



**Bachat** ka Doosra Naam

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# AH DOW JONES SAFE PAKISTAN TITANS 15 INDEX FUND

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

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## **Vision**

To become synonymous with Savings.

## **Mission**

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

## **Core Values**

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

## FUND'S INFORMATION

<b>Management Company</b>	<b>MCB-Arif Habib Savings and Investments Limited</b> (Formerly: 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 Mr. Nasim Beg Mr. Yasir Qadri Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman(subject to the approval of SECP) Executive Vice Chairman Chief Executive Officer (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director Director (subject to the approval of SECP)
<b>Audit Committee</b>	Mr. Haroun Rashid Mr. Nasim Beg Mr. Samad A. Habib	Chairman Member Member
<b>Human Resource Committee</b>	Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jehangir Mr. Yasir Qadri	Chairman Member Member Member Member
<b>Company Secretary &amp; Chief Operating Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Financial Officer</b>	Mr. Umair Ahmed	
<b>Trustee</b>	MCB Financial Services Limited 3rd Floor, Adamjee House, I.I. Chundrigar Road, Karachi - 74000	
<b>Bankers</b>	Habib Metropolitan Bank Limited	
<b>Auditors</b>	KPMG Taseer Hadi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Building No. 2 Beaumont Road, Karachi - 75530	
<b>Legal Advisor</b>	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
<b>Transfer Agent</b>	<b>MCB-Arif Habib Savings and Investments Limited</b> (Formerly: Arif Habib Investments Limited) 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Rating</b>	AM2 - Management Quality Rating assigned by PACRA	

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

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The Board of Directors of MCB-Arif Habib Savings and Investments Limited (Formerly Arif Habib Investments Limited), the Management Company of AH Dow Jones Safe Pakistan Titans 15 Index Fund (AHDJF), is pleased to present the Annual Report on the affairs of AHDJF for the year ended March 25, 2013.

### Equities Market Overview

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

Buoyed by stable macroeconomic environment and strengthening fundamentals, the stock market started the year on a strong note. The market touched an all-time high of around 22,757 on 13th June, 2013.

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

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

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

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

Benefiting from inventory gains, and China's sustained appetite for coarse count textile products, scrips of the sector managed to lead the pack, while higher cement prices in the local market amid lower coal prices helped cement companies to stay on a roll. The decline in discount rate brought debt-laden companies into the limelight, while rupee depreciation widened the margins of exporters such as the textile sector and companies with dollar/oil based tariffs.

On the contrary, fertilizer and banking sector remained trailed, as a reaction to lowering in discount rate. Gas curtailment issues kept investor at bay from fertilizer sector.

### Future Outlook

A string of positive developments arising since the formation of new government suggests positive outlook for equity markets. The government's apparent commitment towards the resolution of circular debt, recovery of \$800 million from Etisalat, privatization of state owned entities, together with higher PSDP allocation for FY14 will continue to keep investors' confidence intact. Higher PSDP allocation is likely to support stocks of companies in construction materials sector, while expected rupee depreciation may continue to support textile exports, chemical and energy sector.

The country's likely comeback in fresh IMF program will pave the way for structural, monetary and fiscal reforms. As outlook on further monetary easing changes, the lagging banking sector may start to catch up..

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

With the global commodity prices unlikely to rise the trade balance looks stable. Also, in consideration of various tax measures imposed in FY14, targeted fiscal deficit level of 6.3% doesn't appear as farfetched as it has in the last few years.

### Fund's Performance

The Fund aims to provide investors with a total return that before expenses closely corresponds to the return of the Dow Jones SAFE Pakistan Titans 15 Index by tracking the returns of Dow Jones SAFE Pakistan Titans 15 Index, thus providing exposure to the constituents of Dow Jones SAFE Pakistan Titans 15 Index in a single security. The fund had employed a passive management approach to replicate the performance of the constituents during the year. The fund generated a return of 15.2% during the year as against its benchmark return of 20.1%, an underperformance of 4.9%. Since inception return of the fund has been 42.3% as against its benchmark return of 55.6%, an underperformance by 13.3%. Net assets of fund as at December 31, 2012 stood at Rs 23.69 million as compare to Rs 100.63 million as at June 30, 2012, registering a decrease of 76.46%.

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

Performance Information (%)	AHDJP	Benchmark
Last Six Months Return (July to Dec '12)	15.2%	20.1%
Since Inception	42.3%	55.6%

During the period fund earned net income of Rs 12.83 million. During the period, units worth Rs.0.35 million were issued and units with a value of Rs. 82.83 million were redeemed.

As mention in detail in note 1.2 of the annexed financial statements, the Fund size fell below the stator requirement of Rs. 100 million as set out by the Securities and Exchange Commission of Pakistan (SECP) under regulation 54(a) of the NBFC & NE Regulations. The Management Company is of the view that the continuity of the scheme is no more commercially viable.

Accordingly as per Regulation 45B(I) of NBFC & NE Regulations, the issuance and redemption of units are being suspended with effect from 24th January 2013 and the scheme have ceased to carry on its business except so far as may be required for the said winding up.

