

# **MCB DYNAMIC STOCK FUND CONTENTS**

<b>1</b>	<b>Fund's Information .....</b>	<b>1</b>
<b>2</b>	<b>Report of the Director of the Management Company .....</b>	<b>2</b>
<b>3</b>	<b>Report of the Fund Manager .....</b>	<b>6</b>
<b>4</b>	<b>Trustee Report to the Unit Holders .....</b>	<b>7</b>
<b>5</b>	<b>Statement of Compliance with the Code of Corporate Governance .....</b>	<b>8</b>
<b>6</b>	<b>Review Report to the Unit Holders on the statement of Compliance .....</b> <b>with the Best Practices of the Code of Corporate Governance</b>	<b>10</b>
<b>7</b>	<b>Independent Auditor's Report to the Unit Holders .....</b>	<b>11</b>
<b>8</b>	<b>Statement of Assets and Liabilities .....</b>	<b>13</b>
<b>9</b>	<b>Income Statement .....</b>	<b>14</b>
<b>10</b>	<b>Distribution Statement .....</b>	<b>15</b>
<b>11</b>	<b>Statement of Movement in Unit Holders' Fund .....</b>	<b>16</b>
<b>12</b>	<b>Cash Flow Statement .....</b>	<b>17</b>
<b>13</b>	<b>Notes to and Forming part of the Financial Statements .....</b>	<b>18</b>
<b>14</b>	<b>Pattern of holding as per Requirement of Code of Corporate Governance .....</b>	<b>40</b>
<b>15</b>	<b>Pattern of Unit Holding (Size) .....</b>	<b>41</b>
<b>16</b>	<b>Performance Table .....</b>	<b>42</b>

## **MCB DYNAMIC STOCK FUND FUND'S INFORMATION**

<b>Management Company</b>	Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi
<b>Board of Directors of the Management Company</b>	Mian Mohammad Mansha 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)
<b>Company Secretary &amp; CFO of the Management Company</b>	Mr. Muhammad Saqib Saleem
<b>Audit Committee</b>	Mr. Nasim Beg Mr. Haroun Rashid Mr. Samad A. Habib Mr. Ali Munir
<b>Trustee</b>	Central Depository Company of Pakistan Limited CDC House, 990B, Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400
<b>Bankers</b>	MCB Bank Limited Bank Alfalah Limited NIB Bank Limited Faysal Bank Limited
<b>Auditors</b>	A.F. Ferguson & Co. - Chartered Accountants State Life Building No. 1-C, I.I. Chundrigar Road, Karachi-74000.
<b>Legal Advisor</b>	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530
<b>Transfer Agent</b>	Arif Habib Investments Limited 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.
<b>Rating</b>	AM2 (Positive Outlook) – Management Quality Rating assigned by PACRA

# MCB DYNAMIC STOCK FUND REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2011

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 ending 30th June, 2011.

## Equities Market Overview

Equities recorded second consecutive year of stellar performance with the KSE-100 index rising by about 29% in FY11 on top of 36% return posted in FY10. Pakistan equity market also remained the 3rd best performing market in the region after Indonesia and Thailand which posted 33% and 31% returns respectively.

KSE -100 Index made the fresh start with 76 points plus at 9,740 on its 1st day and closed the first month in same zeal at +8.2%. However the momentum halted abruptly as severe floods hit across provinces causing substantial damages and losses. Economic gloom pulled the index in the negative territory making a low of 9,488 on August 17, 2010. However persistent foreign inflow amounting to USD 105 m in the first quarter, turned the sentiment at KSE positive and second quarter proved to be the best performing period of the year and about 74% of the total annual performance could be attributed to this period. With the exception of initial period, market remained lackluster during most part of the 2nd half of the year where major dampeners included the political unrest in MENA region and highly volatile US-Pak diplomatic relationship. KSE-100 index closed the year at 12,496, down 2.1% from its year high of 12,768 made on Jan 17, 2011; overall 29% up YoY.

While returns remained impressive, volumes were unprecedentedly low. In its first year, post imposition of CGT, retail investors remained largely inactive as foreign investors and local institutions including Banks, Corporates and Mutual Funds demonstrated marginal interest. During the year, average daily turnover declined significantly to about 95 million shares, down 40% on YoY basis. KSE Management attempted to enthrone the market by introducing leverage products including Margin Trading System and Market Financing System and made few modifications in futures market, but to no avail.

Macro-economic factors challenging the KSE performance included strong detriments like capital gains tax, a cumulative 150 basis points increase in discount rate in an already high interest rate environment, economic loss due to floods and higher Oil prices and lower foreign flows. Some of the positives that propelled KSE in positive territory included strong external account position on the back of increased textile exports, flood-related foreign aids, coalition support fund and record-high remittances ultimately translating in a relatively stable exchange rate and record FX reserves. Moreover, strong liquidity from booming rural economy and persistent foreign interest in domestic equities, which continued to trade at a discount of around 35~40% despite strong dividend yield (near 7%) and corporate earnings growth (+20% YoY) helped the market to exhibit strong performance.

Sector wise, Food Producers, Metals and Mining, Beverages and Chemicals outperformed the KSE-100 index while the major sectors and index heavy weights including Banks and Oil & Gas Sectors remained among the underperformers while best performing stocks included Nestle, FFC, FFBL, POL and LOTPTA.

## Future Outlook

We believe that the global economic environment would remain jittery in the near term, which could provide further hiccups to the international as well as local equity markets. An unexpected 50 bps DR cut by the SBP during the early part of FY12 bodes well for the market, however, a ballooning fiscal deficit would continue to 'crowd out' domestic capital markets. Strong earnings growth, sizeable discount to regional markets, high dividend yields 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. Overall the fund maintained its exposure in those sectors and stocks that are largely immune fundamentally from weak macroeconomic indicators such as Oil & Gas, OMCs, Power and Fertilizer sectors. The fund remained committed towards its philosophy of top-down investment approach, where macroeconomic factors play a critical role in setting the overall strategy of the fund.

The fund generated a return of 32.2% during the year as against its benchmark KSE-30 Index return of 21.2%, a significant out-performance of 11.0%. Since inception return of the fund has been staggering at 57.7% as against its benchmark return of -17.5%, an out-performance by 75.2%.

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

Performance Information (%)	MCB DSF	Benchmark
Last twelve Months Return	32.2%	21.2%
Since Inception	57.7%	-17.5%

During the year your fund earned net income of Rs 176.77 million. The Board in the meeting held on 23rd June, 2011 has declared final distribution amounting to Rs. 137.56 million (i.e. Rs. 20.50 per unit).

During the period, units worth Rs.261.07 million (including Rs. 263.17 million worth of bonus units) were issued and units with a value of Rs. 411.60 million were redeemed. As on 30th June 2011 the NAV of the Fund was Rs. 82.71 per unit.

# **MCB DYNAMIC STOCK FUND REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2011**

## **Update on Worker's Welfare Fund**

The amendments made through Finance Act, 2008 to the Workers' Welfare Fund (WWF) Ordinance, 1971, brought Mutual Funds in embed of the said Ordinance. MUFAP on behalf CIS filed a Constitutional Petition in Sindh High Court challenging the applicability of WWF to the CIS. However, after the court order dispensing the filed petition, your Fund has recorded the entire liability and started accruing the provision on daily basis.

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 after the receipt of decision made of LHC firmly believes that there is no compelling reason to make further provision on account of WWF contribution. However, as matter of abundant caution and prudence the Management Company of the Fund has decided not reverse the provision already till the decision of Honorable Sind High Court.

