



Bachat ka Doosra Naam

**Annual Report
2012**



MCB

DYNAMIC

STOCK FUND

Din Eid, Raat Shabraat

Arif Habib Investments Limited (A subsidiary of MCB Bank Limited)

MCB DYNAMIC STOCK FUND

CONTENTS

1	Vision, Mission & Core Values	2
2	Fund's Information	3
3	Report of the Director of Management Company	5
4	Report of the Fund Manager	8
5	Trustee Report to the Unit Holders	9
6	Statement of Compliance with the Code of Corporate Governance	10
7	Review Report to the Unit Holders on the Statement of Compliance with the best Practices of the Code of Corporate Governance	12
8	Independent Auditors Report to the Unit Holders	13
9	Statements of Assets and Liabilities	16
10	Income Statement	17
11	Statement of Comprehensive Income	18
12	Distribution Statement	19
13	Statement of Movement in Unit Holders' Fund	20
14	Cash Flow Statement	21
15	Notes to and Forming part of the Financial Statements	22
16	Pattern of holding as per Requirement of Code of Corporate Governance	51
17	Pattern of Unit Holding by Size	52
18	Performance Table	53

Vision

To become synonymous with Savings

Mission

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

Core Values

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

MCB DYNAMIC STOCK FUND FUND'S INFORMATION

Management Company

Arif Habib Investments Limited
8th Floor, Techno City, Corporate Tower,
Hasrat Mohani Road, Karachi

Board of Directors of the Management Company

Mian Mohammad Mansha	Chairman(subject to the approval of SECP)
Mr. Nasim Beg	Executive Vice Chairman
Mr. Yasir Qadri	Chief Executive (subject to the approval of SECP)
Syed Salman Ali Shah	Director (subject to the approval of SECP)
Mr. Haroun Rashid	Director (subject to the approval of SECP)
Mr. Ahmed Jahangir	Director (subject to the approval of SECP)
Mr. Samad A. Habib	Director
Mr. Mirza Mahmood Ahmad	Director (subject to the approval of SECP)

Audit Committee

Mr. Haroun Rashid	Chairman
Mr. Nasim Beg	Member
Mr. Samad A. Habib	Member
Mr. Ali Munir	Member

Human Resource Committee

Dr. Salman Shah	Chairman
Mr. Nasim Beg	Member
Mr. Haroun Rashid	Member
Mr. Ahmed Jahangir	Member
Mr. Yasir Qadri	Member

Company Secretary & CFO of the Management Company

Mr. Muhammad Saqib Saleem

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
NIB Bank Limited
Faysal Bank Limited
Bank Alfalah 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

Arif Habib Investments Limited
8th Floor, Techno City, Corporate Tower,
Hasrat Mohani Road, Karachi

Rating

AM2 - Management Quality Rating assigned by PACRA

MCB DYNAMIC STOCK FUND REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2012

The board of Directors of Arif Habib Investment Limited, the Management Company of MCB Dynamic Stock Fund (DSF), is pleased to present the Annual Report on the affairs of DSF for the year ended June 30, 2012.

Equities Market Overview

The local bourses gave an average performance with the KSE-100 index rising by about 10% in FY12 as against 29% return posted in FY11. Pakistan equity market, however, remained the 3rd best performing market in the region this year as well after Philippines and Thailand.

KSE-100 Index made a depressing start with market shedding 13% during the first couple of months and made the yearly bottom at around 10,800 levels. Alongside negative returns, the market continued to remain dull with consistently low turnover throughout the period remained indicative of investor's shyness towards equity asset class. Even a cumulative cut of 200 bps in DR by the SBP during the first half failed to generate strong momentum among equity investors due to fear of aggressive sell off by foreign investors. Global equities market went down significantly during the quarter, which also had an adverse impact on emerging and frontier markets including Pakistan. Other resistive forces that played a dampening role for the market were political unrest, worsened law and order situation, strained Pak-US relations, floods in Sindh and energy crisis. Foreigners were net seller during the first half with an outflow of US\$ 151 million.

After a depressing first half, the Capital Gains Tax amnesty came as a piece of fortune to the investors at the local equities market and the KSE-100 index surged by 22% during the latter half of the year under review. The expectation of relieving CGT also waved a magic wand on the volumes too where 2HFY12 saw buoyant volumes while marking a 33-month high at 577mn shares traded in a day. Participation from retail investors also returned to the market during the latter part of this year where mid and small-cap stocks remained the highlights of market activities lately. After a significant sell-off during the first half, foreigners' also jumped on to the bandwagon during the latter half with a net inflow of US\$ 62 million.

Macro economic factors remained challenging the KSE performance included sustained high oil and declining cotton prices resulting in higher trade deficit, lack of foreign flows as well IMF repayments depleted FX reserves and caused PKR to depreciate against the US\$ by around 10%. On the positive front, the SBP remained in a monetary easing cycle with a cumulative reduction of 200 bps in the policy discount rate during the year- improving the fundamentals of debt-laden companies.

Sector wise, Cements, Power and Autos outperformed the KSE-100 index while sectors like Chemicals, Textiles and Refineries remained among the underperformers. Best performing stocks included EFOODS, MEBL, BAFL, and DGKC.

Future Outlook

We believe that the political arena would turn noisy on the back of election year ahead as well as continued confrontation between government and judiciary. Global economic environment would remain jittery in the near term, which could provide further hiccups to the international as well as local equity markets. However, expectation of monetary easing by the SBP in the upcoming monetary policy on the back of benign inflation as well as release of CSF payment should support the bull-run in the market in the near term while any major deterioration in key macro-indicators going forward could have a toll on the market performance. Strong earnings growth, sizeable discount to regional markets, high dividend yield and relatively cheaper PE valuations warrant decent returns for long term investors in our view.

Fund's Performance

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

The fund generated a return of 18.7% during the year as against its benchmark KSE-30 Index return of 2.9%, an out-performance of 15.8%. Since inception return of the fund has been staggering at 87.3% as against its benchmark return of -15.1%, an out-performance by 102.4%. Net assets of fund were increased by Rs 33m (around 4.7%) during the year.

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

Performance Information (%)	DSF	Benchmark
Last twelve Months Return	18.7%	2.9%
Since Inception	87.3%	-15.1%

During the year your fund earned net income of Rs 117.028 million. The Board in the meeting held on June 25, 2012 has declared final distribution amounting to Rs. 88.497 million (i.e. Rs. 12.0153 per unit).

MCB DYNAMIC STOCK FUND REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2012

During the period, units worth Rs.400.755 million (including Rs. 88.497 million worth of bonus units) were issued and units with a value of Rs. 394.339 million were redeemed. As on 30 June 2012 the NAV of the Fund was Rs. 86.09 per unit.

Update on Workers' Welfare Fund

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

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

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 view of the afore mentioned developments, the Management Company firmly believes that there is no compelling reason to make provision on account of WWF contribution in the financial statements. Further, the Management Company also expects that the constitutional petition pending in the Honorable High Court of Sindh on the subject as referred above will be decided in favor of the Mutual Funds. However the auditor of the Fund because of pending adjudication of the Constitutional petition in Honorable Sindh High Court and included an emphasis of matter paragraph in auditor's report highlighting the said issue.

