fixed Line Telecommunication											
Pakistan Telecommunications Company Limited	-	2,250,000	-	2,250,000	-	-	-	-	0.00%	0.00%	0.00%
Wateen Telecom Limited	-	1,650,000	-	-	1,650,000	5,032	3,300	(1,732)	0.71%	0.71%	0.27%
						5,032	3,300	(1,732)			
Electricity											
The Hub Power Company Limited	626,250	2,261,085	-	2,011,170	876,165	34,224	36,703	2,479	7.92%	7.84%	0.08%
Kohinoor Energy Limited	307,476	-	-	307,476	-	-	-	-	0.00%	0.00%	0.00%
Kot Addu Power Company Limited	725,433	200,000	-	925,433	-	-	-	-	0.00%	0.00%	0.00%
Nishat Chunian Power Limited	-	1,188,551	-	366,500	822,051	12,404	12,191	(213)	2.63%	2.61%	0.22%
Nishat Power Limited	-	1,472,895	-	1,472,895	-	-	-	-	0.00%	0.00%	0.00%
						46,628	48,894	2,266			
Commercial Banks											
Allied Bank Limited	891,336	70,000	39,761	942,924	58,173	3,554	3,734	180	0.81%	0.80%	0.01%
Askari Bank Limited	-	960,000	78,750	675,000	363,750	5,459	4,936	(523)	1.06%	1.05%	0.04%
Bank Alfalah Limited	-	2,869,155	-	400,000	2,469,155	39,919	42,223	2,304	9.11%	9.02%	0.18%
Bank Al-Habib Limited	-	845,028	96,304	180,202	761,130	21,239	21,669	430	4.67%	4.63%	0.08%
Habib Bank Limited	-	100,256	9,625	109,881	-	-	-	-	0.00%	0.00%	0.00%
Habib Metropolitan Bank Limited	815,990	-	-	815,990	-	-	-	-	0.00%	0.00%	0.00%
MCB Bank Limited	-	189,000	12,970	176,400	25,570	4,065	4,251	186	0.92%	0.91%	0.00%
Meezan Bank Limited	-	716,203	77,025	793,228	-	-	-	-	0.00%	0.00%	0.00%
National Bank of Pakistan Limited	-	1,192,858	-	1,103,858	89,000	4,142	3,875	(267)	0.84%	0.83%	0.00%
United Bank Limited	-	788,529	-	488,500	300,029	23,073	23,516	443	5.07%	5.03%	0.02%
						101,451	104,204	2,753			
Non Life Insurance											
Adamjee Insurance Company Limited	-	10,000	-	10,000	-	-	-	-	0.00%	0.00%	0.00%
Share of Delisted Companies**											
Sahad Ghee Mills Limited	113,000	-	-	-	113,000	-	-	-	0.00%	0.00%	-
Sunflo Citrus Limited	315,000	-	-	-	315,000	-	-	-	0.00%	0.00%	-
Total as at 30 June 2012						419,791	431,883	12,092			

** These securities are delisted and are valued at nil in the books of accounts.

5.2.1 Investments as at 30 June 2013 include shares with market value of Rs. 29,074 million (2012: Rs. 30,914 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 & Exchange Commission of Pakistan.

5.2.2 The cost of the quoted equity securities as at 30 June 2013 amounted to Rs. 390,899 million (2012: Rs. 418,715 million).

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

5.3 Unquoted equity securities - 'at fair value through profit or loss' - held for trading
Fully paid ordinary shares of Rs. 10 each unless stated otherwise