## **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 the 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. As per note 1.2 of financial statements, MCB Asset Management Company Limited merged with and into Arif Habib Investments Limited on June 27, 2011:

Before the said merger the 20th, 21st, 22nd, 23rd, 24th and 25th BoD meetings of MCB Asset Management Company Limited were held on July 1, 2010, September 7, 2010, October 18, 2010, January 28, 2011, April 27, 2011 and June 23, 2011 respectively. Information in respect of attendance by Directors in the meetings is given below:

**MCB DYNAMIC STOCK FUND  
REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY  
FOR THE YEAR ENDED JUNE 30, 2011**

S.#	Name of persons attending the meetings	Designation	Number of Meetings			
			No. of Meeting Held	Attendance Required	Attended	Leave Granted
1.	Mian Mohammad Mansha	Chairman	6	6	5	1
2.	Mr. U.A. Usmani	Director	6	6	6	-
3.	Mr. Ali Munir	Director	6	6	6	-
4.	Mr. Ahmed Jahangir	Director	6	6	6	-
5.	Mr. Haroun Rashid	Director	6	6	3	3
6.	Mr. Syed Waliullah Shah	Director	6	6	4	2
7.	Mr. Samir Saigol	Director	6	6	6	-
8.	Mr. Ismail Arif Rafi *	Director	6	5	4	1
9.	Mr. Yasir Qadri	Chief Executive	6	6	6	-

\* The above director was appointed during the year and only five meetings of the Board were held after his appointment

Pursuant to merger, the 88th BoD meeting of Arif Habib Investments Limited was held on June 27, 2011. Information in respect of attendance by Directors in the meetings is given below:

S.#	Name of persons attending the meetings	Designation	Number of Meetings			
			No. of Meeting Held	Attendance Required	Attended	Leave Granted
1.	Mr. Shafi Malik *	Former Chairman	1	1	1	-
2.	Mr. Nasim Beg **	Exe Vice Chairman	1	1	1	-
3.	Mr. Muhammad Akmal Jameel *	Former Director	1	1	1	-
4.	Mr. Muhammad Kashif *	Former Director	1	1	-	1
5.	Syed Ajaz Ahmed *	Former Director	1	1	-	1
6.	Mr. Sirajuddin Cassim *	Former Director	1	1	-	1
7.	Mr. S. Gulrez Yazdani *	Former Director	1	1	1	-
8.	Mr. Samad A. Habib	Director	1	1	1	-
9.	Mian Mohammad Mansha ***	Chairman	1	1	1	-
10.	Mr. Yasir Qadri ***	Chief Executive	1	1	1	-
11.	Syed Salman Ali Shah ***	Director	1	1	1	-
12.	Mr. Haroun Rashid ***	Director	1	1	1	-
13.	Mr. Ahmed Jahangir ***	Director	1	1	1	-
14.	Mr. Mirza Mahmood Ahmad ***	Director	1	1	1	-

\* The above directors resigned in the 88th meeting held on 27th June, 2011.  
\*\* Mr. Nasim Beg resigned as Chief Executive on 27th June, 2011 and appointed as Executive Vice Chairman on the same date.  
\*\*\* Appointed on 27th June, 2011 and their approval of appointment from SECP is awaited.

m. During the period under review following trades in the units of the fund were carried out by the Directors, CEO, CFO/Company Secretary and their spouses and minor children, including those disclosed in note # 19 to the financial statements:

Name	Designation	Unit Purchased	Units Redeemed
Mr. Yasir Qadri	CEO	2,879	-
Mr. Muhammad Saqib Saleem	CFO / Company Secretary	-	-

**External Auditors**

The fund's external auditors, Messers A.F. Ferguson & Co., Chartered Accountants, have retired after the conclusion of audit for current year. Due to completion of maximum time allowed under Code Corporate Governance, they are not eligible for reappointment. The audit committee of the Board has recommended appointment of KPMG Taseer Hadi Khalid and Co., Chartered Accountants (who have given consent to such appointment) as auditors for the year ending June 30, 2012.

**MCB DYNAMIC STOCK FUND  
REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY  
FOR THE YEAR ENDED JUNE 30, 2011**

**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.

**For and on behalf of the board**

**Yasir Qadri  
Chief Executive**

**Karachi: September 20, 2011**

# MCB DYNAMIC STOCK FUND REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2011

## 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

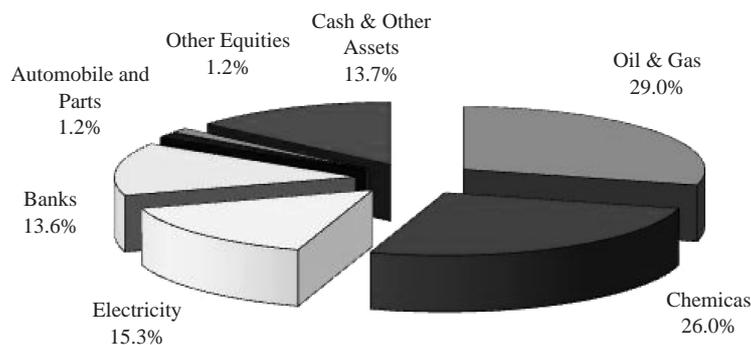
During the year under review, the NAV per unit of MCB Dynamic Stock Fund has increased by 32.2% as compared to the benchmark KSE-30 Index return of 21.2%, resulting in an out performance of 11% by the fund. The fund kept its exposure in those stocks and sectors that are largely immune fundamentally from deteriorating macroeconomic indicators. Widening fiscal deficit, slowdown in real economy, stubborn inflationary pressures and lack of foreign flows are the critical areas which pose great risk to the sustainability of the recent performance of the equities market.

The fund started the year with an equity allocation of 84% which was gradually reduced and average allocation for the first half of the year was remained around 75%. The fund's return during the first half was 24.8% against the benchmark's return of 21.3%, an out-performance of 3.5%. A sizeable growth in the local bourses was driven primarily by significant foreign inflows (FIPI) during the period, which was then also complemented by the local players amid improvement in overall market liquidity. Average equity allocation of the fund during the second half was around 86% while the focus remained on defensive stocks.

The fund reduced its overall equity allocation significantly at the beginning of the year as the country faced worst-ever floods which effected some of the listed companies from the Power, Oil & Gas and Fertilizer sector but gradually enhanced its allocation towards defensive sectors. Power sector allocation dropped from 9% in the beginning of the year to as low as 5.3% and enhanced to 8.1% towards the end of the year. Oil & Gas allocation dropped from 30.3% to as low as 22.5% in the beginning of the year while towards the end of the period the fund enhanced its allocation up to 34.8%. Fertilizer sector allocations dropped from 10.1% to 5.8% in the first few months of the period while it increased its allocation to 16.4% by the end of the year on the back of strong earnings growth expectations.

Since inception return of the fund was 57.7% as compared to the benchmark's return of -17.5%, an out-performance of 75.2%. The fund's Net Assets increased by 6.5% from PKR 651 Million at the beginning of the year to PKR 693 Million as on June 30, 2011. 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, 2011 (% of total assets)



**Mr. Muhammad Asim, CFA**  
Fund Manager

Karachi: September 20, 2011

# **MCB DYNAMIC STOCK FUND TRUSTEE REPORT TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2011**

## **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**

The MCB Dynamic Stock Fund (the Fund), an open-end fund was established under a trust deed dated November 10, 2006, executed between MCB Asset Management Company Limited (MCB AMC), as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

During the year MCB AMC merged with and into Arif Habib Investments Limited (AHIL). Based on interim relief granted by the Honourable High Court Sindh at Karachi against the order of the Securities & Exchange Commission of Pakistan regarding extension of effective date of merger vide its letter dated June 27, 2011, AHIL is continuing as the Management Company of the fund till the final resolution of the case.

In our opinion, the Management Company has in all material respects managed the Fund during the year ended June 30, 2011 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 (NBFC Regulations) and the constitutive documents of the Fund.

We would like to draw unit holders attention towards the compliance of Regulation 63 of the NBFC Regulations which requires all Fund's to distribute by way of dividend not less than ninety percent of its accounting income received or derived from sources other than unrealized capital gain as reduced by such expenses as are chargeable to Fund's under NBFC Regulations. However, the Fund has not complied with the said requirement.