The aggregate unrecognized amount of WWF as at June 30, 2012 amounted to Rs.2.34 million.

Corporate Governance

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

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

- a. Financial statements present fairly the statement of affairs, the results of operations, cash flows and Change in unit holders' fund.
- b. Proper books of accounts of the Fund have been maintained during the year.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable prudent judgment.
- d. Relevant International Accounting Standards, as applicable in Pakistan, provisions of the Non Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- h. Key financial data as required by the Code of Corporate Governance has been summarized in the financial statements.
- 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. During the year four meetings of Audit Committee were held on 19th September 2011, 26th October 2012, 26 January 2012 and 24th April 2012, the details of attendance is as follows:

**MCB DYNAMIC STOCK FUND
REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY
FOR THE YEAR ENDED JUNE 30, 2012**

S. No.	Name	Designation	Attendance required	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	2	2
4.	Mr. Ali Munir	Member	4	2	2

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

S. No.	Name	Designation	Investment	Redemption	Bonus
			(Number of Units)		
1.	Mr. Nasim Beg	Executive Vice Chairman	-	-	-
2.	Mr. Yasir Qadri	Chief Executive Officer	1,766	829	934
3.	Mr. Muhammad Saqib Saleem	Company Secretary & Chief Financial Officer	-	-	-

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, 2013. 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, 2013.

Acknowledgement

The Board of Directors of the Management Company is thankful to the valued investors of the Fund for their reliance and trust in Arif Habib Investments Limited. The Board also likes to thank the Securities and Exchange Commission of Pakistan, State Bank of Pakistan, Central Depository Company of Pakistan Limited (the Trustee of the Fund) and the management of the 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.

On behalf of the Board

Yasir Qadri
Chief Executive Officer

Karachi: August 15, 2012

MCB DYNAMIC STOCK FUND REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2012

Fund Type and Category

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

Fund Benchmark

The benchmark for MCB DSF is KSE 30 Index.

Investment Objective

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

Investment Strategy

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

Manager's Review

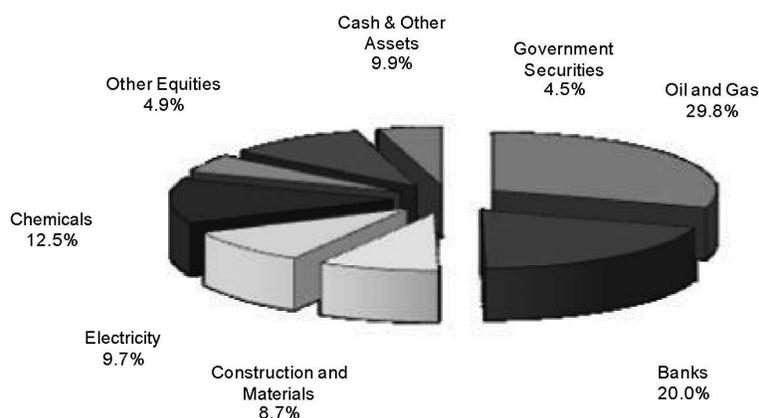
During the year under review, NAV per unit of MCB Dynamic Stock Fund increased by 18.7% as compared to the benchmark KSE-30 Index return of 2.9%, resulting in an out performance of 15.8% by the fund. Tax amnesty on capital gains coupled with the return of foreigners in the market remained the positive highlighting factors during the year, which kept the market rolling. Unstable political conditions, deteriorating macro-factors, worsening law and order situation, worldwide recessionary conditions and Euro zone crisis however continued to cast shadow of doubt on equity market performance. The fund remained vigilant and tried to concentrate its exposure in those stocks and sectors that are largely immune fundamentally from deteriorating macroeconomic conditions.

The fund started the year with an equity allocation of 86%. Fund manager changed overall equity allocation several times during the year in sync with various developing market scenarios. Maximum equity allocation during the year remained 93.6% while minimum was 73.8%. Average equity allocation during the year comes out to be around 86.6%. Market largely remained depressed during the first half of the year which was followed by a mostly unidirectional bullish trend during second half of the year. Capital gains tax amnesty scheme was the hallmark for strong stock market performance during the latter half, while better than expected financial performance of many key sectors and companies coupled with declining interest rate outlook also supported the momentum.

The fund maintained on the average around 30% exposure in Oil and Gas sector as this sector is relatively shielded from deteriorating economic fundamentals. The fund had a high exposure of around 25% in Chemicals, mainly in fertilizers; at the beginning of the year which was brought down significantly during the year amid frequent shut downs in gas supplies as well as higher imports of urea, which was sold at reduced prices. Unlike previous year, Construction and Materials sector is a key highlighting sector for the year as it depicted strong earnings growth on the back of higher gross margins. The fund took advantage of this scenario and increased allocation from the beginning 4% to around 14% in third quarter, while it was reduced to around 7% by the year-end as the fund preferred to realize capital gains. Moreover, the fund took small exposures in Engineering, Automobile and Parts, Personal Goods, Pharma & Bio Tech and Fixed Line Telecommunication sectors throughout the year to capitalize on various positive developments within these sectors.

Since inception return of the fund was 87.3% as compared to the benchmark's return of -15.1%, an out-performance of 102.4%. The fund's Net Assets increased by 12.9% from PKR 693 Million at the beginning of the year to PKR 726 Million as on June 30, 2012. The rise in net assets of the fund is primarily attributable to positive returns of the local stock exchanges.

Asset Allocation as on June 30, 2012 (% of total assets)



Mr. Muhammad Asim, CFA
Fund Manager

Karachi: August 15, 2012

**MCB DYNAMIC STOCK FUND
TRUSTEE REPORT TO THE UNIT HOLDERS
FOR THE YEAR ENDED JUNE 30, 2012**

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

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



ISO 27001 Certified

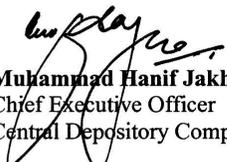
TRUSTEE REPORT TO THE UNIT HOLDERS

MCB DYNAMIC STOCK FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of MCB Dynamic Stock Fund (the Fund) are of the opinion that 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, 2012 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 17, 2012

MCB DYNAMIC STOCK FUND

STATEMENT OF THE COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2012

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

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

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

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

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

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Management Company.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
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. 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. Accordingly, the Management Company is compliant with this requirement for the current year. 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.
10. No new appointments of Chief Financial Officer and Company Secretary were made during the year. The Board has approved the remuneration and terms and conditions of employment, as determined by the Chief Executive Officer. Subsequent to the year end, the Management Company has appointed Head of Internal Audit who is also planned to be designated as the secretary to the Audit Committee in the upcoming Audit Committee meeting.
11. The Directors' Report of the fund for the year ended June 30, 2012 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.