Name of the investee company	As at 1 July 2012	Purchases during the year	Bonus / right issue during the year	Sales during the year	As at 30 June 2013	Carrying value as at 30 June 2013	Market value as at 30 June 2013	Appreciation/ (diminution) as at 30 June 2013	Market value as a percentage of investments	Paid up value of shares held as a percentage of total paid up capital of the investee company
Pakistan International Bulk Terminal Limited (Note 5.3.1)	214,164	-	-	-	214,164	2,142	2,107	(35)	0.43%	0.38%
Total 30 June 2013						2,142	2,107	(35)		
Name of the investee company	As at 1 July 2011	Purchases during the year	Bonus / right issue during the year	Sales during the year <td>As at 30 June 2012</td> <td>Carrying value as at 30 June 2012</td> <td>Market value as at 30 June 2012</td> <td>Appreciation/ (diminution) as at 30 June 2012</td> <td>Market value as a percentage of investments</td> <td>Paid up value of shares held as a percentage of total paid up capital of the investee company</td>	As at 30 June 2012	Carrying value as at 30 June 2012	Market value as at 30 June 2012	Appreciation/ (diminution) as at 30 June 2012	Market value as a percentage of investments	Paid up value of shares held as a percentage of total paid up capital of the investee company
Pakistan International Bulk Terminal Limited (Note 5.3.1)	-	214,164	-	-	214,164	2,142	2,142	-	0.46%	0.46%
Total 30 June 2012						2,142	2,142			

5.3.1 In 2012, Pakistan International Container Terminal Limited distributed specie dividend in the form of shares of its wholly owned unlisted subsidiary i.e. Pakistan International Bulk Terminal (Private) Limited (PIBTL) approved in its Extra Ordinary General Meeting held on 3 August 2011. Listing of above shares is in progress and in absence of quoted price management has valued such shares at its breakup value based on annual audited financial statements of PIBTL as at 30 June 2012. The management in anticipation of listing of such shares has classified it as 'at fair value through profit or loss' - held for trading.

5.3.2 The cost of the unquoted equity securities as at 30 June 2013 amounted to Rs. 2,142 million (2012: Rs. 2,142 million).

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		2013	2012
5.4	Net unrealised appreciation on re-measurement of investments classified as 'at fair value through profit or loss'	(Rupees in '000)	
	Market value of investments	494,294	463,605
	Less: Carrying value of investments	<u>(454,587)</u>	<u>(451,517)</u>
		<u>39,707</u>	<u>12,088</u>
6.	DIVIDEND AND PROFIT RECEIVABLE		
	Dividend receivable	430	468
	Profit accrued on bank deposits	<u>121</u>	<u>510</u>
		<u>551</u>	<u>978</u>
7.	ADVANCES AND DEPOSITS		
	Advance tax	7.1 2,655	2,655
	Security deposits with:		
	- Central Depository Company of Pakistan Limited	7.2 200	200
	- National Clearing Company of Pakistan Limited	7.3 2,500	2,500
		<u>5,355</u>	<u>5,355</u>
7.1	Adjustment / refund of advance tax by Pakistan Premier Fund Limited as on 22 December 2010 from Federal Board of Revenue has been transferred in the books of accounts of Pakistan Premier Fund by virtue of conversion undertaken as per clause (I) of Article IV of the Scheme of Arrangement. As per the advice of the tax consultants, the Management believes the Pakistan Premier Fund holds a right to get adjustment / refund on behalf of Pakistan Premier Fund Limited from the concerned tax authorities.		
7.2	This represents deposit with Central Depository Company of Pakistan Limited on account of initial deposit for opening of investor account for electronic transfer of book-entry securities.		
7.3	This represents deposit with National Clearing Company of Pakistan Limited in respect of trading of listed securities.		
8.	PAYABLE TO MANAGEMENT COMPANY	(Rupees in '000)	
	Management fee payable	8.1 1,185	890
	Front-end load payable	4	4
	Conversion cost payable	8.2 3,953	5,089
		<u>5,142</u>	<u>5,983</u>
8.1	Under the provisions of the NBFC Regulations, 2008, the Management Company of the Fund is entitled to a remuneration, during the first five years of the Fund of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter, of an amount equal to two percent of such assets of the Fund. The Management Company has charged fee at the rate of 2% per annum of the average net assets of the Fund. The remuneration is paid by the Fund to the Management Company on a monthly basis in arrears. During 2011, the Local Government (Sindh) has levied General Sales Tax at the rate of 16% on the remuneration of the Management Company. Further during the year, Federal Government has levied Federal Excise Duty (FED) at the rate of 16% through the Finance Act 2013 effective from 13 June 2013. Accordingly, the Management fee charged is inclusion of all government levies.		