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

Karachi: October 26, 2011

## **MCB DYNAMIC STOCK FUND STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2011**

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 contained in Chapter XI 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 former management company, MCB Asset Management Company Limited (now merged with and into Arif Habib Investments Limited) and 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 three independent non-executive directors out of a total of eight directors.
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 NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. As explained in note 1.2 to the financial statements of the Fund for the year ended June 30, 2011, due to amalgamation of MCB Asset Management Company Limited with and into Arif Habib Investments Limited the Board of Directors of the former Management Company stand dissolved on June 27th, 2011. Mr. Muhammad Shafi Malik, Mr. Sirajuddin Cassim, Mr. Muhammad Akmal Jameel, Mr. Muhammad Kashif, Mr. S. Gulrez Yazdani and Syed Ajaz Ahmed, directors of Arif Habib Investments Limited (post merger Management Company of the Fund) had resigned and were replaced by Mian Mohammad Mansha, Mr. Haroun Rasheed, Mr. Ahmed Jahangir, Mr. Yasir Qadri, Dr. Salman Shah and Mr. Mirza Mehmood Ahmad, respectively, as directors of the Management Company.
5. A casual vacancy occurred in the Board in the last year which was duly filled in by the appointment of another director during the current year.
6. The Management Company has prepared a 'Statement of Ethics and Business Practices', which has been approved by the Board of Directors and signed by all the directors and employees of the Management Company.
7. The Board has developed a 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.
8. 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 (CEO) and Executive Vice Chairman has been taken by the Board. As on June 30, 2011, there are no other executive directors of the Management Company besides the Executive Vice Chairman and Chief Executive.
9. 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, except for emergency meeting for which written notice of less than seven days was served. The minutes of the meetings were appropriately recorded and circulated.
10. The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
11. The Company has planned to conduct an orientation course for its directors, in the near future to appraise them of their duties and responsibilities.
12. The Board has approved appointment, remuneration and terms and conditions of the employment of Chief Financial Officer and Company Secretary and Head of Internal Audit, as determined by the Chief Executive Officer.
13. The Directors' Report of the Fund for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
14. The Directors, CEO 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.
15. The financial statements of the Fund were duly endorsed by the CEO and CFO of the Management Company before approval of the Board.
16. The Management Company has complied with all the corporate and financial reporting requirements of the Code.
17. The Board has formed an audit committee for the Management Company. It comprises of four members, out of which two are non-executive directors.
18. 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.

**MCB DYNAMIC STOCK FUND  
STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE  
FOR THE YEAR ENDED JUNE 30, 2011**

19. The internal audit function of MCB Asset Management Company (now merged with and into Arif Habib Investments Limited) was outsourced to M/s Ford Rhodes Sidat Hyder & Co. Chartered Accountants, Karachi. However, as M/s Ford Rhodes Sidat Hyder & Co was acting as statutory auditors of Arif Habib Investments Limited (post merger Management Company of the Fund), they had resigned on the date of amalgamation. The Management Company has an in-house effective internal audit function and the internal auditors are suitably qualified and experienced for the purpose and are well conversant with the policies and procedures of the Fund.
20. 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, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Management Company or units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
21. 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 IFAC guidelines in this regard.
22. We confirm that all other material principles contained in the Code have been complied with.

**For and on behalf of the board**

**Yasir Qadri  
Chief Executive**

**Karachi: September 20, 2011**

**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, 2011**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Arif Habib Investments Limited (the Management Company) for and on behalf of MCB Dynamic Stock Fund to comply with the requirements of Chapter XI of the Listing Regulations of the 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 the 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Sub-Regulation (xiii a) of Listing Regulation No. 35 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 prices 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 the above requirements 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 undertaken at arm's length prices 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 Management Company's compliance for and on behalf of the Fund, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2011.

**A.F. Ferguson & Co.  
Chartered Accountants  
Karachi  
Dated: 25th October 2011**

# **MCB DYNAMIC STOCK FUND INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2011**

We have audited the accompanying financial statements of **MCB Dynamic Stock Fund**, which comprise the statement of assets and liabilities as at June 30, 2011, and the related income statement, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

## **Management Company's responsibility for the financial statements**

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

## **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing 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 misstatements.

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

## **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at June 30, 2011 and of its financial performance, cash flows and transactions for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

## **Other matters**

In our opinion, the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

**A.F. Ferguson & Co.**  
Chartered Accountants  
Engagement Partner: Salman Hussain

**Dated: 25th October 2011**  
**Karachi**

# **FINANCIAL STATEMENTS**

**MCB DYNAMIC STOCK FUND  
STATEMENT OF ASSETS AND LIABILITIES  
AS AT JUNE 30, 2011**

	Note	2011	2010
<b>(Rupees in '000)</b>			
<b>ASSETS</b>			
Balances with banks	4	59,684	23,858
Investments	5	607,079	619,813
Dividend and other receivables	6	1,902	2,006
Receivable against sale of investments		30,195	6,784
Security deposits and prepayments	7	3,952	3,700
Preliminary expenses and floatation costs	8	422	1,060
<b>Total assets</b>		<b>703,234</b>	<b>657,221</b>
<b>LIABILITIES</b>			
Payable to the Management Company	9	1,719	1,668
Payable to the Trustee	10	148	116
Payable to Securities and Exchange Commission of Pakistan	11	635	678
Payable against redemption of units		2	-
Accrued and other liabilities	12	7,858	3,912
<b>Total liabilities</b>		<b>10,362</b>	<b>6,374</b>
<b>NET ASSETS</b>		<b>692,872</b>	<b>650,847</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>692,872</b>	<b>650,847</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	13		
<b>(Number of Units)</b>			
<b>NUMBER OF UNITS IN ISSUE</b>		<b>8,377,549</b>	<b>6,731,650</b>
<b>(Rupees)</b>			
<b>NET ASSET VALUE PER UNIT</b>	14	<b>82.71</b>	<b>96.68</b>

The annexed notes 1 to 31 form an integral part of these financial statements.

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

Chief Executive

Director

**MCB DYNAMIC STOCK FUND  
INCOME STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2011**

	Note	30 June, 2011	30 June, 2010
<b>(Rupees in '000)</b>			
<b>INCOME</b>			
Capital gain on sale of investments		155,961	206,930
Income from government securities		8,108	344
Dividend income		40,454	36,770
Profit on bank deposits	16	4,099	5,118
		<b>208,622</b>	249,162
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5.3	17,841	(36,824)
		<b>226,463</b>	212,338
<b>EXPENSES</b>			
Remuneration of the Management Company		20,045	18,065
Remuneration of the Trustee		1,336	1,427
Annual fee - Securities and Exchange Commission of Pakistan		635	678
Brokerage, capital value tax and settlement charges		6,432	7,555
Amortisation of preliminary expenses and floatation costs	8	638	638
Auditors' remuneration	17	625	570
Bank charges		81	47
Other expenses		508	654
		<b>30,300</b>	29,634
<b>Net income from operating activities</b>		<b>196,163</b>	182,704
Element of (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed		(15,779)	(40,285)
Provision for Workers' Welfare Fund	19	(3,608)	(2,849)
<b>Net income for the year before taxation</b>		<b>176,776</b>	139,570
Taxation	20	-	-
<b>Net income for the year after taxation</b>		<b>176,776</b>	139,570
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>176,776</b>	139,570
<b>Earnings per unit</b>	3.11		

The annexed notes 1 to 31 form an integral part of these financial statements.

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

Chief Executive

Director

**MCB DYNAMIC STOCK FUND  
DISTRIBUTION STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>30 June, 2011</b>	<b>30 June, 2010</b>
	<b>(Rupees in '000)</b>	
<b>Accumulated loss brought forward</b>		
Realised income / (loss)	<b>18,786</b>	(215,315)
Unrealised (loss) / income	<b>(41,113)</b>	11,707
	<b>(22,327)</b>	(203,608)
Element of (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed - amount that forms part of the unit holders' fund	<b>(36,169)</b>	41,711
Net income for the year after taxation	<b>176,776</b>	139,570
Final distribution for the year ended June 30, 2010 at Rs 18.6601 per unit (2009: Rs. Nil per unit) (Date of distribution July 1, 2010) - Bonus distribution	<b>(125,613)</b>	-
Interim distribution during the year ended June 30, 2011 at Rs. 20.5 per unit (2010: Rs. Nil per unit) (Date of distribution June 23, 2011) - Bonus distribution	<b>(137,559)</b>	-
<b>Accumulated loss carried forward</b>	<b>(144,892)</b>	(22,327)
<b>Accumulated loss comprising:</b>		
Realised income	<b>(162,550)</b>	18,786
Unrealised (loss) / income	<b>17,658</b>	(41,113)
	<b>(144,892)</b>	(22,327)

The annexed notes 1 to 31 form an integral part of these financial statements.