**MCB DYNAMIC STOCK FUND
STATEMENT OF THE COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2012**

15. The Board has formed an Audit Committee for the Management Company. It comprises of four members, three of whom are the directors of the Management Company. 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 four members, of whom two are non-executive directors and the chairman of the committee is an independent director.
18. During the year, the Management Company has outsourced the internal audit function to Ernst & Young Ford Rhodes Sidat Hyder & Co. Chartered Accountants who are considered to be suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Management Company.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares 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 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(s).
23. We confirm that all other material principles enshrined in the Code have been complied with towards which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

On behalf of the Board

Yasir Qadri
Chief Executive Officer

Karachi: August 15, 2012

**MCB DYNAMIC STOCK FUND
REVIEW REPORT TO THE UNIT HOLDERS ON THE
STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES
OF THE CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2012**



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

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

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (“Statement of Compliance”) prepared by the Board of Directors of Arif Habib Investments Limited, (“the Management Company”) of the Fund to comply with the Listing Regulations of Lahore Stock Exchange 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 (Guarantee) Limited requires the Management Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm’s length transactions and transactions which are not executed at arm’s length price 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 and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm’s length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund’s compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended 30 June 2012.

We draw attention to paragraph 10 of the annexed Statement of Compliance which explains that subsequent to year end the Management Company has appointed Head of Internal Audit who is also planned to be designated as Secretary to the Audit Committee in the upcoming Audit Committee meeting.

Date: 15 August 2012

Karachi

KPMG Taseer Hadi & Co.
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.

**MCB DYNAMIC STOCK FUND
INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS
FOR THE YEAR ENDED JUNE 30, 2012**



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

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

Independent Auditors' Report to the Unit Holders

Report on the Financial Statements

We have audited the accompanying financial statements of **MCB Dynamic Stock Fund** ("the Fund"), which comprise of the statement of assets and liabilities as at 30 June 2012, and the income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund, cash flow statement for the year ended 30 June 2012 and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management Company of the Fund is responsible for the preparation of the financial statements in accordance with the requirements of the approved accounting standards as applicable in Pakistan and for such internal control as Management Company 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 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 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 state of the Fund's affairs as at 30 June 2012, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

**MCB DYNAMIC STOCK FUND
INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS
FOR THE YEAR ENDED JUNE 30, 2012**



KPMG Taseer Hadi & Co.

Other matters

The financial statements of the Fund for the year ended 30 June 2011 were audited by another firm of auditors whose report dated 28 January 2011, 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: 15 August 2012

Karachi

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

FINANCIAL STATEMENTS

**MCB DYNAMIC STOCK FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2012**

	<i>Note</i>	2012	2011
		(Rupees in '000)	
Assets			
Balances with banks	4	69,895	59,684
Investments	5	685,569	607,079
Dividend and other receivables	6	1,606	1,902
Receivable against sale of investments		-	30,195
Security deposits and prepayments	7	3,951	3,952
Preliminary expenses and floatation charges	8	-	422
Total assets		761,021	703,234
Liabilities			
Payable to the Management Company	9	1,582	1,719
Payable to Trustee	10	130	148
Annual fee payable to Securities and Exchange Commission of Pakistan	11	649	635
Payable against purchase of investment		25,388	-
Payable against redemption of units		-	2
Accrued expenses and other liabilities	12	7,750	7,858
Total liabilities		35,499	10,362
Net assets		725,522	692,872
Unit holders' funds		725,522	692,872
Contingency	13		
		(Number of units)	
Number of units in issue (face value of units is Rs. 100 each)		8,427,367	8,377,549
		(Rupees)	
Net asset value per unit		86.09	82.71

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



Chief Executive Officer

**For Arif Habib Investments Limited
(Management Company)**



Director

**MCB DYNAMIC STOCK FUND
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012**

	<i>Note</i>	2012	2011
		(Rupees in '000)	
Income			
Capital gain on sale of investments - net		66,458	155,961
Dividend income		48,982	40,454
Income from government securities		372	8,108
Profit on bank deposits		9,898	4,099
		125,710	208,622
Net unrealised appreciation on re-measurement of investments classified as 'at fair value through profit or loss'	5.1 & 5.2	20,359	17,841
Total (loss) / income		146,069	226,463
Expenses			
Remuneration to the Management Company	9.1	18,243	20,045
Services tax charges	9.2	2,919	-
Remuneration to Trustee	10.1	1,367	1,336
Annual fee to Securities and Exchange Commission of Pakistan	11	649	635
Auditor's remuneration	14	695	625
Amortisation of preliminary expenses	8	422	638
Brokerage expenses		6,518	6,432
Bank charges		27	81
Other expenses		498	508
Total operating expenses		31,338	30,300
Net operating income for the year		114,731	196,163
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		2,297	(15,779)
Provision for workers' welfare fund	13	-	(3,608)
Net income for the year		117,028	176,776
Earnings per unit	16		

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


Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)


Director

**MCB DYNAMIC STOCK FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2012**

	2012	2011
	(Rupees in '000)	
Net income for the year	117,028	176,776
Other comprehensive income	-	-
Total comprehensive income for the year	<u><u>117,028</u></u>	<u><u>176,776</u></u>

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



Chief Executive Officer

**For Arif Habib Investments Limited
(Management Company)**

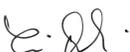


Director

**MCB DYNAMIC STOCK FUND
DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012**

	2012	2011
	(Rupees in '000)	
Accumulated (losses) / undistributed income brought forward:		
- Realised (losses) / gains	(162,550)	18,786
- Unrealised gains / (losses)	<u>17,658</u>	<u>(41,113)</u>
	<u>(144,892)</u>	<u>(22,327)</u>
Final distribution for the year ended 30 June 2011 at Rs.nil per unit (30 June 2010 at Rs. 18.6601 per unit.)		
- Bonus distribution	-	(125,613)
Interim distribution for the year ended 30 June 2012 at Rs. 12.0153 per unit (2011: Rs. 20.5 per unit)		
- Bonus distribution	(88,497)	(137,559)
Net income for the year	117,028	176,776
Net element of loss and capital losses included in prices of units issued less those in units redeemed - amount representing unrealised diminution	<u>(861)</u>	<u>(36,169)</u>
	27,670	(122,565)
Accumulated loss carried forward	<u><u>(117,222)</u></u>	<u><u>(144,892)</u></u>
Accumulated loss comprising:		
Realised gains	(139,073)	(162,550)
Unrealised (losses) / gains	21,851	17,658
	<u><u>(117,222)</u></u>	<u><u>(144,892)</u></u>