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

8.2 Conversion costs include all costs of conversion of Pakistan Premier Fund Limited into an Open End Scheme, including preparation, execution and registration of Constitutive Document registration of the Open End Scheme as a Notified Entity, approval of the SECP for publication of the Offering Documents and other such ancillary matters. These have been charged to the Pakistan Premier Fund Limited in terms of conditions imposed by SECP while granting approval to the conversion undertaken. The conversion cost shall be reimbursed by the Fund to the Management Company over a period of five years as per Article XIV of the Scheme of Arrangement.

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

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

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

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

10. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

As per Schedule II of the NBFC Regulations, 2008, an equity based scheme is required to pay an amount equal to 0.095 percent of the average annual net assets of the scheme as annual fee to the SECP.

11. UNCLAIMED DIVIDEND

Unclaimed dividend amounting to Rs. 9.978 million stood outstanding in the books of account of Pakistan Premier Fund Limited as on the effective date of conversion (22 December, 2010). This was transferred in the books of account of Pakistan Premier Fund by virtue of conversion undertaken as per clause (n) of Article IV of the Scheme of Arrangement.

12. ACCRUED EXPENSES AND OTHER LIABILITIES

	2013	2012
	(Rupees in '000)	
Provision for Workers' Welfare Fund	<i>12.1</i> 16,093	-
Auditors' remuneration	375	375
Legal and professional charges	159	80
Printing and related payables	230	500
Capital gain tax payable	2	6
Others	605	328
	<u>17,464</u>	<u>1,289</u>

12.1 The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year have been brought within the scope of the WWF Ordinance. Thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending for adjudication.

Subsequent to the year ended 30 June 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) on 8 July 2010 which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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14 December 2010 the Ministry filed its response against the Constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the Court.

Subsequent to the year ended 30 June 2011, the Honourable Lahore High Court (LHC) in a constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. In March 2013 a larger bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity.

However, as per advice of legal counsel the stay granted to CIS remains intact and the constitution petitions filed by the CIS to challenge the WWF contribution have not been affected by the SHC judgment. In view of the afore mentioned developments and uncertainties created by the recent decision of SHC, the Management Company as a matter of abundant precaution has decided to charge the entire provision for WWF amounting to Rs. 16.1 million. (including Rs. 12.2 million pertaining from 1 July 2009 to 30 June 2012) in these financial statements.

13. AUDITORS' REMUNERATION

	2013	2012
	(Rupees in '000)	
Annual audit fee	275	275
Half yearly review fee	125	125
Other certifications	124	100
Out of pocket expenses	18	49
	<u>542</u>	<u>549</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 unrealized capital gains to the unit holders. Since the management has distributed the income earned by the Fund during the year to the unit holders in the manner as explained above, accordingly no provision for taxation has been made in these financial statements.

15. EARNINGS PER UNIT

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

16. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

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 unitholders holding more than 10% units of the Fund.

The transactions with related parties / connected persons are in the normal course of business and at contracted rates.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed respectively.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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All other transactions with related parties /connected persons are in the normal course of business and are carried out on agreed terms / contracted rates.

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

16.1 Details of transactions with related parties / connected persons	2013	2012
	(Rupees in '000)	
Management Company		
Management fee for the year	11,898	12,641
Front-end load	15	4
Arif Habib Limited		
Brokerage *	485	380
Central Depository Company of Pakistan Limited-Trustee		
Remuneration of the Trustee	1,017	1,090
CDS charges	115	53
MCB Bank Limited		
Dividend income for the year	145	481
Profit on bank deposits	1,513	3,175
Bank charges	19	3
Summit Bank Limited		
Profit on bank deposits	28	433
Directors and executives of the Management Company		
Issue of 4,764 units (2012: Nil)	56	-
Redemption of 11,504 units (2012: Nil)	130	-
Issue of nil bonus units (2012: 1,544 units)	-	15
Adamjee Insurance Company Limited.		
Dividend income for the year	33	-
D.G Khan Cement Company Limited		
Dividend income for the year	435	-
Nishat Chunian Power Limited		
Dividend income for the year	660	50
Nishat Mills Limited		
Dividend income for the year	1,470	2,212
Nishat Power Limited		
Dividend income for the year	-	907

