



Bachat ka Doosra Naam

**Annual Report
2013**



Kum Risk Bala Nasheen

MCB

CASH MANAGEMENT OPTIMIZER

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 Jehangir Mr. Yasir Qadri	Chairman Member Member Member Member
Company Secretary & Chief Operating Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer	Mr. Umair Ahmed	
Trustee	Central Depository Company of Pakistan Limited CDC House, 990B Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited Habib Bank Limited Faysal Bank Limited United Bank Limited National Bank Limited Standard Chartered Bank Pakistan Limited Allied Bank Limited Askari Bank Limited	
Auditors	KPMG Taseer Hadi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Building No. 2 Beaumont Road, Karachi - 75530	
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
Transfer Agent	MCB-Arif Habib Savings and Investments Limited (Formerly: Arif Habib Investments Limited) 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Rating	AM2 - Management Quality Rating assigned by PACRA	

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

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

Economy and Money Market Overview

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

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

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

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

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

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

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

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

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

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

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

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

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

Future outlook

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

Fund's Performance

The investment objective of the fund is to provide investors competitive returns from a low risk portfolio of short duration assets while maintaining high liquidity. The fund is benchmarked against average 3-month deposit rates of AA and above-rated scheduled banks, net of expenses. The fund, through active management and carefully selected trading positions was able to yield an annualized return of 9.2% during the period under review, which was significantly higher than the Fund's benchmark return of 5.4% during the same period.

Considering the risk-return profile of government papers, the fund remained highly exposed in government papers while maintaining decent allocations towards TDRs and bank deposits. Although the fund maintained decent exposure towards government papers throughout the year, it altered its portfolio's duration actively to take advantage of the declining interest rate scenario.

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

Performance Information (%)	MCB CMOP	Benchmark
Last twelve Months Return (Annualized)	9.2%	5.4%
Since Inception(CAGR)	10.7%	5.8%

During the year your fund earned net income of Rs 845.86 million. The Board in the meeting held on July 04, 2013 has declared final distribution amounting to Rs.119.96 million (i.e. Rs.1.0952 per unit). In addition to final distribution, the Board / Chief Executive Officer on behalf of the board have approved following interim distribution during the year ended June 30, 2013.

Date of distribution	Distribution PKR / Unit
27 September 2012	2.6745
26 December 2012	2.1522
28 January 2013	0.7366
25 February 2012	0.5562
25 March 2013	0.5988
25 April 2013	0.6530
23 May 2013	0.5953

During the period, units worth Rs.19,837 million (including Rs. 732 million worth of bonus units) were issued and units with a value of Rs. 27,917 million were redeemed. As on 30 June 2013 the NAV of the Fund was Rs. 101.0952 per unit.

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

Update on Workers' Welfare Fund

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

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

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 Honorable 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.

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

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

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

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

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

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

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

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. No trades in the Units of the Fund were carried out during the year by Directors, Chief Executive Officer, Chief Operating Officer and Company Secretary, Chief Financial Officer and Chief Internal Auditor of the Management Company and their spouses and minor children.

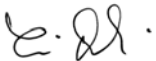
External Auditors

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

Acknowledgement

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

For and on behalf of the board



Yasir Qadri

Chief Executive Officer

Karachi: August 05, 2013

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

Fund Type and Category

MCB Cash Management Optimizer (MCB CMOP) is an Open-End Money Market Scheme.

Fund Benchmark

The benchmark for MCB CMOP is an average of 3 month deposit rates of AA and above rated scheduled bank for the period of return. The performance of the fund will be compared to its benchmark after deducting all the expenses which are charged to the fund.

Investment Objective

To provide unit-holders competitive returns from a low risk portfolio of short duration assets while maintaining high liquidity. The fund achieved its objective by posting a decent return while minimizing risk.

Investment Strategy

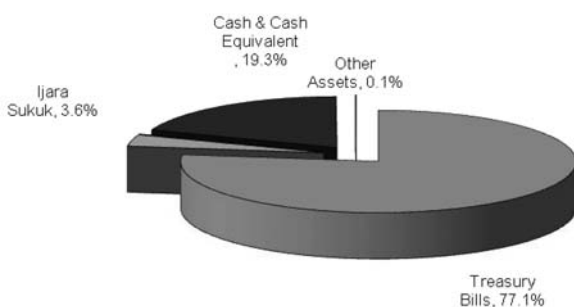
The Fund will invest the entire net assets in authorized short term money market instruments with a maximum time to maturity of six months. This is intended to reduce risk while maintaining liquidity.

Manager's Review

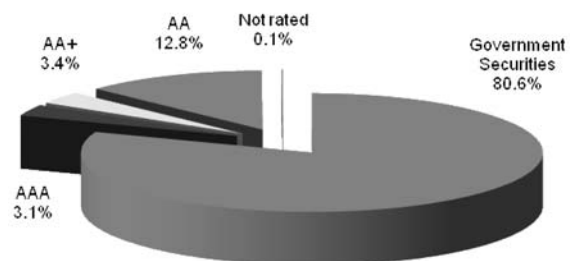
During the year under review, the fund performed reasonably well generating an annualized return of 9.2% as against its benchmark return of 5.4%, an outperformance of 3.8%. Considering its objectives, the fund continued to deploy its assets carefully without aggressively chasing them. Given the volatility in the overall interest rate environment, the fund continued to alter its portfolio WAM actively in order to take advantage of shifts in the yield curve. During the early part of the year under review, the SBP eased its monetary stance by lowering DR cumulatively by 300 bps and hence in first five months of FY'13 the fund kept its portfolio WAM at higher range of over 50 days. Given deterioration in key macroeconomic indicators lately, especially on the external account, SBP maintained a status quo during latter half of the year and hence fund reduced WAM at two instances in Dec'12 and April'13 to 28 days and 31 days respectively and eventually closed the year at a level of around 78 days.

Moreover, the fund's net assets declined to PKR 11.08bn as on June 30th 2012 from PKR 19bn a year ago.

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



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



Mr. Kashif Rafi
Fund Manager

Karachi: August 05, 2013

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



**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

CDC House, 99-B, Block 'B'
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Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

MCB CASH MANAGEMENT OPTIMIZER

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

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

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


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

Karachi: October 10, 2013



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

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

MCB Cash Management Optimizer 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
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Fax + 92 (21) 3568 5095
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Review report to the Unit holders of Cash Management Optimizer “the Fund” on Statement of Compliance with Best Practices of Code of Corporate Governance

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

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

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

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

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

Date: 5 August 2013

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

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

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



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

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

Independent Auditors' Report to the Unit Holders

Report on the Financial Statements

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

Management Company's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the approved accounting standards as applicable in Pakistan and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

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

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



KPMG Taseer Hadi & Co.