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



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



Director

**MCB DYNAMIC STOCK FUND
STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	2012	2011
	(Rupees in '000)	
Net assets at the beginning of the year	692,872	650,847
Issue of 3,489,716 units (2011: 2,932,963 units)	312,258	261,069
Issue of 1,033,773 bonus units relating to the year ended 30 June 2012 (2011: 3,269,887 units)	88,497	263,172
Redemption of 4,473,670 units (2011: 4,556,951 units)	(394,339)	(411,599)
	6,416	112,642
Element of (income) / loss and capital gains / (losses) included in prices of units issued less those in units redeemed		
- amount representing (income) / loss and capital (gains) / losses transferred to income statement	(2,297)	15,779
- amount representing (income) / loss that forms part of unit holder's fund transferred to distribution statement	(861)	36,169
	(3,158)	51,948
Element of (loss) / income that forms part of unit holder's fund transferred to distribution statement	861	(36,169)
Final distribution for the year ended 30 June 2011 at Rs.nil per unit (30 June 2010 at Rs. 18.6601 per unit)		
- Bonus distribution	-	(125,613)
Interim distribution for the year ended 30 June 2012 at Rs. 12.0153 per unit (2011: Rs. 20.5 per unit)		
- Bonus distribution	(88,497)	(137,559)
Net unrealised appreciation on re-measurement of investments classified as 'at fair value through profit or loss'	20,359	17,841
Net income for the year	96,669	158,935
Total comprehensive income for the year	28,531	(86,396)
Net assets at end of the year	725,522	692,872
	(Rupees)	
Net asset value per unit at the end of the period	86.09	82.71

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


Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)


Director

**MCB DYNAMIC STOCK FUND
CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2012**

	2012	2011
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	117,028	176,776
Adjustments for:		
Amortisation of preliminary expenses	422	638
Capital gain on sale of investments - net	(66,458)	(155,961)
Income from government securities	(372)	(8,108)
Dividend income	(48,982)	(40,454)
Net unrealised appreciation on re-measurement of investments classified as 'at fair value through profit or loss'	(20,359)	(17,841)
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(2,297)	15,779
	(138,046)	(205,947)
Net cash used in operations before working capital changes	(21,018)	(29,171)
Working capital changes <i>(Increase) / decrease in assets</i>		
Investments	38,894	146,583
Profit receivable	(710)	(26)
Security deposits and prepayments	-	(252)
	38,184	146,305
<i>Increase / (decrease) in liabilities</i>		
Payable to the Management Company	(137)	51
Payable to Trustee	(18)	32
Payable to Securities and Exchange Commission of Pakistan	14	(43)
Payable against purchase of investment	25,388	-
Payable against redemption of units	(2)	2
Accrued expenses and other liabilities	(108)	3,946
	25,137	3,988
Dividend received	49,989	40,584
Net cash generated from operating activities	92,292	161,706
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issuance of units	312,258	261,069
Payments against redemption of units	(394,339)	(411,599)
Net cash used in from financing activities	(82,081)	(150,530)
Net increase in cash and cash equivalents	10,211	11,176
Cash and cash equivalents at beginning of the year	59,684	48,508
Cash and cash equivalents at end of the year	69,895	59,684

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


Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)


Director

MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

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

Based on shareholders' resolutions of MCB Asset Management Company Limited and Arif Habib Investments Limited 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). Arif Habib Investments Limited being a listed company is the surviving entity and in compliance of SBP's approval, it is a subsidiary of MCB Bank. However subsequent to the completion of the merger, the SECP issued an order postponing the effective date of the merger to 30 July 2011 (through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AHI/348/2011 dated 27 June 2011). Since the merger had already taken place and the subsequent order of the SECP could not be complied with, the Company has sought a ruling by the honorable Sindh High Court (SHC). The honorable Sindh High Court (SHC) has held the SECP's subsequent order in abeyance and instructed SECP to treat the companies as merged pending a final ruling. Irrespective of the final ruling, the Fund's assets and NAV remain unaffected.

- 1.1** 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.
- 1.2** The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units of the fund can be transferred to / from the funds managed by the Management Company and can also be redeemed by surrendering to the Fund. The units are listed on the Lahore Stock Exchange.

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

- 1.3** The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of 'AM2' (positive outlook) to the Management Company and has assigned a short-term ranking of "4-Star" & long-term of "5-Star" to the Fund.
- 1.4** 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.

**MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

2. BASIS OF PRESENTATION

2.1 Statement of compliance

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

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed 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:

MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2012:

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset’s economic benefits over the life of the asset. The amendment has no impact on financial statements of the Fund.
- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendment has no impact on financial statements of the Fund.
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments would result in certain changes in disclosures.

MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Fund.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Fund.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’; and that some gross settlement systems may be considered equivalent to net settlement. The amendment is not likely to have impact on financial statements of the Fund.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. The amendment is not likely to have impact on financial statements of the Fund.
- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following five standards, with consequential amendments to other standards and interpretations:
 - IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’, when required, is only required if the effect of restatement is material to statement of financial position. This improvement is not likely to have impact on financial statements of the Fund.

**MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. This improvement is not likely to have impact on financial statements of the Fund.

- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12. This improvement is not likely to have impact on financial statements of the Fund.

- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. This improvement is not likely to have impact on financial statements of the Fund.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. This improvement is not likely to have impact on financial statements of the Fund.

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 interpretations 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.

**MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

3.1 Financial instruments

The Fund classifies its financial instruments in the following categories:

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

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

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

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

b) 'Available-for-sale'

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

c) Loans and receivables

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

d) Financial liabilities

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

Recognition

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

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

**MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Measurement

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

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

Fair value measurement principles

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

Basis of valuation of Government Securities

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

Securities under repurchase/resale agreements

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

Impairment

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

**MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

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

Derecognition

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

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

Offsetting of financial instruments

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

3.2 Unit holders' funds

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

3.3 Issue and redemption of units

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

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

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

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

MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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

3.5 Preliminary expenses and floatation costs

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

3.6 Provisions

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

3.7 Net asset value per unit

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

3.8 Taxation

Current

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

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

Deferred

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

**MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

3.9 Revenue recognition

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

3.10 Expenses

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

3.11 Cash and cash equivalents

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

3.12 Other assets

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

3.13 Dividend distributions and appropriations

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

MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

		2012	2011
		(Rupees in '000)	
4. BALANCES WITH BANKS			
Saving accounts	4.1	69,854	59,643
Current account		41	41
		<u>69,895</u>	<u>59,684</u>

4.1 These carry mark-up at rates ranging between 5% to 13.5% per annum (30 June 2011: 5% to 13.3% per annum).

5. INVESTMENTS

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

- Quoted equity securities	5.1	651,117	607,079
- Government securities	5.2	34,452	-
		<u>685,569</u>	<u>607,079</u>

**MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

5.1 Quoted equity securities

Name of the investee company	As at 1 July 2011	Purchases during the year	Bonus / right issue during the year	Sales during the year	As at 30 June 2012	Cost	Market value/ Carrying value	Appreciation / (diminution)	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
-----Number of shares----- (Rupees in '000)-----											
Automobile and parts											
Agritauto Industries Limited*	123,313	93,248	-	(185,043)	31,518	2,510	2,553	43	0.35	0.37	0.11%
Exide Pakistan Limited	-	20,832	-	-	20,832	3,706	3,604	(102)	0.50	0.53	0.03%
Pak Suzuki Motor Corporation Limited	3,579	-	-	(3,579)	-	-	-	-	-	-	0.00%
Banks											
Allied Bank Limited	314,737	461,600	58,872	(751,849)	83,360	5,113	5,350	237	0.74	0.78	0.01%
Askari Bank Limited	-	1,328,592	112,500	(950,000)	491,092	7,282	6,664	(618)	0.92	0.97	0.01%
Bank Al Falah Limited	-	3,993,950	-	(460,000)	3,533,950	57,104	60,431	3,326	8.33	8.81	0.03%
Bank Al-Habib Limited	658,399	1,012,000	145,895	(646,763)	1,169,531	31,297	33,297	2,000	4.59	4.86	0.13%
Habib Bank Limited	-	185,000	18,389	(203,389)	-	-	-	-	-	-	0.00%
MCB Bank Limited	-	410,196	20,984	(394,031)	37,149	5,795	6,176	381	0.85	0.90	0.00%
Meezan Bank Limited	1,291,574	16,199	125,972	(1,433,745)	-	4,587	4,310	(276)	0.59	0.63	0.00%
National Bank of Pakistan	85,000	1,482,300	-	(1,468,300)	99,000	-	-	-	-	-	0.01%
Soneri Bank Limited	1,910,000	300,000	221,530	(2,431,530)	-	-	-	-	-	-	0.00%
United Bank Limited	316,686	1,388,322	-	(1,245,258)	459,750	35,290	36,035	745	4.97	5.26	0.04%
						146,468	152,263	5,795	20.99	22.21	
Chemicals											
Engro Corporation Limited	310,856	1,318,915	66,504	(1,529,275)	167,000	17,465	17,008	(457)	2.34	2.48	0.04%
Fatima Fertilizers Company Limited	2,092,762	3,544,426	-	(4,208,362)	1,428,826	35,821	35,249	(572)	4.86	5.14	0.07%
Fauji Fertilizer Bin Qasim Limited	693,639	100,000	-	(793,639)	-	-	-	-	-	-	0.00%
Fauji Fertilizer Company Limited	450,215	1,096,102	33,005	(1,191,170)	388,152	43,071	43,104	33	5.94	6.29	0.05%
Lotte Pakistan PTA	-	35,000	-	(35,000)	-	-	-	-	-	-	0.00%
						96,357	95,361	(996)	13.14	13.91	
Construction and materials											
Cherat Cement Company Limited	-	364,929	-	(56,200)	308,729	7,162	9,144	1,982	1.26	1.33	
D. G. Khan Cement Company Limited	-	651,060	-	(460,060)	191,000	8,055	7,522	(534)	1.04	1.10	
Kohat Cement Company Limited	-	187,013	-	-	187,013	7,502	7,529	28	1.04	1.10	
Lafarge Pakistan Cement Limited	-	1,907,000	-	(332,000)	1,575,000	8,710	6,804	(1,906)	0.94	0.99	
Lucky Cement Limited	119,635	1,340,887	-	(1,154,509)	306,013	31,473	35,311	3,838	4.87	5.15	0.09%
						62,902	66,310	3,408	9.15	9.67	
Electricity											
The Hub Power Company Limited	1,526,718	3,022,740	-	(3,209,327)	1,340,131	52,407	56,138	3,731	7.74	8.19	0.12%
Kot Addu Power Company Limited	363,585	557,520	-	(921,105)	-	-	-	-	-	-	0.00%
Nishat Chumian Power Limited	664,471	1,790,700	-	(1,239,471)	1,215,700	18,282	18,029	(253)	2.48	2.63	0.33%
Nishat Power Limited	1,645,504	897,713	-	(2,543,217)	-	-	-	-	-	-	0.00%
						70,689	74,167	3,478	10.22	10.82	

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

**MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Name of the investee company	As at 1 July 2011	Purchases during the year	Bonus / right issue during the year	Sales during the year	As at 30 June 2012	Carrying value	Market value	Appreciation / (diminution)	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
-----Number of shares-----											
Engineering											
Millat Tractors Limited	-	32,500	-	-	32,500	15,681	15,693	11	2.16	2.29	0.01%
						15,681	15,693	11	2.16	2.29	
Fixed line telecommunication											
Pakistan Telecommunication Company Limited	-	3,868,412	-	(3,868,412)	-	-	-	-	-	-	0.00%
Wateen Telecom Company Limited	-	1,860,000	-	-	1,860,000	5,777	3,720	(2,057)	0.51	0.54	0.03%
						5,777	3,720	(2,057)	0.51	0.54	
Oil and gas											
Attock Refinery Limited	-	225,000	-	(225,000)	-	-	-	-	-	-	0.00%
National Refinery Limited	-	171,409	-	(171,409)	-	-	-	-	-	-	0.00%
Attock Petroleum Limited	77,112	106,356	-	(64,926)	118,542	48,536	56,233	7,697	7.75	8.20	0.13%
Oil and Gas Development Company Limited	99,100	793,566	-	(727,666)	165,000	25,099	26,473	1,373	3.65	3.86	0.00%
Pakistan Oilfields Limited	151,561	394,545	-	(366,013)	180,093	65,663	66,083	420	9.11	9.64	0.08%
Pakistan Petroleum Limited	237,151	520,198	18,212	(397,296)	378,265	69,145	71,223	2,078	9.82	10.39	0.03%
Pakistan State Oil Company Limited	213,615	234,627	-	(419,594)	28,648	7,428	6,756	(672)	0.93	0.99	0.02%
						215,871	226,768	10,896	31.26	33.08	
Personal goods											
Gadon Textile Mills Limited	3,778	-	-	(3,778)	-	-	-	-	-	-	0.00%
Nishat Chumman Limited	-	86,934	-	(86,934)	-	-	-	-	-	-	0.00%
Nishat Mills Limited	-	290,000	-	(290,000)	-	-	-	-	-	-	0.00%
Food producers											
Engro Foods Limited	-	55,000	-	(55,000)	-	-	-	-	-	-	0.00%
Pharma and Bio Tech											
Abbott Laboratories (Pakistan) Limited	-	89,702	-	-	89,702	10,802	10,678	(124)	1.47	1.56	0.01%
						10,802	10,678	(124)	1.47	1.56	
Non life insurance											
Adamjee Insurance Company Limited	-	38,761	-	(38,761)	-	-	-	-	-	-	0.00%
Total - 30 June 2012						630,763	651,117	20,352	89.75	94.98	
Total - 30 June 2011						589,238	607,079	17,841	87.64	100	

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

MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

5.1.1 Investments include shares with market value aggregating of Rs.51.065 million (30 June 2011: 43.143 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in term of Circular No. 11 dated 23 October 2007 issued by the Securities and Exchange Commission of Pakistan.