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16.2	Amounts outstanding as at year end:	2013	2012
		(Rupees in '000)	
	Management Company		
	Management fee payable	1,185	890
	Front-end load payable	4	4
	Conversion cost payable	3,953	5,089
	Central Depository Company of Pakistan Limited-Trustee		
	Remuneration payable	93	77
	Security deposit	200	200
	Summit Bank Limited		
	Balance with Bank	3,522	4,326
	MCB Bank Limited		
	Balance with Bank	58,444	646
	Accrued profit on bank deposits	84	439
	Shares held as at 30 June 2013: 10,000 shares (2012: 25,570 shares)	2,426	4,251
	Directors and executives of the Management Company		
	Units held: 7,332 units (2012: 14,072 units)	106	137
	Muhammad Aslam Motiwala (more than 10% holding)		
	Units held: 5,236,070 units (2012: 5,236,070 units)	75,347	51,051
	Nishat Chunian Power Limited		
	Shares held as at 30 June 2013: Nil (2012: 822,051 shares)	-	12,191
	Nishat Chunian Limited		
	Shares held as at 30 June 2013: 12,000 shares (2012: Nil shares)	717	-
	Nishat Mills Limited		
	Shares held as at 30 June 2013: 97,500 shares (2012: Nil shares)	9,185	-
	D.G Khan Cement Company Limited		
	Shares held as at 30 June 2013: 45,947 shares (2012: 133,000 shares)	3,845	5,238
	Fatima Fertilizer Company Limited		
	Shares held as at 30 June 2013: 1,131,000 shares (2012: 909,577 shares)	28,083	22,439

* 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 primarily invests in shares of listed equity securities with an objective to provide investors long term capital appreciation.

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

The Fund activates exposes it to a variety of financial risks:

- Market risk
- Credit risk and
- Liquidity risk

17.1 Market risk

Market risk is the risk that the fair values or future cash flows of the financial instruments will fluctuate as a result of changes in market prices, such as interest rates, equity prices and foreign exchange rate. The objective of market risk management is to manage market risk exposure within acceptable parameters, while optimising the return.

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 SECP.

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

Currency risk

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund holds fixed rate instrument in the form of government securities that expose the Fund to fair value interest rate risk.

Sensitivity analysis for fixed rate instruments

As at 30 June 2013, the Fund holds Treasury Bills which are classified as at fair value through profit or loss exposing the Fund to fair value interest rate risk. In case of 100 basis points increase / decrease in rates announced by Financial Markets Association of Pakistan on 30 June 2013 with all other variables held constant, the net income for the year and net assets of the Fund would be lower / higher by Rs. 0.69 million (2012: Rs. 0.034 million). The fluctuation in interest rate of 100 basis points is reasonably possible in current economic environment.

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

The Fund does not have position bearing floating rate of interest, hence not exposed to interest rate risk in this regard.

Other price risk

Other price risk is the risk that the fair value of the financial instrument will fluctuate as a result of change in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the parameters provided in its constitutive documents and circular issued by the SECP. The Fund's constitutive document 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 of the Fund.

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

In case of 5% increase / decrease in KSE 100 index on 30 June 2013, net income and net assets of the Fund would increase / decrease by Rs 21.995 million (2012: Rs 21.726 million) as a result of gains/losses on equity securities at fair value through profit or loss.

The composition of the Fund's investment portfolio and the correlation thereof to the KSE index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2013 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE 100 index.

17.2 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund.

Credit risk management

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

Exposure to credit risk

The Fund's maximum credit exposure (without taking into account collateral and other credit enhancement) at the balance sheet date is represented by the respective carrying amount of relevant financial assets i.e. balances with banks, receivable against sale of investments, deposits clearing companies, investments in debt securities and other receivable in Statement of Assets and Liabilities.