Other matters

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

Report on Other Legal and Regulatory Requirements

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

Date: 5 August 2013

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

FINANCIAL STATEMENTS

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

	<i>Note</i>	2013	2012
		(Rupees in '000)	
Assets			
Balance with banks	4	2,152,639	2,770,702
Investments	5	9,014,484	13,465,964
Term deposit receipts	6	-	2,785,000
Prepayments, profit and other receivable	7	6,502	42,431
Preliminary expenses	8	1,246	2,246
Total assets		11,174,871	19,066,343
Liabilities			
Payable to Management Company	9	12,090	21,715
Payable to Central Depository Company of Pakistan Limited - Trustee	10	771	1,248
Payable to Securities and Exchange Commission of Pakistan	11	7,770	9,772
Accrued and other liabilities	12	79,710	62,245
Total liabilities		100,341	94,980
Net assets		11,074,530	18,971,363
Unit holders' fund		11,074,530	18,971,363
Contingencies and commitments	13		
		(Number of units)	
Number of units in issue (face value of units is Rs. 100 each)		109,545,606	189,391,069
		(Rupees)	
Net asset value per unit	3.8	101.10	100.17

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


Chief Executive Officer

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


Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2013

	<i>Note</i>	2013	2012
		(Rupees in '000)	
Income			
Capital gain on sale of investments - net		39,354	203,118
Income from government securities		878,418	1,070,874
Income from reverse repurchase transactions in government securities		1,322	3,901
Profit on money market placement		75,455	137,185
Profit on bank deposits		89,951	156,827
		<u>1,084,500</u>	<u>1,571,905</u>
Net unrealised appreciation on re-measurement of investments classified as 'at fair value through profit or loss'	5.1	6,407	36,720
Total income		<u>1,090,907</u>	<u>1,608,625</u>
Expenses			
Remuneration of Management Company	9.1	125,486	184,781
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10	8,852	10,721
Annual fee of Securities and Exchange Commission of Pakistan	11	7,770	9,772
Auditor's remuneration	14	893	1,028
Provision for workers' welfare fund	12.1	17,263	28,395
Amortisation of preliminary expenses	8	1,000	1,003
Brokerage expenses		1,139	1,634
Other expenses		1,034	617
Total operating expenses		<u>163,437</u>	<u>237,951</u>
Net operating income for the year		<u>927,470</u>	<u>1,370,674</u>
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed		(81,606)	20,690
Net income for the year before taxation		<u>845,864</u>	<u>1,391,364</u>
Taxation	15	-	-
Net income for the year after taxation		<u>845,864</u>	<u>1,391,364</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u>845,864</u>	<u>1,391,364</u>
Earnings per unit	16		

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



Chief Executive Officer

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



Director

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	(Rupees in '000)	
Undistributed income brought forward:		
- Realised (losses) / income	(4,465)	9,722
- Unrealised income	<u>36,720</u>	<u>16,224</u>
	32,255	25,946
Net income for the year	845,864	1,391,364
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - amount representing unrealised (diminution) / appreciation	(13,599)	21,447
Distributions to the unit holders of the Fund:		
Final Distribution at the rate of Rs. nil (2012 : Rs. 0.6469) per unit declared on 25 June 2012		
- Bonus distribution	-	(65,348)
- Cash distribution	-	(55,783)
Interim distribution at the rate of Rs. 2.6745 (2012: Rs. 3.133) per unit declared on 27 September 2012		
- Bonus distribution	(242,437)	(209,841)
- Cash distribution	(5,330)	(60,096)
Interim distribution at the rate of Rs. 2.1522 (2012: Rs. nil) per unit declared on 26 December 2012		
- Bonus distribution	(183,989)	-
- Cash distribution	(4,283)	-
Interim Distribution at the rate of Rs. 0.7366 (2012 : Rs. 3.7526) per unit declared on 28 January 2013		
- Bonus distribution	(75,585)	(333,777)
- Cash distribution	(1,872)	(117,038)
Interim Distribution at the rate of Rs. 0.5562 (2012 : Rs. nil) per unit declared on 25 February 2013		
- Bonus distribution	(47,786)	-
- Cash distribution	(1,423)	-
Interim Distribution at the rate of Rs. 0.5988 (2012 : Rs. 1.6894) per unit declared on 25 March 2013		
- Bonus distribution	(56,402)	(148,495)
- Cash distribution	(30)	(54,370)
Interim Distribution at the rate of Rs. 0.6530 (2012 : Rs. nil) per unit declared on 25 April 2013		
- Bonus distribution	(62,843)	-
- Cash distribution	(33)	-
Interim Distribution at the rate of Rs. 0.5953 (2012 : Rs. 1.7021) per unit declared on 23 May 2013		
- Bonus distribution	(62,515)	(148,137)
- Cash distribution	(30)	(213,617)
	(744,558)	(1,406,502)
Undistributed income carried forward:	119,962	32,255
Undistributed income carried forward:		
- Realised income / (losses)	113,555	(4,465)
- Unrealised income	6,407	36,720
	119,962	32,255

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



Chief Executive Officer

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



Director

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

	2013 (Rupees in '000)	2012 (Rupees in '000)
Net assets at the beginning of the year	18,971,363	10,393,121
Issue of 189,237,296 units (2012: 276,044,463 units)	19,105,294	27,916,765
Issue of 7,303,122 bonus units (2012: 9,055,982 units)	731,556	905,598
Redemption of 276,385,880 units (2012: 199,381,166 units)	(27,916,595)	(20,208,293)
	(8,079,745)	8,614,070
Net element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed:		
- amount representing loss / (income) and capital losses / (gains) - transferred to income statement	81,606	(20,690)
- amount representing loss / (income) that forms part of unit holder's fund - transferred to distribution statement	13,599	(21,447)
	95,205	(42,137)
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - transferred to distribution statement	(13,599)	21,447
Net income for the year (excluding net unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss' and capital gains on sale of investments)	800,103	1,151,526
Capital gain on sale of investments - net	39,354	203,118
Net unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss'	6,407	36,720
Total comprehensive income for the year	845,864	1,391,364
Distributions to the unit holders of the Fund:		
Final Distribution at the rate of Rs. nil (2012 : Rs. 0.6469) per unit declared on 25 June 2012		
- Bonus distribution	-	(65,348)
- Cash distribution	-	(55,783)
Interim distribution at the rate of Rs. 2.6745 (2012: Rs. 3.133) per unit declared on 27 September 2012		
- Bonus distribution	(242,437)	(209,841)
- Cash distribution	(5,330)	(60,096)
Interim distribution at the rate of Rs. 2.1522 (2012: Rs. nil) per unit declared on 26 December 2012		
- Bonus distribution	(183,989)	-
- Cash distribution	(4,283)	-
Interim Distribution at the rate of Rs. 0.7366 (2012 : Rs. 3.7526) per unit declared on 28 January 2013		
- Bonus distribution	(75,585)	(333,777)
- Cash distribution	(1,872)	(117,038)
Interim Distribution at the rate of Rs. 0.5562 (2012 : Rs. nil) per unit declared on 25 February 2013		
- Bonus distribution	(47,786)	-
- Cash distribution	(1,423)	-
Interim Distribution at the rate of Rs. 0.5988 (2012 : Rs. 1.6894) per unit declared on 25 March 2013		
- Bonus distribution	(56,402)	(148,495)
- Cash distribution	(30)	(54,370)
Interim Distribution at the rate of Rs. 0.6530 (2012 : Rs. nil) per unit declared on 25 April 2013		
- Bonus distribution	(62,843)	-
- Cash distribution	(33)	-
Interim Distribution at the rate of Rs. 0.5953 (2012 : Rs. 1.7021) per unit declared on 23 May 2013		
- Bonus distribution	(62,515)	(148,137)
- Cash distribution	(30)	(213,617)
	(744,558)	(1,406,502)
Net assets at end of the year	11,074,530	18,971,363
	(Rupees)	
Net assets value per unit at the beginning of the year	100.17	100.25
Net assets value per unit at the end of the year	100.10	100.27