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

Chief Executive

Director

**MCB DYNAMIC STOCK FUND  
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>30 June, 2011</b>	<b>30 June, 2010</b>
	<b>(Rupees in '000)</b>	
<b>Net assets at the beginning of the year</b>	<b>650,847</b>	642,998
Issue of 2,932,963 units (2010: 3,625,401 units)	<b>261,069</b>	359,817
Redemption of 4,556,951 units (2010: 5,359,734 units)	<b>(411,599)</b>	(531,823)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	<b>(150,530)</b>	(172,006)
- amount representing (income) / loss and capital (gains) / losses - transferred to income statement	<b>15,779</b>	40,285
- amount representing (loss) / income that form part of unit holders' fund - transferred to distribution statement	<b>36,169</b>	(41,711)
	<b>51,948</b>	(1,426)
Final distribution of 1,609,919 bonus units for the year ended June 30, 2010 at Rs 18.6601 per unit (2009: Nil bonus units)	<b>125,613</b>	-
Interim distributions of 1,659,968 bonus units during the year ended June 30, 2011 at Rs. 20.5 per unit (2010: Nil bonus units)	<b>137,559</b>	-
Element of income and capital gains included in prices of units issued less those in units redeemed - amount representing unrealised income	<b>(36,169)</b>	41,711
Final distribution of 1,609,919 bonus units for the year ended June 30, 2010 (2009: Nil bonus units)	<b>(125,613)</b>	-
- Bonus distribution	<b>(125,613)</b>	-
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	<b>17,841</b>	(36,824)
Capital gain on sale of investments	<b>155,961</b>	206,930
Other operating income / (loss)	<b>2,974</b>	(30,536)
Interim distributions of 1,659,968 bonus units during the year ended June 30, 2011 (2010: Nil bonus units)	<b>(137,559)</b>	-
- Bonus distribution	<b>(137,559)</b>	-
Net income / (loss) for the year	<b>(86,396)</b>	139,570
<b>Net assets as at the end of the year</b>	<b>692,872</b>	650,847

The annexed notes 1 to 31 form an integral part of these financial statements.

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

Chief Executive

Director

**MCB DYNAMIC STOCK FUND  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2011**

Note	30 June, 2011	30 June, 2010
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	176,776	139,570
<b>Adjustments for non-cash charges and other items:</b>		
Capital gain on sale of investments	(155,961)	(206,930)
Income from government securities	(8,108)	(344)
Dividend income	(40,454)	(36,770)
Net unrealised (appreciation) / diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(17,841)	36,824
Amortisation of preliminary expenses and floatation costs	638	638
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed	15,779	40,285
	(29,171)	(26,727)
<b>(Increase) / decrease in assets</b>		
Investments	146,583	145,964
Profit receivable	(26)	(81)
Security deposits and prepayments	(252)	22
	146,305	145,905
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	51	(398)
Payable to the Trustee	32	9
Payable to Securities and Exchange Commission of Pakistan	(43)	100
Payable against redemption of units	2	-
Accrued and other liabilities	3,946	2,988
	3,988	2,699
Dividend received	121,122	121,877
Net cash generated from operating activities	40,584	37,533
	161,706	159,410
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipt from issue of units	261,069	359,817
Payments on redemption of units	(411,599)	(531,823)
Net cash used in financing activities	(150,530)	(172,006)
<b>Net increase / (decrease) in cash and cash equivalents during the year</b>	11,176	(12,596)
Cash and cash equivalents at the beginning of the year	48,508	61,104
<b>Cash and cash equivalents at the end of the year</b>	59,684	48,508

18

The annexed notes 1 to 31 form an integral part of these financial statements.

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

Chief Executive

Director

# **MCB DYNAMIC STOCK FUND**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED JUNE 30, 2011**

#### **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 December 12, 2006. It was constituted under a Trust Deed dated November 10, 2006 amended by a Supplemental Trust Deed dated January 21, 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 27th 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 June 10, 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 30th July 2011 (through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AHI/348/2011 dated June 27, 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 honourable Sindh High Court (SHC). The honourable 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 a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.

**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 the 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 a rating of '4-Star-normal' to the Fund.

**1.4** Title to the assets of the Fund are held in the name of CDC as a trustee of the Fund.

#### **2. BASIS OF PREPARATION**

##### **2.1 Statement Of Compliance**

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

##### **2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year**

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the year and are mandatory for accounting periods beginning on or after July 1, 2010 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not detailed in these financial statements.

# **MCB DYNAMIC STOCK FUND**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED JUNE 30, 2011**

#### **2.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective and have not been early adopted**

The following revised standard has been published and is mandatory for accounting periods beginning on or after July 1, 2011:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Fund will apply the revised standard from July 1, 2011. The Fund is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.

There are other amendments to the standards, improvements to International Financial Reporting Standards 2010 and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

#### **2.4 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments and impairment thereagainst (note 3.2).

#### **2.5 Accounting convention**

These financial statements have been prepared under the historical cost convention except for investments which are carried at fair value.

#### **2.6 Functional and presentation currency**

These financial statements are presented in Pak Rupees, which is the Fund's functional and presentation currency.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated:

#### **3.1 Cash and cash equivalents**

Cash and cash equivalents include bank balances and other short term highly liquid investments with original maturities of three months or less and which are subject to insignificant changes in value.

#### **3.2 Financial assets**

##### **3.2.1 Classification**

The Fund classifies its financial assets in the following categories: (a) at fair value through profit or loss and (b) loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the appropriate classification of its financial assets at initial recognition.

##### **a) Financial assets at fair value through profit or loss**

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the 'Financial assets at fair value through profit or loss' category.

##### **b) Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

# **MCB DYNAMIC STOCK FUND**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED JUNE 30, 2011**

#### **3.2.2 Regular way contracts**

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. The trade date is the date on which the Fund commits to purchase or sell the assets.

#### **3.2.3 Initial recognition and measurement**

##### **a) Financial assets 'at fair value through profit or loss'**

These investments are initially recognised at fair value. Transaction costs are expensed in the Income Statement.

##### **b) Loans and receivables**

These are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of such assets.

#### **3.2.4 Subsequent measurement**

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss are valued as follows:

##### **a) Basis of valuation of government securities**

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Market Association of Pakistan.

##### **b) Basis of valuation of equity securities**

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

Net gains and losses arising on changes in the fair value of financial assets carried at fair value through profit or loss are taken to the Income Statement.

Subsequent to initial recognition financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method.

Gain or loss is also recognised in the 'income statement' when financial assets carried at amortised cost are derecognised or impaired, and through the amortisation process.

#### **3.2.5 Impairment of financial assets**

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset 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.

Provision for non-performing exposures is made in accordance with the criteria specified in circular 1 dated January 6, 2009 and circular 13 dated May 4, 2009 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company.

#### **3.2.6 Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Fund has transferred substantially all risks and rewards of ownership.

# **MCB DYNAMIC STOCK FUND**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED JUNE 30, 2011**

#### **3.2.7 Offsetting of financial assets and liabilities**

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

#### **3.3 Derivatives**

Derivative instruments are initially recognised at cost and subsequently each derivative instrument is remeasured at its fair value and the resultant gains and losses are recognised in the income statement.

#### **3.4 Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

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

#### **3.7 Taxation**

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 the accounting income for the year, as reduced by capital gains, whether realised or unrealised is distributed among the unit holders.

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

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

#### **3.8 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.

**MCB DYNAMIC STOCK FUND  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**3.9 Proposed distributions**

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

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

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

The Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period which pertains to income / (losses) held in the Unit Holder's 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.

**3.11 Earning Per Unit**

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

**3.12 Revenue recognition**

- Dividend income is recognised when the right to receive dividend is established.
- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on remeasurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Profit on bank deposits and term deposit receipts is recognised on an accrual basis.
- Income from government securities is accrued using the effective interest method.