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 counter party to honour its obligations to deliver cash, securities or other assets as contractually agreed. Credit risk relating to unsettled transactions in securities is considered to be minimal as the Fund uses brokers with high creditworthiness and the transactions are settled or paid for only upon delivery using central clearing system.

Balances with banks

As at 30 June 2013, the Fund kept surplus liquidity with banks having credit rating ranging from AAA to A-. The rating to respective banks is assigned by reputable credit rating agencies. The rating of the banks is monitored by the Fund Manager and Investment Committee.

Investment in fixed income securities

Investment in treasury bills do not expose the Fund to credit risk as the counter party to the investment is the Government of Pakistan and management does not expect to incur any credit loss on such investments.

Advances and deposits

Deposits are placed with National Clearing Company of Pakistan Limited (NCCPL) and Central Depository Company of Pakistan Limited (CDC) for the purpose of effecting transaction and settlement of listed securities. It is expected that all securities deposited with NCCPL and CDC will be clearly identified as being assets of the Fund, hence management believes that the Fund is not materially exposed to a credit risk with respect to such parties.

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

Past due and impaired assets

No financial asset carried at amortised cost or cost were past due or impaired either as at 30 June 2013 or 30 June 2012. The management has not quantified the value of collaterals held against debt securities as management does not incorporate collaterals or other credit enhancements into its credit risk management nor it considers the value of collateral while testing investments for impairment.

Concentration of credit risk

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

17.3 Liquidity risk

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

Management of liquidity risk

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.

The Board of Directors of the Management Company is empowered to impose a redemption gate should redemption level exceed 10% of the net assets value of the Fund in any redemption period. The liquidity position of the Fund is monitored by the Fund Manager on daily basis and by the Investment Committee on quarterly basis. The aim of the review is to ascertain the amount available for investment and also ensure sufficient liquidity is maintained to meet redemption requests by analysing the historical redemption requests received by the Management Company. The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

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

30 June 2013				
	Up to three months	More than three months and up to one year	More than one year	Total
----- (Rupees in '000) -----				
Payable to Management Company	5,142	-		5,142
Payable to Central Depository Company of Pakistan Limited - Trustee	93	-		93
Unclaimed dividend	9,978	-		9,978
Accrued expenses and other liabilities	1,369	-		1,369
	16,582	-		16,582
30 June 2012				
	Up to three months	More than three months and up to one year	More than one year	Total
----- (Rupees in '000) -----				
Payable to Management Company	5,979	-	-	5,979
Payable to Central Depository Company of Pakistan Limited - Trustee	77	-	-	77
Payable on redemption of units	1,831	-	-	1,831
Unclaimed dividend	10,266	-	-	10,266
Payable against purchase of investments	17,013	-	-	17,013
Accrued expenses and other liabilities	1,287	-	-	1,287
	36,453	-	-	36,453

The table above shows the undiscounted cashflows of the Fund's financial liabilities on the basis of their earliest possible contractual maturity or settlement.