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

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


Chief Executive Officer


Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	845,864	1,391,364
Adjustments for non cash and other items:		
Capital gain on sale of investments - net	(39,354)	(203,118)
Income from government securities	(878,418)	(1,070,874)
Net unrealised appreciation on re-measurement of investments classified as 'at fair value through profit or loss'	(6,407)	(36,720)
Amortisation of preliminary expenses	1,000	1,003
Net element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed	81,606	(20,690)
	(841,573)	(1,330,399)
	4,291	60,965
Decrease / (increase) in assets		
Investments	8,160,659	(8,857,142)
Prepayments, profit and other receivable	35,929	166
	8,196,588	(8,856,976)
Increase / (decrease) in liabilities		
Payable to Management Company	(9,625)	10,604
Payable to Central Depository Company of Pakistan Limited - Trustee	(477)	517
Payable to Securities and Exchange Commission of Pakistan	(2,002)	2,914
Payable against purchase of investments	-	(195,273)
Accrued and other liabilities	17,464	(6,793)
	5,360	(188,031)
Net cash flow generated / (used in) from operating activities	8,206,239	(8,984,042)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments received against issuance of units	19,105,294	27,916,765
Payments against redemption of units	(27,916,595)	(20,208,293)
Cash distribution	(13,001)	(500,904)
Net cash (used in) / generated from financing activities	(8,824,302)	7,207,568
Net (decrease) in cash and cash equivalents	(618,063)	(1,776,474)
Cash and cash equivalents at beginning of the year	2,770,702	4,547,176
Cash and cash equivalents as at end of the year	2,152,639	2,770,702

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


 Chief Executive Officer

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


 Director

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

1. LEGAL STATUS AND NATURE OF BUSINESS

MCB Cash Management Optimizer (the Fund) was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and Non Banking Finance Companies and Notified Entities Regulations, 2008 and was approved as an open end investment scheme by the Securities and Exchange Commission of Pakistan (SECP) on 30 July 2009. It was constituted under a Trust Deed dated 10 July 2009 between MCB Asset Management Company Limited as the Management Company, a company incorporated under the Companies Ordinance, 1984, and Central Depository Company of Pakistan Limited as the Trustee, also incorporated under the Companies Ordinance, 1984.

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

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

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

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

The Fund is purely a money market fund and has a policy to invest in short term corporate debt and government securities, repurchase agreements, term deposit and money market placements with scheduled banks, with a maximum maturity of 180 days and weighted average maturity upto 90 days. The objective of the fund is to provide competitive returns from a low risk portfolio of short duration assets while maintaining high liquidity.

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

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

2. BASIS OF 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

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

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.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgments

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

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

Investments stated at fair value and derivative financial instruments

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

Other assets

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

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

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

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014).

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Financial instruments

The Fund classifies its financial instruments in the following categories:

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

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

Financial instruments as 'at fair value through profit or loss' are measured at fair value and changes therein are recognised in the Income Statement.

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

b) *Loans and receivables*

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

c) *Available for sale*

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

d) *Financial liabilities*

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

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

Recognition

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

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

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

Measurement

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

Subsequent to initial recognition, financial instruments classified as 'at fair value through profit or loss' and 'available for sale' are measured at fair value. Gains or losses arising from changes in the fair value of the financial assets as 'at fair value through profit or loss' are recognised in the Income Statement. Changes in the fair value of financial instruments classified as 'available-for-sale' are recognised in Unit Holders' Fund until derecognised or impaired, when the accumulated adjustments recognised in Unit Holders' Fund are included in the Income Statement. The financial instruments classified as loans and receivables are subsequently measured at amortised cost less provision for impairment, if any.

Basis of valuation of government securities and GoP Ijara sukuk certificates

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

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

Impairment

Financial assets not carried 'at fair value through profit or loss' are reviewed at each balance sheet date to determine whether there is any indication of impairment. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of asset and that loss events had an impact on the future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. In case of an investment in an equity security, a significant or prolong 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 financial assets and the transfer qualifies for derecognising in accordance with International Accounting Standard 39: Financial Instruments:

Recognition and Measurement.

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

Offsetting of financial assets and liabilities

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

3.2 Derivatives

Derivative instruments are initially recognised at fair value. Subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the Income Statement.

3.3 Securities under repurchase / resale agreements

Transactions of purchase of government securities under resale (reverse-repo) arrangements 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. Amount paid under these agreements are included in receivable in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the term of the reverse-repo agreement.

3.4 Preliminary expenses

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years commencing from 30 September 2009 as per the requirement of the Trust Deed of the Fund.

3.5 Unit holders' Fund

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

3.6 Issue and redemption of units

Units shall be issued based on the offer price that is fixed on the basis of the NAV so determined on the business day preceding the day on which a duly completed investment application form is received along with the funds in favour of the trustee at the registered office, authorised branches or distributors before the cut-off time.

The units shall be redeemed based on the redemption price that is fixed on the basis of the NAV announced as of the close of the business day preceding the day on which a correctly filled application for redemption is received.

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

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

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

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

3.8 Net asset value per unit

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

3.9 Provisions

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

3.10 Taxation

Current

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

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

Deferred

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

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

3.11 Revenue recognition

- Income on government securities and bank deposits (including term deposit receipts) is recognised on an accrual basis.
- Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed is included in the Income Statement on the date of issue and redemption of units.