**4. BALANCES WITH BANKS**

	Note	2011	2010
		(Rupees in '000)	
In current accounts		41	41
In saving accounts	4.1	59,643	23,817
		59,684	23,858

4.1 These carry mark-up at rates ranging between 5% to 13.3% per annum (2010: 5% to 10.5% per annum).

**5. INVESTMENTS**

	Note	2011	2010
		(Rupees in '000)	
<b>Financial assets at fair value through profit or loss - 'held for trading'</b>			
Listed equity securities	5.1	607,079	595,163
Government securities	5.2	-	24,650
		607,079	619,813

**MCB DYNAMIC STOCK FUND**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**5.1 Listed equity securities - at fair value through profit or loss**

Name of the Investee company	Number of shares					Balance as at June 30, 2011			Market value as a percentage of net assets	Market value as percentage of total investment	Percentage of paid up capital of investee company held
	As at July 1, 2010	Purchased during the year	Bonus / Right Shares	Disposed of during the year	As at June 30, 2011	Cost	Market value	Appreciation / (Diminution)			

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

----- (Rupees in '000) -----

**Automobile and Parts**

Agriauto Industries Limited *	227,600	619	-	104,906	123,313	8,509	8,570	61	1.24	1.41	0.86%
Indus Motor Company Limited	51,276	13,741	-	65,017	-	-	-	-	-	-	-
Pak Suzuki Motor Company Limited	-	3,579	-	-	3,579	241	224	(17)	0.03	0.04	0.00%
						<b>8,750</b>	<b>8,794</b>	<b>44</b>	<b>1.27</b>	<b>1.45</b>	

**Banks**

Allied Bank Limited	-	446,565	27,991	159,819	314,737	19,093	20,187	1,094	2.91	3.33	0.04%
Bank Alfalah Limited	406,907	100,000	-	506,907	-	-	-	-	-	-	-
Bank ALHabib Limited	90,000	564,629	102,871	99,101	658,399	19,862	19,403	(459)	2.80	3.19	0.07%
Habib Bank Limited	137,153	138,141	-	275,294	-	-	-	-	-	-	-
MCB Bank Limited	150,867	232,553	1,531	384,951	-	-	-	-	-	-	-
Meezan Bank Limited	25,000	1,136,152	155,422	25,000	1,291,574	20,593	22,564	1,971	3.26	3.72	0.16%
National Bank of Pakistan	140,370	1,224,157	84,988	1,364,515	85,000	4,517	4,286	(231)	0.62	0.71	0.01%
Soneri Bank Limited	-	1,910,000	-	-	1,910,000	9,779	9,684	(95)	1.40	1.60	0.32%
United Bank Limited	532,314	780,004	-	995,632	316,686	19,311	19,606	295	2.83	3.23	0.03%
						<b>93,155</b>	<b>95,730</b>	<b>2,575</b>	<b>13.82</b>	<b>15.78</b>	

**Chemicals**

Dawood Hercules Chemicals Limited	-	119,875	-	119,875	-	-	-	-	-	-	-
Engro Corporation Limited	229,305	791,909	21,555	731,913	310,856	57,042	50,747	(6,295)	7.32	8.36	0.08%
Fatima Fertilizers Company Limited	-	2,752,762	-	660,000	2,092,762	28,878	34,823	5,945	5.03	5.74	0.10%
Fauji Fertilizer Bin Qasim Limited	705,903	2,203,087	-	2,215,351	693,639	29,234	29,237	3	4.22	4.82	0.07%
Fauji Fertilizer Company Limited	329,171	1,066,150	111	945,217	450,215	59,391	67,690	8,299	9.77	11.15	0.05%
I.C.I. Pakistan Limited	-	74,201	-	74,201	-	-	-	-	-	-	-
Lotte Pakistan PTA Limited	-	4,453,130	-	4,453,130	-	-	-	-	-	-	-
						<b>174,545</b>	<b>182,497</b>	<b>7,952</b>	<b>26.34</b>	<b>30.07</b>	

**MCB DYNAMIC STOCK FUND**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Name of the Investee company	Number of shares					Balance as at June 30, 2011			Market value as a percentage of net assets	Market value as percentage of total investment	Percentage of paid up capital of investee company held
	As at July 1, 2010	Purchased during the year	Bonus / Right Share	Disposed of during the year	As at June 30, 2011	Cost	Market value	Appreciation / (Diminution)			
----- (Rupees in '000) -----											
<b>Construction and Materials</b>											
Attock Cement Pakistan Limited	-	246,442	-	246,442	-	-	-	-	-	-	-
D.G.Khan Cement Company Limited	125,000	1,252,405	15,000	1,392,405	-	-	-	-	-	-	-
Lucky Cement Limited	149,452	950,344	-	980,161	119,635	8,310	8,475	165	1.22	1.40	0.04%
						<b>8,310</b>	<b>8,475</b>	<b>165</b>	<b>1.22</b>	<b>1.40</b>	
<b>Electricity</b>											
The Hub Power Company Limited	2,017,265	2,107,444	-	2,597,991	1,526,718	55,582	57,252	1,670	8.26	9.43	0.13%
Kot Addu Power Company Limited	62,965	631,935	-	331,315	363,585	15,059	15,492	433	2.24	2.55	0.04%
Nishat Chunian Power Limited	-	2,622,674	-	1,958,203	664,471	9,985	9,116	(869)	1.32	1.50	0.18%
Nishat Power Limited	664,268	3,933,011	-	2,951,775	1,645,504	26,045	25,407	(638)	3.67	4.19	0.46%
						<b>106,671</b>	<b>107,267</b>	<b>596</b>	<b>15.49</b>	<b>17.67</b>	
<b>Fixed Line Telecommunication</b>											
Pakistan Telecommunication Company Limited	574,765	544,156	-	1,118,921	-	-	-	-	-	-	-
						<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>General Industries</b>											
Thal Limited *	195,531	-	33,884	229,415	-	-	-	-	-	-	-
						<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Oil and Gas</b>											
Attock Refinery Limited	-	80,000	-	80,000	-	-	-	-	-	-	-
National Refinery Limited	-	189,193	-	189,193	-	-	-	-	-	-	-
Mari Gas Company Limited	70,798	-	-	70,798	-	-	-	-	-	-	-
Attock Petroleum Limited	166,707	154,766	16,928	261,289	77,112	27,458	28,861	1,403	4.17	4.75	0.11%
Oil and Gas Development Company Limited	115,633	633,360	-	649,893	99,100	14,760	15,161	401	2.19	2.50	0.00%
Pakistan Oilfields Limited	270,838	510,173	-	629,450	151,561	48,114	54,412	6,298	7.85	8.96	0.06%
Pakistan Petroleum Limited	340,201	370,633	51,651	525,334	237,151	46,829	49,107	2,278	7.09	8.09	0.02%
Pakistan State Oil Company Limited	140,225	515,074	-	441,684	213,615	60,324	56,518	(3,806)	8.16	9.31	0.12%
						<b>197,485</b>	<b>204,059</b>	<b>6,574</b>	<b>29.46</b>	<b>33.61</b>	

**MCB DYNAMIC STOCK FUND  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

Name of the Investee company	Number of shares					Balance as at June 30, 2011			Market value as a percentage of net assets	Market value as percentage of total investment	Percentage of paid up capital of investee company held
	As at July 1, 2010	Purchased during the year	Bonus / Right Share	Disposed of during the year	As at June 30, 2011	Cost	Market value	Appreciation / (Diminution)			
----- (Rupees in '000) -----											
<b>Personal goods</b>											
Gadoon Textile Mills Limited	-	4,482	-	704	3,778	322	257	(65)	0.04	0.04	0.02%
Service Industries	15,100	-	-	15,100	-	-	-	-	-	-	-
Nishat (Chunian) Limited	-	1,071,526	-	1,071,526	-	-	-	-	-	-	-
Nishat Mills Limited	565,757	597,134	-	1,162,891	-	-	-	-	-	-	-
						<b>322</b>	<b>257</b>	<b>(65)</b>	<b>0.04</b>	<b>0.04</b>	
<b>Tobacco</b>											
Pakistan Tobacco Company Limited	118,809	5,610	-	124,419	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Industrial Transportation</b>											
Pakistan International Container Terminal Limited	-	12,100	-	12,100	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Total - 2011</b>						<b>589,238</b>	<b>607,079</b>	<b>17,841</b>	<b>87.64</b>	<b>100</b>	
<b>Total - 2010</b>						<b>631,958</b>	<b>595,163</b>	<b>(36,795)</b>	<b>91.44</b>	<b>96.02</b>	

\* The face value of shares held of Agriauto Industries Limited and Thal limited is Rs. 5

5.1.1 Investments include shares with market value aggregating to 43.143 million (2010: Rs 43.498 million) that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of Fund's trades in terms of Circular no. 11 dated October 23, 2007 issued by the SECP.