17.4 Financial instruments by category

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

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

		30 June 2013		
		Loans and receivables	Assets at fair value through profit or loss	Total
		----- (Rupees in '000) -----		
Assets				
Balances with banks		68,721	-	68,721
Receivable against sale of investments		15,952	-	15,952
Investments			494,294	494,294
Dividend and profit receivable		551	-	551
Deposits		2,700	-	2,700
		<u>87,924</u>	<u>494,294</u>	<u>582,218</u>
		30 June 2013		
		Liabilities at fair value through profit or loss	Other financial liabilities	Total
		----- (Rupees in '000) -----		
Liabilities				
Payable against purchase of investments		-	-	-
Payable to Management Company		-	5,142	5,142
Payable to Central Depository Company of Pakistan Limited - Trustee		-	93	93
Unclaimed dividend			9,978	9,978
Accrued expenses and other liabilities		-	1,369	1,369
		<u>-</u>	<u>16,582</u>	<u>16,582</u>
		30 June 2012		
		Loans and receivables	Assets at fair value through profit or loss	Total
		----- (Rupees in '000) -----		
Assets				
Balances with banks		34,756	-	34,756
Receivable against issue of units		215	-	215
Investments		-	463,605	463,605
Dividend and profit receivable		978	-	978
Deposits		2,700	-	2,700
		<u>38,649</u>	<u>463,605</u>	<u>502,254</u>
		30 June 2012		
		Liabilities at fair value through profit or loss	Other financial liabilities	Total
		----- (Rupees in '000) -----		
Liabilities				
Payable on redemption of units		-	1,831	1,831
Payable against purchase of investments			17,013	17,013
Payable to Management Company		-	5,983	5,983
Payable to Central Depository Company of Pakistan Limited- Trustee		-	77	77
Unclaimed dividend		-	10,266	10,266
Accrued expenses and other liabilities		-	1,283	1,283
		<u>-</u>	<u>36,453</u>	<u>36,453</u>

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

Unit holders' fund risk management

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

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

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

30 June 2013

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

- Equity securities

 Quoted equity securities

- Government securities

**Level 1 Level 2
(Rupees in '000)**

432,542

-

-

59,645

432,542

59,645

30 June 2012

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

- Equity securities

 Quoted equity securities

- Government securities

431,883

-

-

29,580

431,883

29,580

19. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company has approved a final dividend distribution of Rs. 3.2764 per unit for the year ended 30 June 2013 in their meeting held on 4 July 2013. The financial statements for the year ended 30 June 2013, do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending 30 June 2014.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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20. SUPPLEMENTARY NON FINANCIAL INFORMATION

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

20.1 Pattern of unit holding:

Details of pattern of unit holding as at 30 June 2013:

As at 30 June 2013			
Number of unit holders	Investment amount	Percentage investment	
----- (Rupees in '000) -----			
Individuals	3,209	500,827	90.78%
Directors	1	69	0.01%
Insurance companies	10	4,486	0.81%
Banks / DFIs	18	5,663	1.03%
Retirement funds	10	7,147	1.30%
Others	66	33,521	6.08%
	3,314	551,713	100%

Details of pattern of unit holding as at 30 June 2012:

As at 30 June 2012			
Number of unit holders	Investment amount	Percentage investment	
----- (Rupees in '000) -----			
Individuals	3,589	429,401	91.77%
Directors	1	46	0.01%
Insurance companies	11	4,118	0.88%
Banks / DFIs	20	4,167	0.89%
Retirement funds	11	6,102	1.30%
Others	73	24,098	5.15%
	3,705	467,932	100%

20.2 Top ten brokers / dealers by percentage of commission paid:

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

	2013 (Percentage)
Arif Habib Limited	9.23
Fortune Securities Limited	9.12
Foundation Securities (Private) Limited	8.19
Invest and Finance Securities Limited	7.16
Optimus Capital Management (Private) Limited	6.96
JS Global Capital Limited	6.70
KASB Securities Limited	6.59
Elixir Securities Pakistan (Private) Limited	5.65
Habib Metrol Financial Services (Private) Limited	5.09
Topline Securities (Private) Limited	4.75

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

	2012 (Percentage)
Arif Habib Limited	10.38
Fortune Securities Limited	8.91
KASB Securities Limited	8.36
Top Line Securities (Private) Limited	7.33
Foundation Securities (Private) Limited	7.24
Elixir Securities Pakistan (Private) Limited	6.45
Invest & Finance Securities Limited	6.39
Habib Metropolitan Financial Services Limited	4.50
JS Global Capital Limited	4.31
Next Capital	3.96

20.3 Attendance at meetings of the Board of Directors:

During the year, six board meetings were held on 16 July 2012, 15 August 2012, 4 October 2012, 24 October 2012, 4 February 2013 and 24 April 2013.