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- Gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on remeasurement of investments classified as 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise.
- Discount on purchase of market treasury bills is amortised to income statement using the straight line method
- Income on reverse repurchase transactions and debt securities is recognised on a time proportion basis using effective interest rate method.

3.12 Expenses

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

3.13 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.

3.14 Other assets

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

3.15 Dividend distributions and appropriations

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

4. BALANCE WITH BANKS

		2013	2012
(Rupees in '000)			
Saving accounts	4.1	2,152,609	2,770,702
Current accounts		30	-
		2,152,639	2,770,702

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

5. INVESTMENTS

		2013	2012
(Rupees in '000)			
'at fair value through profit or loss'			
Government of Pakistan Ijara Sukuk	5.1	400,600	-
Market Treasury Bills	5.1	8,613,884	12,917,014
Pakistan Investment Bonds	5.1	-	548,950
		9,014,484	13,465,964

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

5.1 Government securities

	Face value				Balance as at 30 June 2013			Market value		
	As at 1 July 2012	Purchases during the year	Sales / matured during the year	As at 30 June 2013	Carrying value	Market value	Appreciation/ (diminution)	As a percentage of net assets	As a percentage of total investments	
----- (Rupees in '000) -----										
Investment in Ijara Sukuk										
Ijarah sukuk V - 3 years	5.1.1	-	400,000	-	400,000	400,400	400,600	200	3.62%	4.44%
Total of Investment in Ijara Sukuk - 30 June 2013						400,400	400,600	200	3.62%	4.44%
Total of Investment in Ijara Sukuk - 30 June 2012						-	-	-	-	-
Market Treasury Bills										
Treasury bills - 3 months	5.1.2	10,868,000	33,996,925	41,903,925	2,961,000	2,942,980	2,943,465	485	26.58%	32.65%
Treasury bills - 6 months	5.1.2	1,039,000	34,135,895	30,324,895	4,850,000	4,687,504	4,692,609	5,105	42.37%	52.06%
Treasury bills - 12 months	5.1.2	1,120,740	23,044,850	23,165,340	1,000,250	977,193	977,810	617	8.83%	10.85%
Total of investment in Market Treasury Bills - 30 June 2013						8,607,677	8,613,884	6,207	77.78%	95.56%
Total of investment in Market Treasury Bills - 30 June 2012						12,880,352	12,917,014	36,662	68.09%	95.92%
Pakistan Investment Bond										
PIB - 3 years	5.1.3	550,000	-	550,000	-	-	-	-	-	-
Total of investment in Pakistan Investment Bond - 30 June 2013						-	-	-	-	-
Total of investment in Pakistan Investment Bond - 30 June 2012						548,892	548,950	58	2.89%	4.08%
Total Investment in Government Securities - 30 June 2013						9,008,077	9,014,484	6,407		
Total Investment in Government Securities - 30 June 2012						13,429,244	13,465,964	36,720		

5.1.1 These Government of Pakistan Ijara Sukuk have a cost of Rs. 400.3 million (2012 : nil) maturing on 15 November 2013 (2012: nil) and carry interest at the rate of 9.4291% (2012: nil) per annum.

5.1.2 These treasury bills have cost of Rs. 8,513.149 million (2012 : Rs.12,880.352 million) maturing up till 12 December 2013 (2012 : 20 September 2012) and carry effective yield ranging between 8.97% to 9.50% per annum (2012 : 11.50% to 13.95%).

5.1.3 These Pakistan Investment Bonds having cost of Nil (2012 : Rs. 548.892 million) carries interest at the rate of 11.25% per annum as at 30 June 2012 .

6. TERM DEPOSIT RECEIPTS

2013 **2012**
(Rupees in '000)

Term deposit receipts	-	2,785,000
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7. PREPAYMENTS, PROFITS AND OTHER RECEIVABLE

Prepayments	101	100
Profit receivable on saving deposits	1,544	4,944
Profit receivable on term deposit receipts	-	17,100
Profit receivable on Pakistan investment bond	-	338
Receivable on Pakistan investment bond	-	19,949
Profit receivable on GOP Ijara Sukuk	310	-
Receivable on GOP Ijara Sukuk	4,547	-
	6,502	42,431

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	2013	2012
	(Rupees in '000)	
8. PRELIMINARY EXPENSES		
Opening balance	2,246	3,249
Less: amortisation during the year	(1,000)	(1,003)
Closing balance	<u>1,246</u>	<u>2,246</u>

8.1 Preliminary expenses represent expenditure incurred prior to the commencement of operations of the Fund. This expenditure is being amortised over a period of five years commencing from 30 September 2009 as per the requirement set out in the Trust Deed of the Fund.

	2013	2012
	(Rupees in '000)	
9. PAYABLE TO MANAGEMENT COMPANY		
Management fee payable	9.1 12,073	21,715
Sales load payable	17	-
	<u>12,090</u>	<u>21,715</u>

9.1 Under the provisions of the NBFC Regulations, 2008, the Management Company of the Fund is entitled to a remuneration, during the first five years of the Fund of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter, of an amount equal to two percent of such assets of the Fund and, in any case, it shall not exceed the limit prescribed by the NBFC Regulations, 2008. During the year, the Management Company has charged its remuneration at a rate of ten percent on the daily gross earnings of the Fund with a cap of three percent per annum and a floor of 0.25 percent per annum of average daily net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears. During 2011, the Local Government (Sindh) has levied General Sales Tax at the rate of 16% on the remuneration of the Management Company. Further during the year, Federal Government has levied Federal Excise Duty (FED) at the rate of 16% through the Finance Act 2013 effective from 13 June 2013. Accordingly, the Management fee charged is inclusion of all government levies.

	2013	2012
	(Rupees in '000)	
10. PAYABLE TO THE TRUSTEE		
Trustee fee	10.1 <u>771</u>	<u>1,248</u>

10.1 The Trustee (Central Depository Company of Pakistan Limited) 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 asset value of the Fund. The tariff structure applicable to the Fund as at 30 June 2013 in respect of trustee fee is as follows:

Amount of Funds Under Management (Average NAV)	Tariff per annum
Upto Rs 1,000 million	Rs. 0.6 million or 0.17% per annum of NAV, whichever is higher
From Rs 1,000 million to Rs 5,000 million	Rs. 1.7 million plus 0.085% per annum of NAV, exceeding Rs 1,000 million
On an amount exceeding Rs 5,000 million	Rs. 5.1 million plus 0.07% per annum of NAV, exceeding Rs 5,000 million

The remuneration is paid to the Trustee on monthly basis in arrears.

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11. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	2013	2012
	(Rupees in '000)	
Annual fee	11.1 <u>7,770</u>	<u>9,772</u>

11.1 Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorised as money market scheme is required to pay as annual fee to SECP, at an amount equal to 0.075 % of the average annual net assets of the Fund.