**MCB DYNAMIC STOCK FUND  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**5.2 Government securities - at fair value through profit or loss**

Name of security	-----Face Value -----					Balance as at June 30, 2010			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2010	Purchased during the year	Disposed off during the year	Matured during the year	As at June 30, 2011	Carrying value	Market value	Appreciation / (Diminution)		
------(Rupees in 000)-----										
Treasury bill - 3 months	25,000,000	996,000,000	728,000,000	293,000,000	-	-	-	-	-	-
Treasury bill - 6 months	-	20,000,000	19,500,000	500,000	-	-	-	-	-	-
Treasury bill - 12 months	-	25,000,000	-	25,000,000	-	-	-	-	-	-
<b>Total - 2011</b>						-	-	-	-	-
<b>Total - 2010</b>						<b>24,679</b>	<b>24,650</b>	<b>(29)</b>	<b>3.79</b>	<b>3.98</b>

26

**5.3 Net unrealised appreciation / (diminution) on remeasurement of investments 'at fair value through profit or loss' - net**

Note	2011	2010
	(Rupees in '000)	
Market value of investments	607,079	619,813
Less: Carrying value of investments	589,238	656,637
	<b>17,841</b>	<b>(36,824)</b>

**6. DIVIDEND AND OTHER RECEIVABLES**

Dividend receivable	1,497	1,627
Profit receivable on saving deposits	405	379
	<b>1,902</b>	<b>2,006</b>

**7. SECURITY DEPOSITS AND PREPAYMENTS**

Security deposits with		
- National Clearing Company of Pakistan Limited	3,751	3,500
- Central Depository Company of Pakistan Limited	200	200
Prepayments	1	-
	<b>3,952</b>	<b>3,700</b>

**MCB DYNAMIC STOCK FUND  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

8. PRELIMINARY EXPENSES AND FLOATATION COSTS	Note	2011	2010
		(Rupees in '000)	
Opening balance		1,060	1,698
Less: amortisation during the year	8.1	638	638
Closing balance		422	1,060

**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 March 1, 2007.

9. PAYABLE TO THE MANAGEMENT COMPANY	Note	2011	2010
		(Rupees in '000)	
Management fee	9.1	1,713	1668
Sales load		6	-
		1,719	1,668

**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 (2010: 1.5 percent from July 1, 2009 to October 15, 2009 and at a rate of 3 percent from October 16, 2009 to June 30, 2010 ) of the average annual net assets of the Fund.

10. PAYABLE TO THE TRUSTEE	Note	2011	2010
		(Rupees in '000)	
Trustee fee	10.1	114	111
CDC settlement charges		34	5
		148	116

**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 June 30, 2011 is as follows:

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

**MCB DYNAMIC STOCK FUND  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**12. ACCRUED AND OTHER LIABILITIES**

	2011	2010
	(Rupees in '000)	
Auditors' remuneration	395	350
Brokerage payable	-	258
Dividend payable	41	41
Provision for Workers' Welfare Fund	6,457	2,849
Sales load	555	-
Others	410	414
	<b>7,858</b>	<b>3,912</b>

**13. CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments outstanding as at June 30, 2011 and June 30, 2010.

**14. NET ASSET VALUE PER UNIT**

The net asset value per unit, as disclosed in the statement of assets and liabilities, is calculated by dividing the net assets of the Fund by the number of units in circulation at the end of the year.

**15. FINANCIAL INSTRUMENTS BY CATEGORY**

-----As at June 30, 2011-----		
Loans and receivables	Assets at fair value through profit or loss	Total
----- (Rupees in '000) -----		
<b>Financial assets</b>		
Balances with banks	59,684	59,684
Investments	-	607,079
Dividend and other receivables	1,902	1,902
Receivable against sale of investments	30,195	30,195
Security deposits	3,951	3,951
	<b>95,732</b>	<b>702,811</b>

-----As at June 30, 2011-----		
Liabilities at fair value through profit or loss	Other financial liabilities	Total
----- (Rupees in '000) -----		
<b>Financial liabilities</b>		
Payable to the Management Company	1,719	1,719
Payable to the Trustee	148	148
Payable against redemption of units	2	2
Accrued and other liabilities	1,401	1,401
	<b>3,270</b>	<b>3,270</b>

**MCB DYNAMIC STOCK FUND  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

-----As at June 30, 2010-----		
Loans and receivables	Assets at fair value through profit or loss	Total

------(Rupees in '000)-----

**Financial assets**

Balances with banks	23,858	-	23,858
Investments	-	619,813	619,813
Dividend and other receivables	2,006	-	2,006
Receivable against sale of investments	6,784	-	6,784
Security deposits	3,700	-	3,700
	<u>36,348</u>	<u>619,813</u>	<u>656,161</u>

-----As at June 30, 2010-----		
Liabilities at fair value through profit or loss	Other financial liabilities	Total

------(Rupees in '000)-----

**Financial liabilities**

Payable to the Management Company	-	1,668	1,668
Payable to the Trustee	-	116	116
Accrued and other liabilities	-	1,063	1,063
	<u>-</u>	<u>2,847</u>	<u>2,847</u>

**16. PROFIT ON BANK DEPOSITS**

	2011	2010
	(Rupees in '000)	
Profit on saving deposits	<u>4,099</u>	<u>5,118</u>

**17. AUDITORS' REMUNERATION**

Audit fee	270	250
Half yearly review fee	180	175
Other certifications	125	100
Out of pocket expenses	50	45
	<u>625</u>	<u>570</u>

**18. CASH AND CASH EQUIVALENTS**

Balances with banks	59,684	23,858
Treasury Bills	-	24,650
	<u>59,684</u>	<u>48,508</u>

**MCB DYNAMIC STOCK FUND  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**19. PROVISION FOR WORKERS' WELFARE FUND**

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended June 30, 2010.

Subsequent to the year ended June 30, 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 December 14, 2010 the Ministry filed its response against the Constitutional petition requesting the court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

Subsequent to the year ended 30 June 2011, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. 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. However, pending the decision of the said constitutional petition, the Management Company, as a matter of abundant caution, has decided to continue to maintain the provision for WWF amounting to Rs 6.457 million (including Rs 3.608 million for the current year) in these financial statements.

**20. TAXATION**

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 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current year as the management company intends to distribute at least 90 percent of the Fund's accounting income for the year as reduced by capital gains (whether realised or unrealised) to its unit holders.

**21. TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES**

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

**21.2** The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

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

**21.4** Details of the transactions with the connected persons during the year are as follows:

	2011	2010
	(Rupees in '000)	
<b>Management Company</b>		
Remuneration of the Management Company	20,045	18,065
Sales load	23	10
<b>Staff provident fund of the Management Company</b>		
Issue of Nil units (2010: 3,830)	-	400
Issue of 1,667 bonus units (2010: Nil)	130	-
Redemption of 8,636 units (2010: Nil)	731	-

**MCB DYNAMIC STOCK FUND  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

	2011	2010
	(Rupees in '000)	
<b>MCB Bank Limited</b>		
Mark-up received	1,356	1,320
Dividend income received	584	1,398
Redemption of 1,033,301 units (2010: 2,200,000)	103,852	225,259
Issue of 199,427 bonus units (2010: Nil)	15,560	-
Sales load	136	569
<b>Central Depository Company of Pakistan Limited</b>		
Remuneration of the Trustee for the year	1,336	1,427
CDC settlement charges	124	129
<b>Key management personnel</b>		
Issue of 18,532 units (2010: 14,237 units)	1,710	1,396
Issue of 3,992 bonus units (2010: Nil units)	326	-
Redemption of 8,083 units (2010: 36,914 units)	749	3,246
<b>Adamjee insurance Company Limited</b>		
Dividend income received	-	289
<b>Hub Power Company Limited</b>		
Dividend income received	4,203	4,820
<b>The Bank of Punjab</b>		
Redemption of Nil units (2010: 189,353)	-	18,219
Issue of 883,099 bonus units (2010: Nil)	71,306	-
<b>Nishat Mills Limited</b>		
Dividend income received	1,625	1,000
<b>MCB Employees Provident Fund</b>		
Issue of 439,266 bonus units (2010: Nil)	35,468	-
<b>MCB Employees Pension Fund</b>		
Issue of 336,621 bonus units (2010: Nil)	27,181	-
<b>D. G. Khan Cement Company Limited Employees Provident Fund Trust</b>		
Issue of 7,437 bonus units (2010: Nil)	601	-
<b>Nishat Mills Limited Employees Provident Fund Trust</b>		
Issue of 1,251 bonus units (2010: Nil)	98	-
Redemption of 6,485 units (2010: Nil)	668	-
<b>21.5 Amount outstanding as at the year end</b>		
	2011	2010
	(Rupees in '000)	
<b>Management Company</b>		
Management fee payable	1,713	1,668
Sales load payable	6	-