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

Name of Director	Designation	Number of meetings			Meeting not attended
		Held	Attended	Leave granted	
Mr. Mian Mohammad Mansha	Chairman	6	2	4	98th, 99th, 100th and 103rd
Mr. Nasim Beg	Executive Vice Chairman	6	5	1	102nd
Mr. Yasir Qadri	Chief Executive Officer	6	6	-	
Dr. Syed Salman Ali Shah	Director	6	5	1	103rd
Mr. Haroun Rashid	Director / Chairman Audit Committee	6	4	2	100th and 101st
Mr. Ahmed Jahangir	Director	6	6	0	
Mr. Samad A. Habib	Director	6	4	2	98th and 100th
Mr. Mirza Mehmood Ahmed	Director	6	3	3	98th, 99th and 101st
Mr. M. Saqib Saleem	Chief Operating Officer & Company Secretary	6	6	-	
Mr. Umair Ahmed	Chief Financial Officer	6	3	3	Appointed in 101st BOD meeting

20.4 Particulars of Investment Committee and Fund Manager:

Details of members of Investment Committee of the Fund are as follows:

Name	Designation	Qualification	Experience in years
Mr. Yasir Qadri	Chief Executive Officer	MBA	18 years
Mr. Kashif Rafi	SVP - Investments	MBA, CFA (Level I)	12 years
Mr. Muhammad Asim	Fund Manager and VP - Head of Equities	MBA & CFA	10 years
Mr. Mohsin Pervaiz	VP - Investment	MBA, CFA (Level I)	12 years
Ms. Uzma Khan	Senior Analyst	MBA, CFA, FRM	8 Years

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

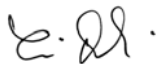
20.5 Other funds managed by the Fund Manager:

Details of the other funds managed by Fund Manager are as follows:

- MCB Dynamic Allocation Fund
- MCB Dynamic Stock Fund
- Pakistan Pension Fund

21. DATE OF AUTHORISATION FOR ISSUE

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



Chief Executive Officer

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



Director

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

Category	No.of Unit Holders	Units
Associated Companies, undertakings and related Parties	-	-
Directors		
Nasim Beg	1	4,764
Public Sector Companies and Corporations	64	1,978,040
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance, Insurance Companies, Modarbas and Mutual Funds.	29	707,261
Individuals	3,207	29,574,496
Trust	12	848,871
Unitholders holding 5 percent or more Voting interest in the listed company		
Mohammad Aslam Motiwala	1	5,236,070
	<u>3,314</u>	<u>38,349,502</u>