12. ACCRUED AND OTHER LIABILITIES

Auditors' remuneration	470	600
Provision for Workers' Welfare Fund	12.1 <u>78,624</u>	61,361
Withholding tax payable	223	65
Others	<u>393</u>	219
	<u><u>79,710</u></u>	<u><u>62,245</u></u>

12.1 Provision for workers' welfare fund

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh, 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) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on 14 December 2010, the Ministry filed its response against the Constitutional Petition requesting the court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

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

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 by Honourable Sindh High Court, the Management company, as a matter of abundant precaution, has decided to retain the entire provision for WWF amounting to Rs 78.624 million (including Rs 17.263 million for the current year) in these financial statements.

13. CONTINGENCIES AND COMMITMENTS

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

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	2013	2012
	(Rupees in '000)	
14. AUDITOR'S REMUNERATION		
Annual audit fee	350	325
Half yearly review fee	215	215
Other certification and services	260	425
Out of pocket expenses	68	63
	<u>893</u>	<u>1,028</u>

15. TAXATION

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

16. EARNINGS PER UNIT

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

17. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

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

	2013	2012
	(Rupees in '000)	
Management Company		
Remuneration of the Management Company	<u>107,221</u>	<u>159,294</u>
Federal excise duty on remuneration of Management Company	<u>957</u>	<u>-</u>
Sindh sales tax on remuneration of Management Company	<u>17,308</u>	<u>25,487</u>
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee	<u>8,852</u>	<u>10,721</u>
MCB Bank Limited		
Profit on deposit	<u>10,274</u>	<u>48,332</u>

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17.2 Balance outstanding as at the year end are as follows:	2013 (Rupees in '000)	2012
Management Company		
Management fee payable	9,451	18,720
Federal excise duty payable on management fee	957	-
Sindh sales tax payable on management fee	1,665	2,995
Sales load payable	17	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	771	1,248
MCB Bank Limited		
Bank deposits	21,311	119,348
Profit receivable	87	2,404
Bank Charges	45	67

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

	2013		2012	
	Units	(Rupees in '000)	Units	(Rupees in '000)
Units sold to:				
Adamjee Insurance Company Limited	33,091,603	3,342,214	38,448,294	3,898,415
Adamjee Life Assurance Company Limited	783,037	79,170	648,290	65,100
Nishat Mills Limited	8,945,939	900,000	-	-
Key management personnel	25,955	2,633	69,944	7,061
MCB Bank Limited	-	-	70,958,767	17,162,857
30 June 2013				
	Units	(Rupees in '000)	Units	(Rupees in '000)
Bonus units issued to:				
Staff Provident Fund of Management Company	240	24	2,468	247
Adamjee Insurance Company Limited	615,029	61,608	652,658	65,266
Adamjee Life Assurance Company Limited	30,913	3,097	5,760	576
Nishat Mills Limited	30,696	3,085	-	-
Key management personnel	1,741	174	5,033	503
Units redeemed by:				
Management Company	145,512	14,698	511,739	51,460
MCB Bank Limited	69,330,201	6,966,084	1,628,566	162,857
Staff Provident Fund of Management Company	23,576	2,385	4,465	450
Adamjee Insurance Company Limited	21,442,940	2,174,330	43,949,854	4,467,693
Adamjee Life Assurance Company Limited	794,041	80,379	333,823	33,673
Key management personnel	98,595	9,948	88,871	8,994

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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	Units		(Rupees in '000)	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
Units held by:				
Management Company	-	145,512	-	14,576
MCB Bank Limited	-	69,330,201	-	6,944,827
Staff Provident Fund of Management Company	826	24,161	84	2,420
Adamjee Insurance Company Limited	17,036,461	4,772,769	1,722,304	478,088
Adamjee Life Assurance Company Limited	375,210	355,302	37,932	35,591
Nishat Mills Limited	8,976,635	-	907,495	-
Key management personnel	3,538	75,307	358	7,544

18. FINANCIAL RISK MANAGEMENT

The Fund's objective in managing risks is the creation and protection of participants' value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Fund's continuing profitability.

Monitoring and controlling risks is primarily set up to be performed based on limits established by the internal controls set on different activities of the fund by the Board of Directors through specific directives and constitutive documents. These controls and limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. In addition, the Fund monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks type and activities.

The Fund primarily invests in Government Securities, such investments are subject to varying degrees of risk. These risks emanate from various factors that include, but are not limited to:

- Market risk
- Credit risk
- Liquidity risk

18.1 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will effect the Fund's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan. The maximum risk resulting from financial instruments equals their fair values.

The Fund is exposed to interest rate risk only.

18.1.1 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. Currently the Funds interest rate exposure arises on investment in Ijara sukuk certificates and bank balances. The Fund holds profit and loss sharing bank accounts that expose the Fund to cash flow interest rate risk. Other risk management procedures are the same as those mentioned in the credit risk management.

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

	2013	2012
	(Rupees in '000)	
Variable rate instruments		
Government of Pakistan - Ijara Sukuk	400,600	-
	400,600	-
Fixed rate instruments		
Treasury bills	8,613,884	12,917,014
Term deposit receipt	-	2,785,000
	8,613,884	15,702,014
	9,014,484	15,702,014

(a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds GOP Ijarah Sukuk exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase/ decrease in 6 months weighted average yield of GOP Ijarah Sukuk on 30 June 2013 with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs. 0.503 million (2012: Rs Nil).

The composition of the Fund's investment portfolio and rates announced by the Financial Market Association of Pakistan is expected to change over time. Further, in case of variable rate instruments, the sensitivity has been done from the last repricing date. Accordingly, the sensitivity analysis prepared as of 30 June 2013 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

(b) Sensitivity analysis for fixed rate instruments

As at June 30, 2013, the Fund holds Treasury Bills which are classified as fair value through profit or loss, exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the Financial Market Association on June 30, 2013, the net income for the year and net assets would be lower by Rs. 21.284 million (2012: Rs. 9.175 million). In case of 100 basis points decrease in rates announced by the Financial Market Association on June 30, 2013, the net income for the year and net assets would be higher by Rs. 21.516 million (2012: Rs. 9.191 million).

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

18.2 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. At the year-end it arises principally from bank balances and income receivable on bank deposits.

Management of credit risk

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of NBFC rules and regulations and guidelines given by SECP from time to time.

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

Credit risk is managed and controlled by the management company of the Fund in the following manner:

- The Fund limits its exposure to credit risk by mainly investing in Government securities
- Cash is held only with reputable banks (including related party) with minimum rating of AA or above.