**MCB DYNAMIC STOCK FUND  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

	2011	2010
	(Rupees in '000)	
<b>MCB Bank Limited</b>		
Bank balances	43,839	17,615
Profit receivable on bank balances	80	211
Nil units held (2010: 833,874 units)	-	80,623
Nil shares held by the Fund as at June 30, 2011 (2010: 150,867 shares)	-	29,297
Sales load payable	26	15
<b>Hub Power Company Limited</b>		
1,526,718 shares held by the Fund as at June 30, 2011 (2010: 2,017,265 shares)	57,252	64,472
<b>D. G. Khan Cement Company Limited</b>		
Nil shares held by the Fund as at June 30, 2011 (2010: 125,000)	-	2,952
<b>D. G. Khan Cement Company Limited - Employees Provident Fund Trust</b>		
21,065 units held (2010: 13,629 units)	1,742	1,318
<b>The Bank of Punjab</b>		
2,501,386 units held (2010: 1,618,287 units)	206,879	156,463
<b>Nishat Mills Limited</b>		
Nil shares held by the Fund as at June 30, 2011 (2010: 565,757 shares)	-	24,395
<b>Nishat Mills Limited - Employees Provident Fund</b>		
Nil units held (2010: 5,234 units)	-	506
<b>Staff Provident Fund of the Management Company</b>		
Nil units held (2010: 6,969 units)	-	674
<b>MCB Employees Provident Fund</b>		
1,244,225 units held (2010: 804,959 units)	102,905	77,827
<b>MCB Employees Pension Fund</b>		
953,483 units held (2010: 616,862 units)	78,859	59,641
<b>Central Depository Company of Pakistan Limited</b>		
Trustee fee payable	114	111
CDC settlement charges payable	34	5
Security deposit	200	200
<b>Key management personnel</b>		
18,874 units held (2010: 4,558 units)	1,561	441

**22. PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER**

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

	Name	Designation	Experience in years	Qualification
1	Mr. Yasir Qadri	Chief Executive Officer	16	MBA
2	Mr. Kashif Rafi	Fund Manager - Fixed Income	10	MBA, CFA (Level 1)
3	Mr. Muhammad Asim	Fund Manager - Equity Funds	8	MBA & CFA
4	Mr. Mohsin Pervez	Senior Research Analyst	10	MBA, CFA (Level 1)
5	Mr. Syed Akbar Ali	Senior Research Analyst	6	MBA & CFA

**MCB DYNAMIC STOCK FUND**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

22.2 Muhammad Asim is the Fund Manager. He is also managing MCB Dynamic Allocation Fund.

**23. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID**

		<b>2011</b>
		<b>(Percentage)</b>
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 Limited	5.10
10	Next Capital Limited	4.08
		<b>2010</b>
		<b>(Percentage)</b>
1	Invest & Finance Securities (Pvt) Limited	11.40
2	Fortune Securities Limited	10.96
3	Foundation Securities Limited	10.39
4	Elixir Securities Pakistan (Pvt) Limited	9.50
5	Invisor Securities (Pvt) Limited	8.43
6	JS Global Securities Limited	7.09
7	KASB Securities Limited	6.59
8	Invest Capital and Securities (Pvt) Limited	5.48
9	Arif Habib Securities Limited	4.70
10	Pearl Securities (Pvt) Limited	3.15

**24. PATTERN OF UNIT HOLDING**

-----June 30, 2011-----				
Category	Number of Unit Holders	Number of Unit Held	Net Assets value of the amount invested	Percentage of investment
------(Rupees in '000)-----				
Individuals	316	615,164	50,878	7.34
Associated companies / Directors	4	2,224,638	183,990	26.56
Insurance companies	-	-	-	-
Banks / DFIs	1	2,501,386	206,879	29.86
NBFCs	1	726,936	60,122	8.68
Retirement funds	6	1,988,696	164,477	23.74
Public limited companies	-	-	-	-
Others	8	320,729	26,526	3.82
	<b>336</b>	<b>8,377,549</b>	<b>692,872</b>	<b>100.00</b>

**MCB DYNAMIC STOCK FUND**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Category	-----June 30, 2010-----			
	Number of Unit Holders	Number of Unit Held	Net Assets value of the amount invested	Percentage of investment
	------(Rupees in '000)-----			
Individuals	416	777,951	75,216	11.56
Associated companies / Directors	6	2,281,527	220,589	33.90
Insurance companies	-	-	-	-
Banks / DFIs	2	1,867,634	180,571	27.74
NBFCs	-	-	-	-
Retirement funds	9	1,386,874	134,089	20.60
Public limited companies	-	-	-	-
Others	7	417,664	40,382	6.20
	440	6,731,650	650,847	100.00

**25. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

As per note 1 of the financial statements, MCB Asset Management Company Limited merged with and into Arif Habib Investments Limited on June 27, 2011.

Before the said merger the 20th, 21st, 22nd, 23rd, 24th and 25th BoD meetings of MCB Asset Management Company Limited were held on July 1, 2010, September 7, 2010, October 18, 2010, January 28, 2011, April 27, 2011 and June 23, 2011 respectively. Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Number of Meetings				Meeting not attended
	Held	Attendance required	Attended	Leave Granted	
1 Mr. Mian Mohammad Mansha	6	6	5	1	21st meeting
2 Mr. U.A. Usmani	6	6	6	-	-
3 Mr. Ali Munir	6	6	6	-	-
4 Mr. Ahmed Jahangir	6	6	6	-	-
5 Mr. Haroun Rashid	6	6	6	3	20th, 21st and 23rd meeting
6 Mr. Syed Waliullah Shah	6	6	4	2	23rd and 25th meeting
7 Mr. Samir Saigol	6	6	6	-	-
8 Mr. Ismail Arif Rafi *	6	5	4	1	25th meeting
9 Mr. Yasir Qadri (Chief Executive Officer)	6	6	6	-	-
10 Mr. Saqib Saleem (CFO & Company Secretary)	6	6	6	-	-

\* The above director was appointed during the year and only five meetings of the Board were held after his appointment.

Pursuant to merger, the 88th BoD meeting of Arif Habib Investments Limited was held on June 27, 2011. Information in respect of attendance by Directors in the meetings is given below:

**MCB DYNAMIC STOCK FUND  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

	Name of Director	Number of Meetings				Meeting not attended
		Held	Attendance required	Attended	Leave Granted	
1	Mr. Mian Mohammad Mansha	1	1	1	-	-
2	Mr. Haroun Rashid	1	1	1	-	-
3	Mr. Ahmed Jahangir	1	1	1	-	-
4	Mr. Muhammad Shafi Malik *	1	1	1	-	-
5	Mr. Nasim Beg	1	1	1	-	-
6	Mr. Muhammad Akmal Jameel *	1	1	1	-	-
7	Mr. Muhammad Kashif *	1	1	-	1	88th meeting
8	Mr. Syed Ajaz Ahmed *	1	1	-	1	88th meeting
9	Mr. Sirajuddin Cassim *	1	1	-	1	88th meeting
10	Mr. S. Gulrez Yazdani *	1	1	1	-	-
11	Mr. Samad A. Habib	1	1	1	-	-
12	Mr. Salman Ali Shah	1	1	1	-	-
13	Mr. Mirza Mahmood Ahmad	1	1	1	-	-
14	Mr. Yasir Qadri (Chief Executive Officer)	1	1	1	-	-
15	Mr. Saqib Saleem (CFO & Company Secretary)	1	1	1	-	-

**26. FINANCIAL RISK MANAGEMENT**

The Fund primarily invests in a portfolio of equity securities of listed companies and government securities. These activities expose it to a variety of financial risk: market risk, credit risk and liquidity risk.

**26.1 Market risk**

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

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

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

**26.1.1 Currency risk**

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

**26.1.2 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Fund has no significant interest-bearing assets, the Fund's income and operating cash flows are substantially independent of changes in market interest rates.

Yield / interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off balance sheet instruments is based on settlement date.