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

No. of Unit Holders	Units Holdings	Total Units Held
2,288	(SHAREHOLDING FROM 1.0000 TO 5000.0000)	2,826,630.22
359	(SHAREHOLDING FROM 5001.0000 TO 10000.0000)	2,459,450.32
203	(SHAREHOLDING FROM 10001.0000 TO 15000.0000)	2,462,266.16
90	(SHAREHOLDING FROM 15001.0000 TO 20000.0000)	1,560,983.48
71	(SHAREHOLDING FROM 20001.0000 TO 25000.0000)	1,582,337.60
66	(SHAREHOLDING FROM 25001.0000 TO 30000.0000)	1,788,653.01
35	(SHAREHOLDING FROM 30001.0000 TO 35000.0000)	1,130,330.66
17	(SHAREHOLDING FROM 35001.0000 TO 40000.0000)	645,153.37
20	(SHAREHOLDING FROM 40001.0000 TO 45000.0000)	856,820.38
18	(SHAREHOLDING FROM 45001.0000 TO 50000.0000)	856,897.88
17	(SHAREHOLDING FROM 50001.0000 TO 55000.0000)	888,062.44
20	(SHAREHOLDING FROM 55001.0000 TO 60000.0000)	1,133,602.46
11	(SHAREHOLDING FROM 60001.0000 TO 65000.0000)	689,452.01
7	(SHAREHOLDING FROM 65001.0000 TO 70000.0000)	469,231.20
10	(SHAREHOLDING FROM 70001.0000 TO 75000.0000)	727,414.05
3	(SHAREHOLDING FROM 75001.0000 TO 80000.0000)	233,774.66
8	(SHAREHOLDING FROM 80001.0000 TO 85000.0000)	665,737.09
3	(SHAREHOLDING FROM 85001.0000 TO 90000.0000)	265,488.47
5	(SHAREHOLDING FROM 90001.0000 TO 95000.0000)	459,804.72
5	(SHAREHOLDING FROM 95001.0000 TO 100000.0000)	490,260.85
2	(SHAREHOLDING FROM 100001.0000 TO 105000.0000)	206,670.50
4	(SHAREHOLDING FROM 105001.0000 TO 110000.0000)	430,167.79
8	(SHAREHOLDING FROM 110001.0000 TO 115000.0000)	901,862.87
2	(SHAREHOLDING FROM 115001.0000 TO 120000.0000)	234,076.80
3	(SHAREHOLDING FROM 120001.0000 TO 125000.0000)	370,659.04
9	(SHAREHOLDING FROM 125001.0000 TO 130000.0000)	1,158,220.88
1	(SHAREHOLDING FROM 145001.0000 TO 150000.0000)	145,162.00
1	(SHAREHOLDING FROM 150001.0000 TO 155000.0000)	151,633.24
1	(SHAREHOLDING FROM 155001.0000 TO 160000.0000)	155,002.87
3	(SHAREHOLDING FROM 160001.0000 TO 165000.0000)	487,195.97
3	(SHAREHOLDING FROM 165001.0000 TO 170000.0000)	506,244.92
2	(SHAREHOLDING FROM 190001.0000 TO 195000.0000)	388,211.43
1	(SHAREHOLDING FROM 195001.0000 TO 200000.0000)	200,000.00
1	(SHAREHOLDING FROM 200001.0000 TO 205000.0000)	204,732.96
1	(SHAREHOLDING FROM 210001.0000 TO 215000.0000)	210,545.57
2	(SHAREHOLDING FROM 220001.0000 TO 225000.0000)	448,932.12
2	(SHAREHOLDING FROM 225001.0000 TO 230000.0000)	453,392.58
1	(SHAREHOLDING FROM 240001.0000 TO 245000.0000)	242,164.54
3	(SHAREHOLDING FROM 255001.0000 TO 260000.0000)	772,858.92
2	(SHAREHOLDING FROM 335001.0000 TO 340000.0000)	672,970.80
1	(SHAREHOLDING FROM 350001.0000 TO 355000.0000)	353,810.90
1	(SHAREHOLDING FROM 385001.0000 TO 390000.0000)	385,084.42
1	(SHAREHOLDING FROM 465001.0000 TO 470000.0000)	468,237.84
1	(SHAREHOLDING FROM 505001.0000 TO 510000.0000)	508,226.38
1	(SHAREHOLDING FROM 775001.0000 TO 780000.0000)	775,014.36
1	(SHAREHOLDING FROM 5235001.0000 TO 5240000.0000)	5,326,071.67
3,314	Total :	38,349,502.40

PERFORMANCE TABLE

	June 30, 2013	June 30, 2012 (Rupees in '000)	June 30, 2011
Net Assets	551,713	467,932	687,525
Net Income / (loss)	177,944	57,501	41,403
Net Asset Value per Unit	14.39	9.75	9.64
Closing selling price per unit	14.79	9.95	9.84
Closing repurchase price per unit	14.39	9.75	9.64
Highest offer price	15.56	11.24	11.14
Lowest offer price	10.15	8.78	8.80
Highest Redemption price per unit	15.20	11.02	10.92
Lowest Redemption price per unit	9.95	8.61	8.62
Dividend distribution - Final	3.28	0.96	0.21
Announcement Date of Distribution			
Final	July 4, 2013	June 25, 2012	July 4, 2011
(Percentage)			
Total return of the Fund	47.6	13.6	6.52
Income Distribution	29.49	9.60	2.32
Capital growth	18.11	4.00	4.20
Average return of the fund			
One Year	47.6	13.6	6.52
Two Year	33.9	28.97	-
Three Year (Since inception)	30.1	-	-

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**

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(formerly: Arif Habib Investments Limited)

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