Exposure to credit risk

In summary, compared to the maximum amount included in statement of assets and liabilities, the maximum exposure to credit risk at 30 June was as follows:

	2013		2012	
	Statement of Assets and Liabilities	Maximum Exposure	Statement of Assets and Liabilities	Maximum Exposure
	(Rupees in '000)		(Rupees in '000)	
Balance with banks	2,152,639	2,152,639	2,770,702	2,770,702
Term deposit receipts	-	-	2,785,000	2,785,000
Investments	9,014,484	-	13,465,964	-
Prepayments, profit and other receivable	6,502	1,544	42,431	22,044
Preliminary expenses	1,246	-	2,246	-
	11,174,871	2,154,183	19,066,343	5,577,746

Difference in the balance as per statement of assets and liabilities and maximum exposure in investment is due to the fact that investment in government securities of Rs. 9,014.384 million (2012: 13,465.964 million), preliminary expenses of Rs. 1.246 million (2012: Rs. 2.246 million) and profit receivable on government securities of Rs. 4.958 million (2012: Rs. 20.387 million) are not exposed to credit risk.

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

Credit ratings and Collaterals

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

Ratings	2013	2012
	(Percentage holding)	
AA+	33.82%	0.00%
AA	66.18%	0.00%
A-1	0.00%	9.04%
A1+	0.00%	90.96%
Total	100.00%	100.00%

Above rates are on the basis of available ratings assigned by PACRA and JCR-VIS as at 30 June 2013. The investments in bank balances are unsecured.

Concentration of credit risk

Concentration is the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentration of risks arise when a number of financial instruments or contracts are entered into with the same

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

counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

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

	30 June 2013		30 June 2012	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
Commercial banks	2,152,639	99.93%	5,555,702	99.60%
Others	1,544	0.07%	22,044	0.40%

Settlement risk

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

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

18.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions, if any, at the option of the unit holders. The Fund's approach to managing liquidity risk is to ensure, as far as possible, that the Fund will have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is, therefore, to invest the majority of its assets in investments that are traded in an actual market and can be readily disposed and are considered readily realisable.

The Fund has the ability to borrow in the short-term to ensure settlement. However, during the current year, no borrowing was obtained by the Fund. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any significant redemptions during the year.

The liquidity position of the Fund is monitored by Fund Manager and Risk and Compliance Department on daily basis.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

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

	30 June 2013			Total
	Up to three months	More than three months and up to one year	More than one year	
(Rupees in '000)				
Payable to Management Company	12,090	-	-	12,090
Payable to Central Depository Company of Pakistan Limited - Trustee	771	-	-	771
Payable to Securities and Exchange Commission of Pakistan	7,770	-	-	7,770
Accrued and other liabilities	1,086	-	-	1,086
	21,717	-	-	21,717
	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	21,715	-	-	21,715
Payable to Central Depository Company of Pakistan Limited - Trustee	1,248	-	-	1,248
Payable to Securities and Exchange Commission of Pakistan	9,772	-	-	9,772
Accrued and other liabilities	884	-	-	884
	33,619	-	-	33,619

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

18.4 Financial 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			
Balance with banks	2,152,639	-	2,152,639
Investments	-	9,014,484	9,014,484
Prepayments, profit and other receivable	6,502	-	6,502
Preliminary expenses	1,246	-	1,246
	<u>2,160,387</u>	<u>9,014,484</u>	<u>11,174,871</u>
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	------(Rupees in '000)-----		
Liabilities			
Payable to Management Company	-	12,090	12,090
Payable to Central Depository Company of Pakistan Limited- Trustee	-	771	771
Accrued expenses and other liabilities	-	1,086	1,086
	<u>-</u>	<u>13,947</u>	<u>13,947</u>
	-----30 June 2012-----		
	Loans and receivables	Assets at fair value through profit or loss	Total
	------(Rupees in '000)-----		
Assets			
Balance with banks	2,770,702	-	2,770,702
Investments	-	13,465,964	13,465,964
Term deposit receipts	2,785,000	-	2,785,000
Prepayments, profit and other receivable	42,431	-	42,431
Preliminary expenses	2,246	-	2,246
	<u>5,600,379</u>	<u>13,465,964</u>	<u>19,066,343</u>
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	------(Rupees in '000)-----		
Liabilities			
Payable to Management Company	-	21,715	21,715
Payable to Central Depository Company of Pakistan Limited- Trustee	-	1,248	1,248
Accrued expenses and other liabilities	-	884	884
	<u>-</u>	<u>23,847</u>	<u>23,847</u>

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

18.5 Unit holders' fund risk management

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

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

19. 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	Level 1	Level 2 (Rupees in '000)	Level 3
'At fair value through profit or loss'			
<i>Held for trading</i>			
- Fixed income securities	-	8,613,884	-
- Variable income securities	-	400,600	-
30 June 2012			
'At fair value through profit or loss'			
<i>Held for trading</i>			
- Fixed income securities	-	13,465,964	-
- Variable income securities	-	-	-

20. SUPPLEMENTARY NON FINANCIAL INFORMATION

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

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

20.1 Pattern of unit holding

Details of pattern of unit holding as at 30 June:

	2013		
	Number of Unit	Investment (Rupees in '000)	Percentage
Individuals	762	1,361,432	12.29%
Associated companies / Directors	8	2,667,815	24.09%
Insurance companies	8	740,191	6.68%
Banks / DFIs	4	797,395	7.20%
NBFCs	4	137,578	1.24%
Retirement funds	33	234,630	2.12%
Public limited companies	2	745,787	6.73%
Others	86	4,389,702	39.64%
	907	11,074,530	100.00%

	2012		
	Number of unit	Investment (Rupees in '000)	Percentage
Individuals	830	1,300,111	6.85%
Associated companies / Directors	5	7,475,504	39.40%
Insurance companies	14	1,969,318	10.38%
Banks / DFIs	6	3,033,415	15.99%
NBFCs	4	127,815	0.69%
Retirement funds	29	211,015	1.11%
Public limited companies	6	3,049,108	16.07%
Others	66	1,805,077	9.51%
	960	18,971,363	100.00%

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
1 Invest & Finance Securities Limited	22.61%
2 Icon Securities (Pvt) Limited	19.22%
3 BMA Capital Management Limited	10.74%
4 C & M Management (Pvt) Limited	9.78%
5 Invest Capital Markets Limited	6.65%
6 Vector Capital (Pvt) Limited	6.31%
7 Optimus Markets (Pvt) Limited	4.95%
8 KASB Securites Limited	4.73%
9 JS Global Capital Limited	4.71%
10 Summit Capital (Pvt) Limited	4.44%