**MCB DYNAMIC STOCK FUND**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

As at June 30, 2011					
Yield / effective interest rate %	Total	Exposed to interest rate risk			Not exposed to interest rate risk
		Up to three months	More than three months and up to one year	More than one year	
<b>On-balance sheet financial instruments</b>					
------(Rupees in '000)-----					
<b>Financial assets</b>					
Balances with banks	5 to 13.3	59,684	59,643	-	41
Investments - Listed equity securities		607,079	-	-	607,079
Receivable against sale of investments		30,195	-	-	30,195
Dividend and other receivables		1,902	-	-	1,902
Security deposits		3,951	-	-	3,951
		<b>702,811</b>	<b>59,643</b>	<b>-</b>	<b>643,168</b>
<b>Financial liabilities</b>					
Payable to the Management Company		1,719	-	-	1,719
Payable to the Trustee		148	-	-	148
Accrued and other liabilities		1,401	-	-	1,401
		<b>3,268</b>	<b>-</b>	<b>-</b>	<b>3,268</b>
<b>On-balance sheet gap</b>		<b>699,543</b>	<b>59,643</b>	<b>-</b>	<b>639,900</b>
<b>Off-balance sheet financial instrument</b>		-	-	-	-
<b>Off-balance sheet gap</b>		-	-	-	-
-----					
As at June 30, 2010					
Yield / effective interest rate %	Total	Exposed to interest rate risk			Not exposed to interest rate risk
		Up to three months	More than three months and up to one year	More than one year	
<b>On-balance sheet financial instruments</b>					
------(Rupees in '000)-----					
<b>Financial assets</b>					
Balances with banks	5 to 10.5	23,858	23,817	-	41
Investments					
- Listed equity securities		595,163	-	-	595,163
- Government securities	12.05	24,650	24,650	-	-
Receivable against sale of investments		6,784	-	-	6,784
Dividend and other receivables		2,006	-	-	2,006
Security deposits		3,700	-	-	3,700
		<b>656,161</b>	<b>48,467</b>	<b>-</b>	<b>607,694</b>
<b>Financial liabilities</b>					
Payable to the Management Company		1,668	-	-	1,668
Payable to the Trustee		116	-	-	116
Accrued and other liabilities		1,063	-	-	1,063
		<b>2,847</b>	<b>-</b>	<b>-</b>	<b>2,847</b>
<b>On-balance sheet gap</b>		<b>653,314</b>	<b>48,467</b>	<b>-</b>	<b>604,847</b>
<b>Off-balance sheet financial instrument</b>		-	-	-	-
<b>Off-balance sheet gap</b>		-	-	-	-
-----					

# MCB DYNAMIC STOCK FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

#### 26.1.3 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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.

In case of 5% increase / decrease in KSE 100 index on June 30, 2011, net income for the year would increase / decrease by Rs 28.758 million (2010: Rs 30.911 million) and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities 'at fair value through profit or loss'.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the 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 the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2011 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE 100 index.

#### 26.2 Credit risk

Credit risk represents the risk of a loss if the counterparties fail to perform as contracted. Credit risk arises from deposits with banks and financial institutions, and credit exposure arising as a result of dividends receivable on equity securities. For banks and financial institutions, only reputed institutions are accepted. Credit risk on dividend receivable is minimal due to statutory protection. All transactions in listed securities are settled / paid for upon delivery using the central clearing company. The risk of default is considered minimal due to inherent systematic measures taken therein.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through assignment of credit limits and by following strict credit evaluation criteria laid down by the Management Company. The Fund does not expect to incur material credit losses on its financial assets.

The maximum exposure to credit risk before any credit enhancement as at June 30, 2011 is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

The analysis below summarises the credit quality of the Fund's financial assets as at June 30, 2011 and June 30, 2010:

#### Bank balances by rating category

	2011	2010
A1+	100%	100%

#### Concentration on credit risk

Concentration on 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 concentration of credit risk.

#### 26.3 Liquidity risk

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

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

**MCB DYNAMIC STOCK FUND  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

The Fund has the ability to borrow in the short-term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates.

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

The Fund did not withhold any redemptions during the year.

The following table 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.

As at June 30, 2011			
Total	Upto three months	Over three months and upto one year	Over one year

------(Rupees in '000)-----

**Liabilities**

Payable to the Management Company	1,719	1,719	-	-
Payable to the Trustee	148	148	-	-
Accrued and other liabilities	1,401	1,401	-	-
	<u>3,268</u>	<u>3,268</u>	<u>-</u>	<u>-</u>

As at June 30, 2010			
Total	Upto three months	Over three months and upto one year	Over one year

------(Rupees in '000)-----

**Liabilities**

Payable to the Management Company	1,668	1,668	-	-
Payable to the Trustee	116	116	-	-
Accrued and other liabilities	1,063	1,063	-	-
	<u>2,847</u>	<u>2,847</u>	<u>-</u>	<u>-</u>

**27. UNIT HOLDERS' FUND**

The Unit Holders' Fund is represented by redeemable units. They are entitled to distributions and to payment of a proportionate share based on the Fund's net asset value per share on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund.

The Fund has no restrictions on the offering and redemption of units. There is no specific capital requirement which is applicable to the fund.

The Fund's objectives when managing unit holders' fund are to safeguard its ability to continue as a going concern so that it can continue to provide returns for unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies as stated in note 26, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests. In addition, the Fund can also support liquidity by short-term borrowings or disposal of investments where necessary.

**MCB DYNAMIC STOCK FUND  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**28. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the amount for which an asset could be exchanged or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value as the items are short-term in nature.

According to the amendments to IFRS 7, the Fund shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Investment of the Fund carried at fair value are categorized as follows:

	-----As at June 30, 2011-----			
	Level 1	Level 2	Level 3	Total
	------(Rupees in '000)-----			
<b>ASSETS</b>				
Investment in securities	607,079	-	-	607,079
	-----As at June 30, 2010-----			
	Level 1	Level 2	Level 3	Total
	------(Rupees in '000)-----			
<b>ASSETS</b>				
Investment in securities	595,163	24,650	-	619,813

**29. CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified wherever necessary, for the purposes of comparison and better presentation. During the current year, there were no major reclassifications.

**30. GENERAL**

Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

**31. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on September 20, 2011 by the Board of Directors of the Management Company.

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

Chief Executive

Director

**MCB DYNAMIC STOCK FUND  
PATTERN OF HOLDING AS PER REQUIREMENT OF  
CODE OF CORPORATE GOVERNANCE  
AS AT JUNE 30, 2011**

<b>Category</b>	<b>No. of Unit Holders</b>	<b>Units</b>
<b>Associated Company, Undertakings, and Related Parties</b>		
MCB Employees Provident Fund (Pak Staff)	1	1,244,225
MCB Employees Pension Fund	1	953,483
D.G. Khan Cement Company Ltd Employees Provident Fund Trust	1	21,066
	3	2,218,775
<b>Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance, Insurance Companies, Modarbas and Mutual Funds.</b>	2	3,228,322
<b>Director, CEO and their spouses and minor children</b>		
Yasir Qadri	1	5,863
<b>Executives</b>	1	13,011
<b>Trust</b>	6	1,988,696
<b>Corporate</b>	8	320,729
<b>Individuals</b>	315	602,153
	<u>336</u>	<u>8,377,549</u>

**MCB DYNAMIC STOCK FUND  
PATTERN OF UNIT HOLDING (SIZE)  
AS AT JUNE 30, 2011**

No. of Unit Holders	Units Holdings	Total Units Held
311	1 - 10000	406,725
16	10001 - 100000	334,273
7	100001 - 1000000	3,890,939
2	1000001 - onwards	3,745,611
<u>336</u>		<u>8,377,549</u>

## MCB DYNAMIC STOCK FUND PERFORMANCE TABLE

Performance Information	2011	2010	2009	2008	2007
Total Net Assets Value – Rs. in million	698.00	642.99	863.37	863.37	958.76
Net Assets value per unit – Rupees	82.71	96.68	75.95	95.27	131.96
Highest offer price per unit	108.17	114.16	97.36	137.81	135.35
Lowest offer price per unit	79.66	79.41	47.88	95.54	101.83
Highest Redemption price per unit	104.93	111.31	94.92	134.37	131.96
Lowest Redemption price per unit	77.27	77.42	46.68	93.54	99.29
Distribution per unit (annual)* – Rs.	20.50	18.66	-	-	25
Net Assets Value before distribution	103.37	96.68	N/a	N/a	131.96
Net Assets Value after distribution	82.87	78.02	N/a	N/a	106.96
<b>Average Annual Return - %</b>	32.22	27.3	-20.3	-10.82	31.96
One year (2007: inception date March 01, 2008)	68.32	(1.5)	-28.99	17.54	N/a
Two year (inception date March 01, 2008)	34.18	19.3	-6.3	N/a	N/a
Three year (inception date March 01, 2008)	176.78	139.570	-163.586	-105.942	232.23
Net Income / (loss) for the year / period – Rs. in million	137.56	125.613	-	-	181.634
Income Distribution – Rs. in million		-	-	-	50.596
Accumulated Capital Growth – Rs. in million					

### 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.