5.2 Government securities

Issue date	As at 1 July 2012	Purchases during the period	Sales during the period	As at 30 June 2012	Cost as at 30 June 2012	Market value as at 30 June 2012	Appreciation as at 30 June 2012	Market value	
								as a percentage of net assets	as a percentage of total investments
-----Face value-----					----- (Rupees in '000) -----				
Treasury Bills - 3 Months									
8 March 2012	-	25,000	25,000	-	-	-	-	0.00%	0.00%
3 May 2012	-	20,000	-	20,000	19,835	19,838	3	2.73%	2.89%
29 June 2012	-	15,000	-	15,000	14,610	14,614	4	2.01%	2.13%
Total - 30 June 2012	-	60,000	25,000	35,000	34,445	34,452	7		

6. DIVIDEND AND OTHER RECEIVABLE

	2012	2011
	(Rupees in '000)	
Dividend receivable	492	1,497
Profit receivable on saving deposits	1,114	405
	<u>1,606</u>	<u>1,902</u>

7. SECURITY DEPOSITS AND PREPAYMENTS

Security deposits with		
- National Clearing Company of Pakistan Limited	3,751	3,751
- Central Depository Company of Pakistan Limited	200	200
- Prepayments	-	1
	<u>3,951</u>	<u>3,952</u>

8. PRELIMINARY EXPENSES AND FLOATATION COSTS

Opening balance	422	1,060
Less: amortisation during the year	422	638
Closing balance	<u>-</u>	<u>422</u>

8.1 Preliminary expenses and floatation costs 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 1 March 2007.

9. PAYABLE TO MANAGEMENT COMPANY

Management fee payable	9.1	1,174	1,713
Sindh sales tax	9.2	187	-
Sales load payable		221	6
		<u>1,582</u>	<u>1,719</u>

9.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund.

In the current year, the Management Company has charged remuneration at a rate of 3 percent upto 29 February 2012 and a remuneration at the rate of 2 percent thereafter as the Fund completed five years (2011: 3 percent per annum) of the average annual net assets of the Fund.

9.2 During the year, Sindh government has levied General Sales Tax at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Services Act 2011 effective from 1 July 2011. Accordingly the Management fee charged during the period includes General Sales Tax.

**MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Remuneration payable	10.1	117	114
CDS charges payable		13	34
		<u>130</u>	<u>148</u>

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

As per the Trust Deed and Offering Document, the tariff structure applicable to the Fund in respect of the trustee fee for the year ended 30 June 2012 is as follows:

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

11. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), a collective investment scheme is required to pay as annual fee to the SECP, an amount equal to 0.095 percent of the average annual net assets of the Fund.

12. ACCRUED EXPENSES AND OTHER LIABILITIES

	2012	2011
	(Rupees in '000)	
Auditors' remuneration payable	440	395
Brokerage payable	595	-
Dividend payable	41	41
Provision for Workers' Welfare Fund	6,457	6,457
Sales load	-	555
Others	217	410
	<u>7,750</u>	<u>7,858</u>

13. CONTINGENCY

Provision for Worker's Welfare Fund

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

**MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending for adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements till the year ended 30 June 2011.

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

Subsequent to 30 June 2011, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the Sindh High Court (SHC). On the basis of recent development, the Management Company has decided not to make provision in respect of WWF w.e.f. 1 July 2011. The Fund has not recognised provision against WWF aggregating to Rs. 2.34 million for the year ended 30 June 2012. However, as a matter of abundant caution, the Fund has not reversed the existing provision of Rs. 6.457 million for WWF.

14. AUDITOR'S REMUNERATION

	2012	2011
	(Rupees in '000)	
Annual audit fee	300	270
Half yearly review	200	180
Other certifications and services	140	125
Out of pocket expenses	55	50
	<u>695</u>	<u>625</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 explained above, no provision for taxation has been made in these financial statements.

**MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

16. EARNING PER UNIT

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

17. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons of the Fund include the Management Company , other collective investment schemes being managed by the Management Company, the Trustees, directors and key management personnel and other associated undertakings.

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.

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

17.1 Transactions during the year with connected persons / related parties

	2012	2011
	(Rupees in '000)	
Arif Habib Investments Limited		
Remuneration to Management Company	18,243	20,045
Sales load	221	23
MCB Bank Limited		
Profit received	6,178	1,356
Dividend received	1,466	584
Sales load	-	136
Nishat Mills Limited		
Dividend received	-	1,625
Hub Power Company Limited		
Dividend received	9,939	4,203
Central Depository Company of Pakistan Limited		
Remuneration for the period	1,367	1,336
CDC settlement charges	55	124

MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
	(Rupees in '000)	
17.2 Balance outstanding as at year end		
Arif Habib Investments Limited		
Payable to management company	1,582	1,713
Sales loads payable	221	6
MCB Bank Limited		
Bank balances	24,333	43,839
Profit receivable on bank balances	720	80
37,149 shares held by the Fund (2011: nil shares)	6,176	-
Sales load payable	-	26
Nishat Power Limited		
Nil shares held by the Fund (2011: 1,645,504 shares)	-	25,407
Adamjee Insurance Company Limited		
Nil shares held by the Fund (2011: nil shares)	-	-
Fatima Fertilizer Company Limited		
1,428,826 shares held by the Fund (2011: 2,092,762 shares)	35,249	34,823
D. G. Khan Cement Company Limited		
191,000 shares held by the Fund (2011: nil shares)	7,522	-
Central Depository Company of Pakistan Limited		
Trustee fee payable	117	114
CDC Settlement charges payable	13	34
Security deposit	200	200

MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

	2012		2011	
	Units	(Rupees in '000)	Units	(Rupees in '000)
Units sold to:				
MCB Bank Limited	509,020	51,250	-	-
MCB Asset Management Company Limited (Staff Provident Fund)	-	-	-	-
Adamjee Life Insurance Company Limited (IMF)	145,421	13,325	-	-
Key management personnel	14,818	1,387	18,532	1,710
Bonus units issued to:				
MCB Bank Limited	71,444	6,116	199,427	15,560
MCB Employees Provident Fund	174,635	14,950	439,266	35,468
MCB Employees Pension Fund	133,828	11,456	336,621	27,181
Dera Ghazi Khan Cement Company Limited Employees Provident Fund	2,957	253,113	7,437	601
Nishat Mills Limited Employees Provident Fund Trust	-	-	1,251	98
The Bank of Punjab	281,458	24,094	883,099	71,306
MCB Asset Management Company Limited (Staff Provident Fund)	-	-	1,667	130
Adamjee Life Insurance Company Limited (IMF)	20,411	1,747	-	-
Key management personnel	1,640	140	3,992	326
Units redeemed by:				
MCB Bank Limited	-	-	1,033,301	103,852
The Bank of Punjab	496,075	41,300	-	-
MCB Asset Management Company Limited (Staff Provident Fund)	-	-	8,636	731
Nishat Mills Limited Employees Provident Fund Trust	-	-	6,485	668
Key management personnel	21,569	1,794	8,083	749
	2012	2011	2012	2011
	Units		(Rupees in '000)	
Units held by:				
The Bank of Punjab	2,286,769	2,501,386	196,871	206,879
MCB Bank Limited	580,464	-	49,972	-
MCB Employees Provident Fund	1,418,860	1,244,225	122,150	102,905
MCB Employees Pension Fund	1,087,311	953,483	93,607	78,859
Dera Ghazi Khan Cement Company Limited - Employees Provident Fund	24,023	21,065	2,068	1,742
Key management personnel	13,763	18,874	1,185	1,561
Adamjee Life Insurance Company Limited (IMF)	165,832	-	14,276	-

**MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

18. FINANCIAL RISK MANAGEMENT

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

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

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

- Market risk
- Credit risk and
- Liquidity risk

18.1 Market risk

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

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

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

Currency risk

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

Interest rate risk

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

MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Sensitivity analysis for fixed rate instruments

As at 30 June 2012, the Fund holds Treasury Bills which are classified as at fair value through profit or loss exposing the Fund to fair value interest rate risk. In case of 100 basis points increase / decrease in rates announced by Financial Markets Association of Pakistan on 30 June 2012 with all other variables held constant, the net income for the year and net assets would be lower / higher by Rs. 0.054 million (2011: Rs. nil).