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

	2012
1 BMA Capital Management Company	22.17%
2 Invest Capital & Securities Private Limited	13.84%
3 Invest & Finance Securities Private Limited	11.99%
4 JS Global Capital Limited	9.66%
5 C&M Capital Management Private Limited	9.32%
6 KASB Securities Limited	5.00%
7 Invisor Securities Private Limited	4.44%
8 Global Securities Pakistan Limited	3.64%
9 Summit Capital Markets Private Limited	3.42%
10 Vector Capital Private Limited	3.36%

20.3 Attendance at meetings of the Board of Directors

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

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

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

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

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

20.4 Particulars of investment committee and fund manager

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

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

20.5 Other funds managed by the fund manager

Mr. Kashif Rafi

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

- MCB Dynamic Cash Fund; and
- MetroBank Pakistan Sovereign Fund

21. DISTRIBUTIONS BY THE FUND

21.1 Non-adjusting event after the reporting date

The Board of Directors of the Management Company has approved final distribution of Rs. 1.0952 per unit for the year ended 30 June 2013 amounting to Rs. 119.974 million in total in their meeting held on 4 July 2013. These financial statements do not include the effect of the above final distribution that will be accounted for subsequent to the year end.

22. DATE OF AUTHORISATION

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		
ADAMJEE INSURANCE CO. LTD-INVESTMENT DEPARTMENT	1	17,036,461
NISHAT MILLS LIMITED	1	8,976,636
ADAMJEE LIFE ASSURANCE CO.LTD	1	270,271
ADAMJEE LIFE ASSURANCE CO.LTD - Investment Secure Fund	1	39,250
ADAMJEE LIFE ASSURANCE CO. LTD - Investment Multiplier Fund	1	34,908
ADAMJEE LIFE ASSURANCE CO. LTD - NUIL Fund	1	20,796
ADAMJEE LIFE ASSURANCE CO.LTD- Investment Secure Fund II	1	9,986
MCB AMC STAFF PROVIDENT FUND	1	826
Public Sector Companies and Corporations	82	32,291,668
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance, Insurance Companies, Modarbas and Mutual Funds.	15	11,154,278
Individuals	762	13,466,834
Trust	37	2,545,202
Unitholders holding 5 percent or more Voting interest in the listed company		
PAKISTAN PETROLEUM LIMITED	1	9,185,822
INDUS MOTOR COMPANY LIMITED	1	9,096,782
HABIB METROPOLITAN BANK LTD.	1	5,415,885
	907	109,545,606

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

No. of Unit Holders	Units Holdings	Total Units Held
451	(SHAREHOLDING FROM 1.0000 TO 5000.0000)	748,136.94
150	(SHAREHOLDING FROM 5001.0000 TO 10000.0000)	1,073,670.02
63	(SHAREHOLDING FROM 10001.0000 TO 15000.0000)	760,878.20
39	(SHAREHOLDING FROM 15001.0000 TO 20000.0000)	665,393.34
19	(SHAREHOLDING FROM 20001.0000 TO 25000.0000)	416,210.43
18	(SHAREHOLDING FROM 25001.0000 TO 30000.0000)	496,080.10
7	(SHAREHOLDING FROM 30001.0000 TO 35000.0000)	237,221.31
8	(SHAREHOLDING FROM 35001.0000 TO 40000.0000)	303,834.46
11	(SHAREHOLDING FROM 40001.0000 TO 45000.0000)	464,271.12
10	(SHAREHOLDING FROM 45001.0000 TO 50000.0000)	478,505.71
16	(SHAREHOLDING FROM 50001.0000 TO 55000.0000)	843,230.99
3	(SHAREHOLDING FROM 55001.0000 TO 60000.0000)	174,385.11
7	(SHAREHOLDING FROM 60001.0000 TO 65000.0000)	434,124.16
7	(SHAREHOLDING FROM 65001.0000 TO 70000.0000)	475,416.38
2	(SHAREHOLDING FROM 70001.0000 TO 75000.0000)	143,475.07
2	(SHAREHOLDING FROM 75001.0000 TO 80000.0000)	152,804.79
2	(SHAREHOLDING FROM 80001.0000 TO 85000.0000)	165,855.16
2	(SHAREHOLDING FROM 90001.0000 TO 95000.0000)	186,237.14
5	(SHAREHOLDING FROM 100001.0000 TO 105000.0000)	509,969.72
1	(SHAREHOLDING FROM 105001.0000 TO 110000.0000)	105,041.26
2	(SHAREHOLDING FROM 115001.0000 TO 120000.0000)	238,690.82
3	(SHAREHOLDING FROM 120001.0000 TO 125000.0000)	367,393.10
1	(SHAREHOLDING FROM 130001.0000 TO 135000.0000)	130,193.74
2	(SHAREHOLDING FROM 135001.0000 TO 140000.0000)	277,132.57
3	(SHAREHOLDING FROM 145001.0000 TO 150000.0000)	446,017.62
1	(SHAREHOLDING FROM 150001.0000 TO 155000.0000)	151,843.05
1	(SHAREHOLDING FROM 165001.0000 TO 170000.0000)	165,094.17
1	(SHAREHOLDING FROM 175001.0000 TO 180000.0000)	175,208.81
1	(SHAREHOLDING FROM 180001.0000 TO 185000.0000)	182,635.41
2	(SHAREHOLDING FROM 185001.0000 TO 190000.0000)	374,986.24
1	(SHAREHOLDING FROM 190001.0000 TO 195000.0000)	191,451.12
3	(SHAREHOLDING FROM 195001.0000 TO 200000.0000)	595,069.64
1	(SHAREHOLDING FROM 200001.0000 TO 205000.0000)	203,861.96
1	(SHAREHOLDING FROM 205001.0000 TO 210000.0000)	209,640.13
1	(SHAREHOLDING FROM 210001.0000 TO 215000.0000)	213,532.50
1	(SHAREHOLDING FROM 215001.0000 TO 220000.0000)	219,727.37
2	(SHAREHOLDING FROM 220001.0000 TO 225000.0000)	441,631.44
1	(SHAREHOLDING FROM 240001.0000 TO 245000.0000)	244,819.43
1	(SHAREHOLDING FROM 250001.0000 TO 255000.0000)	252,962.39
1	(SHAREHOLDING FROM 255001.0000 TO 260000.0000)	256,578.77
1	(SHAREHOLDING FROM 270001.0000 TO 275000.0000)	270,271.04
1	(SHAREHOLDING FROM 275001.0000 TO 280000.0000)	279,720.26
1	(SHAREHOLDING FROM 280001.0000 TO 285000.0000)	281,572.03
1	(SHAREHOLDING FROM 290001.0000 TO 295000.0000)	291,844.28
1	(SHAREHOLDING FROM 300001.0000 TO 305000.0000)	304,079.02
1	(SHAREHOLDING FROM 305001.0000 TO 310000.0000)	308,696.92