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 2012 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

Other price risk

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

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

A summary analysis of local investments by industry sector, the percentage in relation to Fund's own net assets and the issued capital of the investee company is presented in note 5.1.

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

At 30 June, the fair value of equity securities exposed to price risk is disclosed in note 5.1.

MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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

	2012	2011
	(Rupees in '000)	
Effect on income statement, net assets attributable to unit holders and equity investments due to increase / decrease in the KSE-100 index	<u>32,726</u>	<u>28,756</u>

The sensitivity analysis presented is based upon the portfolio composition as at 30 June 2012 and the historical correlation of the securities comprising the portfolio to the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE and other respective market indices, is expected to change over time. Accordingly, the sensitivity analysis prepared as at 30 June 2012 is not necessarily indicative of the effect on the Fund's net assets attributed to unit holders of future movements in the level of the KSE and other respective market indices.

18.2 Credit risk

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

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

Credit risk management

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

MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Exposure to credit risk

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

	2012		2011	
	Statement of Assets and Liabilities	Maximum Exposure	Statement of Assets and Liabilities	Maximum Exposure
	(Rupees in '000)		(Rupees in '000)	
Balances with banks	69,895	69,895	59,684	59,684
Investments	685,569	-	607,079	-
Receivable against sale of investments	-	-	30,195	-
Dividend and other receivables	1,606	1,606	1,902	1,902
Security deposits and prepayments	3,951	3,951	3,952	3,952
	<u>761,021</u>	<u>75,452</u>	<u>702,812</u>	<u>65,538</u>

Difference in the balance as per Statement of Assets and Liabilities and maximum exposure in investment is due to the fact that investment in equity securities of Rs. 651.117 million (2011: 607.079 million) and receivable against sale of investment amounting to Rs. Nil (2011: 30.195 million) are not exposed to credit risk.

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

None of the financial assets were considered to be past due or impaired as on 30 June 2012.

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

	2012	2011
	(Percentage holding)	
AA+	34.81%	73.45%
AA	64.92%	26.52%
AA-	0.27%	0.03%
	<u>100.00%</u>	<u>100.00%</u>

Concentration of credit risk

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

MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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

	<u>30 June 2012</u>		<u>30 June 2011</u>	
	<u>(Rupees in '0 Percentage</u>		<u>(Rupees in '00 Percentage</u>	
Commercial banks	69,895	92.64%	59,684	91.07%
Others	5,557	7.36%	5,854	8.93%
	<u>75,452</u>	<u>100.00%</u>	<u>65,538</u>	<u>100.00%</u>

Settlement risk

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

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

18.3 Liquidity risk

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

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

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

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue.

MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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

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

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

	30 June 2012			Total
	Up to three months	More than three months and up to one year	More than one year	
----- (Rupees in '000) -----				
Payable to Management Company	1,582	-	-	1,582
Payable to Trustee	130	-	-	130
Annual fee payable to Securities and Exchange				
Commission of Pakistan	649			649
Payable against purchase of investment	25,388			25,388
Accrued expenses and other liabilities	1,293	-	-	1,293
	<u>29,042</u>	<u>-</u>	<u>-</u>	<u>29,042</u>
	30 June 2011			Total
	Up to three months	More than three months and up to one year	More than one year	
----- (Rupees in '000) -----				
Payable on redemption of units	2	-	-	2
Payable to Management Company	1,719	-	-	1,719
Payable to Management Company	148	-	-	148
Annual fee payable to Securities and Exchange				
Commission of Pakistan	635			635
Accrued expenses and other liabilities	1,401	-	-	1,401
	<u>3,905</u>	<u>-</u>	<u>-</u>	<u>3,905</u>

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 Unit holders' fund risk management

Management's objective when managing unit holders' funds is to safe guard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders' and to ensure reasonable safety of unit holders' funds.

The Fund manages its investment portfolio and other assets in relation to benchmark index and makes adjustments in the portfolio composition if there is a change in underlying index. The capital structure depends on the issuance and redemption of units and the Fund is not exposed to the externally imposed minimum Fund maintenance requirement.

MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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 2012	Level 1	Level 2
	(Rupees in '000)	
'At fair value through profit or loss'		
<i>Held for trading</i>		
- Quoted equity securities	651,117	-
- Fixed income securities	-	34,452
30 June 2011		
'At fair value through profit or loss'		
<i>Held for trading</i>		
- Quoted equity securities	607,079	-
- Fixed 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:

20.1 Pattern of unit holding

Details of pattern of unit holding as at 30 June 2012

	As at 30 June 2012		
	Number of unit holders	Investment Amount	Percentage Investment
		(Rupees in '000)	
Individuals	326	89,442	12.33%
Associated companies / Directors	3	64,915	8.95%
Banks / DFIs	1	196,869	27.13%
NBFCs	1	8	0.00%
Retirement funds	10	310,111	42.74%
Others	8	64,176	8.85%
	349	725,521	100%

MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Details of pattern of unit holding as at 30 June 2011

	As at 30 June 2011		
	Number of unit holders	Investment Amount Rupees in '000	Percentage Investment
Individuals	316	50,878	7.34%
Associated companies / Directors	4	183,990	26.56%
Insurance companies	-	-	0.00%
Banks / DFIs	1	206,879	29.86%
NBFCs	1	60,122	8.68%
Retirement funds	6	164,477	23.74%
Public limited companies	-	-	0.00%
Others	8	26,526	3.82%
	336	692,872	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:

	2012 Percentage
1 Fortune Securities Limited	9.12%
2 Arif Habib Securities Limited	8.76%
3 KASB Securities Limited	7.99%
4 Foundation Securities Limited	7.31%
5 Invest and Finance Securities (Pvt) Limited	7.06%
6 Elixir Securities Pakistan (Pvt) Limited	6.64%
7 Topline Securities (Pvt) Ltd	6.19%
8 Optimus Securities Management Limited	4.33%
9 JS Global Capital Market Limited	4.33%
10 Habib Metro Financial Services Limited	4.16%
	2011 Percentage
1 Fortune Securities Limited	10.10%
2 KASB Securities Limited	9.77%
3 Foundation Securities Limited	8.84%
4 Invisor Securities (Pvt) Limited	8.71%
5 Invest and Finance Securities (Pvt) Limited	8.42%
6 Elixir Securities Pakistan (Pvt) Limited	7.24%
7 Arif Habib Securities Limited	5.59%
8 Topline Securities (Pvt) Ltd	5.32%
9 JS Global Capital Market Limited	5.10%
10 Next Capital Limited	4.08%

20.3 Attendance at meetings of the board of directors

The 89th, 90th, 91st, 92nd, 93rd, 94th, 95th, 96th and 97th Board meetings were held on 4 July 2011, 8 August 2011, 10 September 2011, 22 September 2011, 26 October 2011, 27 January 2012, 29 March 2012, 27 April 2012 and 25 June 2012, respectively.

**MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
Mr. Mian Mohammad Mansha	9	4	5	89th, 90th, 93rd, 96th and 97th
Mr. Nasim Beg	9	9	-	
Mr. Yasir Qadri (Chief Executive Officer)	9	9	-	
Dr. Syed Salman Ali Shah	9	8	1	92nd
Mr. Haroun Rashid	9	6	3	91st, 92nd and 95th
Mr. Ahmed Jahangir	9	7	2	91st and 92nd
Mr. Samad A. Habib	9	6	3	89th, 91st and 96th
Mr. Mirza Mehmood Ahmed	9	7	2	89th and 97th
Mr. M. Saqib Saleem (CFO & Company Secretary)	9	9	-	

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	17
Mr. Kashif Rafi	Senior Vice President - Investments	MBA & CFA level I	11
Mr. Muhammad Asim	Vice President - Head of Equities	MBA & CFA	9
Mr. Mohsin Pervez	Vice President - Investments	MBA & CFA level I	11
Mr. Syed Akbar Ali	Vice President - Head of Research	MBA & CFA	7

20.5 Other funds managed by the fund manager

Mr. Muhammad Asim

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

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

**MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

21. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on **August 15, 2012**.

22. GENERAL

Figures have been rounded off to the nearest thousand Rupees.



Chief Executive Officer

**For Arif Habib Investments Limited
(Management Company)**



Director

**MCB DYNAMIC STOCK FUND
PATTERN OF HOLDING AS PER REQUIREMENT OF
CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2012**

	Number of Unit Holders	Units
Associated Company, Undertakings, and Related Parties		
MCB Bank Limited	1	580,464
The Bank of Punjab	1	2,286,769
Adamjee Life Insurance Company Limited	1	165,832
MCB Employees Provident Fund (Pak Staff)	1	1,418,860
MCB Employees Pension Fund	1	1,087,311
D.G. Khan Cement Company Ltd Employees Provident Fund Trust	1	24,023
Director, CEO and their spouses and minor children		
Yasir Qadri	1	7,734
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance, Insurance Companies, Modarbas and Mutual Funds.		
	1	89
Individuals	326	1,038,913
Trust	8	1,095,978
Other Corporate	7	721,394
	<u>349</u>	<u>8,427,367</u>

**MCB DYNAMIC STOCK FUND
 PATTERN OF UNIT HOLDING BY SIZE
 FOR THE YEAR ENDED JUNE 30, 2012**

No. of Unit Holders	Units Holdings	Total Units Held
281	(SHAREHOLDING FROM 1.0000 TO 5000.0000)	289,922.92
32	(SHAREHOLDING FROM 5001.0000 TO 10000.0000)	220,307.55
10	(SHAREHOLDING FROM 10001.0000 TO 15000.0000)	112,816.28
3	(SHAREHOLDING FROM 15001.0000 TO 20000.0000)	50,267.91
2	(SHAREHOLDING FROM 20001.0000 TO 25000.0000)	47,143.63
3	(SHAREHOLDING FROM 25001.0000 TO 30000.0000)	80,202.11
1	(SHAREHOLDING FROM 30001.0000 TO 35000.0000)	34,457.42
1	(SHAREHOLDING FROM 35001.0000 TO 40000.0000)	37,308.63
1	(SHAREHOLDING FROM 90001.0000 TO 95000.0000)	92,595.16
1	(SHAREHOLDING FROM 100001.0000 TO 105000.0000)	101,107.38
1	(SHAREHOLDING FROM 110001.0000 TO 115000.0000)	111,470.49
1	(SHAREHOLDING FROM 165001.0000 TO 170000.0000)	165,832.05
1	(SHAREHOLDING FROM 180001.0000 TO 185000.0000)	182,263.54
1	(SHAREHOLDING FROM 195001.0000 TO 200000.0000)	196,732.39
1	(SHAREHOLDING FROM 210001.0000 TO 215000.0000)	212,380.67
2	(SHAREHOLDING FROM 265001.0000 TO 270000.0000)	532,518.98
1	(SHAREHOLDING FROM 270001.0000 TO 275000.0000)	274,223.72
1	(SHAREHOLDING FROM 310001.0000 TO 315000.0000)	312,411.70
1	(SHAREHOLDING FROM 580001.0000 TO 585000.0000)	580,464.06
1	(SHAREHOLDING FROM 1085001.0000 TO 1090000.0000)	1,087,311.03
1	(SHAREHOLDING FROM 1415001.0000 TO 1420000.0000)	1,418,860.42
1	(SHAREHOLDING FROM 2285001.0000 TO 2290000.0000)	2,286,768.94
349	Total :	8,427,367

**MCB DYNAMIC STOCK FUND
PERFORMANCE TABLE
FOR THE YEAR ENDED JUNE 30, 2012**

Performance Information	2012	2011	2010	2009	2008	2007
Total Net Assets Value – Rs. in million	725.52	698.00	651	643	863	958.66
Net Assets value per unit – Rupees	86.09	82.71	96.68	75.95	95.27	131.96
Highest offer price per unit	103.74	108.17	114.16	97.36	137.81	135.35
Lowest offer price per unit	78.55	79.66	77.9	47.88	95.54	101.83
Highest Redemption price per unit	101.21	104.93	111.31	94.92	134.37	131.96
Lowest Redemption price per unit	76.64	77.27	75.95	46.68	93.54	99.29
Distribution per unit (annual)* – Rs.	12.02	20.50	18.6601	-	-	25
Net Assets Value before distribution	97.38	103.37	96.6847	N/a	N/a	131.96
Net Assets Value after distribution	85.36	82.87	78.0246	N/a	N/a	106.96
Average Annual Return - %						
One year (2007: inception date March 01, 2007)	18.70	32.22	27.3	-20.3	-10.82	31.96
Two year (inception date March 01, 2007)	28.50	68.32	(1.5)	-28.99	1.69	N/a
Three year (inception date March 01, 2007)	33.30	34.18	(9.6)	-6.3	N/a	N/a
Net Income / (loss) for the year / period – Rs. in million	117.02	176.78	139.570	-163.586	-105.942	232.23
Income Distribution – Rs. in million	88.49	137.56	125.613	-	-	181.63
Accumulated Capital Growth – Rs. in million	28.53	41.22	13.957	-	-	50.596

Disclaimer

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