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

No. of Unit Holders	Units Holdings	Total Units Held
1	(SHAREHOLDING FROM 310001.0000 TO 315000.0000)	310,159.02
1	(SHAREHOLDING FROM 315001.0000 TO 320000.0000)	315,032.97
1	(SHAREHOLDING FROM 320001.0000 TO 325000.0000)	321,797.25
1	(SHAREHOLDING FROM 325001.0000 TO 330000.0000)	328,396.12
1	(SHAREHOLDING FROM 330001.0000 TO 335000.0000)	332,902.26
2	(SHAREHOLDING FROM 335001.0000 TO 340000.0000)	672,187.98
1	(SHAREHOLDING FROM 340001.0000 TO 345000.0000)	342,419.74
1	(SHAREHOLDING FROM 345001.0000 TO 350000.0000)	345,866.31
1	(SHAREHOLDING FROM 350001.0000 TO 355000.0000)	354,736.72
1	(SHAREHOLDING FROM 355001.0000 TO 360000.0000)	356,151.20
2	(SHAREHOLDING FROM 360001.0000 TO 365000.0000)	727,299.54
2	(SHAREHOLDING FROM 370001.0000 TO 375000.0000)	743,913.09
1	(SHAREHOLDING FROM 375001.0000 TO 380000.0000)	377,140.50
1	(SHAREHOLDING FROM 410001.0000 TO 415000.0000)	414,278.58
1	(SHAREHOLDING FROM 445001.0000 TO 450000.0000)	447,418.77
1	(SHAREHOLDING FROM 510001.0000 TO 515000.0000)	511,701.23
2	(SHAREHOLDING FROM 520001.0000 TO 525000.0000)	1,044,270.44
1	(SHAREHOLDING FROM 535001.0000 TO 540000.0000)	539,534.43
1	(SHAREHOLDING FROM 555001.0000 TO 560000.0000)	559,438.26
1	(SHAREHOLDING FROM 575001.0000 TO 580000.0000)	577,683.65
1	(SHAREHOLDING FROM 690001.0000 TO 695000.0000)	692,861.45
1	(SHAREHOLDING FROM 730001.0000 TO 735000.0000)	730,976.60
1	(SHAREHOLDING FROM 1035001.0000 TO 1040000.0000)	1,038,059.43
1	(SHAREHOLDING FROM 1110001.0000 TO 1115000.0000)	1,111,696.54
1	(SHAREHOLDING FROM 1370001.0000 TO 1375000.0000)	1,371,688.61
1	(SHAREHOLDING FROM 1465001.0000 TO 1470000.0000)	1,465,464.29
1	(SHAREHOLDING FROM 1485001.0000 TO 1490000.0000)	1,489,148.57
1	(SHAREHOLDING FROM 1495001.0000 TO 1500000.0000)	1,497,757.17
1	(SHAREHOLDING FROM 1765001.0000 TO 1770000.0000)	1,767,851.18
1	(SHAREHOLDING FROM 1770001.0000 TO 1775000.0000)	1,774,040.26
1	(SHAREHOLDING FROM 1895001.0000 TO 1900000.0000)	1,899,918.63
1	(SHAREHOLDING FROM 1960001.0000 TO 1965000.0000)	1,961,200.55
1	(SHAREHOLDING FROM 2175001.0000 TO 2180000.0000)	2,177,073.15
1	(SHAREHOLDING FROM 2415001.0000 TO 2420000.0000)	2,419,914.22
1	(SHAREHOLDING FROM 2455001.0000 TO 2460000.0000)	2,456,413.20
1	(SHAREHOLDING FROM 2500001.0000 TO 2505000.0000)	2,503,228.89
1	(SHAREHOLDING FROM 3155001.0000 TO 3160000.0000)	3,159,557.59
1	(SHAREHOLDING FROM 4785001.0000 TO 4790000.0000)	4,785,442.94
1	(SHAREHOLDING FROM 5415001.0000 TO 5420000.0000)	5,415,884.81
1	(SHAREHOLDING FROM 5595001.0000 TO 5600000.0000)	5,599,999.57
1	(SHAREHOLDING FROM 8975001.0000 TO 8980000.0000)	8,976,635.96
1	(SHAREHOLDING FROM 9095001.0000 TO 9100000.0000)	9,096,782.22
1	(SHAREHOLDING FROM 9185001.0000 TO 9190000.0000)	9,185,822.44
1	(SHAREHOLDING FROM 11435001.0000 TO 11440000.0000)	11,436,464.21
907	Total :	109,545,605.78

PERFORMANCE TABLE

Performance Information	2013	2012	2011	2010
Total Net Assets Value – Rs. in million	11,075	18,971	10,393	6,525
Net Assets value per unit – Rupees	101.10	100.17	100.25	101.89
Highest offer price per unit	103.5851	103.7256	103.1651	103.3422
Lowest offer price per unit	100.2265	100.0000	100.0155	100.0276
Highest Redemption price per unit	102.8082	103.1330	103.1651	103.3422
Lowest Redemption price per unit	100.1913	100.0249	100.0155	100.0276
Distribution per unit (Annual) - Rs. *	1.0952	1.7021	1.7578	1.8903
Distribution per unit (Interim) - Rs. **	7.9666	10.2771	9.1624	5.9514
Average Annual Return - %				
One year	9.2%	11.30%	11.60%	10.70%
Two year	5.4%	12.13%	11.80%	N/A
Three year (inception date September 30, 2009)	4.0%	N/A	N/A	N/A
Net Income for the period – Rs. in million	845.8640	1391.364	1062.925	552.425
Income Distribution – Rs. in million	864.5280	1380.556	1036.982	552.425
Accumulated Capital Growth – Rs. in million	(18.6640)	10.808	25.943	-
Weighted average Portfolio Duration (months)	2.6000	0.73	2.37	2.00

Disclaimer

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

* Please refer note 21.1 of Financial Statement.

** Details of Interim Distributions of 2013:

- Distribution per unit (Interim) - Rs. (27 Sep 2012)	2.6745
- Distribution per unit (Interim) - Rs. (26 Dec 2012)	2.1522
- Distribution per unit (Interim) - Rs. (28 Jan 2013)	0.7366
- Distribution per unit (Interim) - Rs. (25 Feb 2013)	0.5562
- Distribution per unit (Interim) - Rs. (25 Mar 2013)	0.5988
- Distribution per unit (Interim) - Rs. (25 Apr 2013)	0.6530
- Distribution per unit (Interim) - Rs. (23 May 2013)	0.5953

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by typing: **Bachat Ka Doosra Naam**

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(formerly: Arif Habib Investments Limited)

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