Therefore, the financial statement of the Fund have been prepared on a basis other than going concern, which is as follows:

- All assets are stated at their net realizable value; and
- All liabilities are stated at amount payable.

### Update on 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.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) on July 8, 2010 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.

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

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

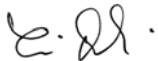
However, as per our legal counsel the stay granted to Collective Investment Schemes (CIS) remains intact and the constitution petitions filed by the CIS to challenge the Workers Welfare Fund contribution have not been affected SHC judgment.

In view of the afore mentioned developments and pending the said decision of constitutional petition the Management Company have not charges provision for WWF amounting Rs. 0.536 million in these financial statement.

### **Acknowledgement**

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

**For and on behalf of the board**



**Yasir Qadri**  
**Chief Executive Officer**

**Karachi: August 05, 2013**

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

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**MCB MCB FINANCIAL SERVICES LIMITED**

**REPORT OF THE TRUSTEE TO THE UNIT HOLDERS**

**AH DOW JONES SAFE PAKISTAN TITANS 15 INDEX FUND**

**Report of the Trustee Pursuant to Regulation 41(h) of the Non-Banking Finance Companies and  
Notified Entities Regulations, 2008**

AH Dow Jones Safe Pakistan Titans 15 Index Fund, an open-end scheme established under a Trust Deed dated March 30, 2010 executed between Arif Habib Investments Limited, as the Management Company and MCB Financial Services Limited, as the Trustee. The Scheme was authorized by Securities and Exchange Commission of Pakistan (Commission) on April 22, 2010.

1. Arif Habib Investments Limited, the Management Company of AH Dow Jones Safe Pakistan Titans 15 Index Fund, has in all material respects managed AH Dow Jones Safe Pakistan Titans 15 Index Fund, during the six months period ended 31<sup>st</sup> December 2012 in accordance with the provisions of the following:

- (i) Investment limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws.
- (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
- (iii) the creation and cancellation of units are carried out in accordance with the deed;
- (iv) and any regulatory requirement

For the purpose of information, the attention of unit holder's is drawn towards auditor's report and note 1.2 to the condensed interim financial information which states that from November 07, 2012, the Fund's net assets declined below the one hundred threshold, prescribed by the SECP. Due to continued non compliance, the Management Company, subsequent to the six months period ended 31<sup>st</sup> December 2012 decided to wind up the Fund. Consequently, the condensed interim financial information of the Fund has been prepared on realizable value basis as stated in note 2.2 to the financial information.

Further, we draw attention to note 8 to the financial information relating to the pending outcome of the litigation regarding contribution to Worker's Welfare Fund (WWF) in Honorable Sindh High Court. In view of the matters more fully discussed in the above note, provision against amounting to Rs. 0.528 million is not being maintained by the Fund.

A handwritten signature in black ink, appearing to read 'Anwar', is placed above the printed name of the Chief Executive Officer.

Khawaja Anwar Hussain  
Chief Executive Officer  
MCB Financial Services Limited

Karachi: February 20, 2013

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3rd Floor, Adamjee House, I. I. Chundrigar Road, Karachi - 74000  
Direct Nos. 021-32430485, 32415454, 32415204, 32428731 PABX No. 021-32419770, Fax No. 021-32416371  
Website: <http://www.mcbfsl.com.pk>

**AH Dow Jones SAFE Pakistan Titans 15 Index Fund**



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



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

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

## Independent Auditors' Report to the Unit Holders

### *Report on the Financial Statements*

We have audited the accompanying financial statements of **AH Dow Jones SAFE Pakistan Titans 15 Index Fund** ("the Fund"), which comprise of the statement of assets and liabilities as at 25 March 2013, and the related income statement, distribution statement, statement of movement in Unit Holders' Fund, cash flow statement for the period from 1 July 2012 to 25 March 2013, and a summary of significant accounting policies and other explanatory notes.

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

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

### *Auditors' responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 25 March 2013, and of its financial performance, its cash flows and transactions for the period 1 July 2012 to 25 March 2013 in accordance with approved accounting standards as applicable in Pakistan.

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

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

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KPMG Taseer Hadi & Co.

## *Emphasis of matter*

We draw attention to note 1.2 to the financial statements which mentions that the Fund has ceased to operate on 24 January 2013 as the Board of Directors decided to wind-up the fund due to continued non-compliance of clause 54(3a) of the Non Banking Finance Companies and Notified Entities Regulations, 2008 relating to minimum scheme size of a collective investment scheme, therefore, these financial statements have been prepared on a basis other than going concern as stated in note 2.2. to these financial statements. Our opinion is not qualified in respect of this matter.

## *Report on Other Legal and Regulatory Requirements*

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

**Date: 05 August 2013**

**Karachi**

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

# **FINANCIAL STATEMENTS**

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

	Note	25 March 2013 (Rupees in '000)	30 June 2012
<b>Assets</b>			
Balances with banks	4	24,542	228
Dividend and profit receivable	5	-	217
Investments	6	-	97,846
Security deposits	7	-	2,600
Preliminary expenses	8	-	658
<b>Total assets</b>		<b>24,542</b>	<b>101,549</b>
<b>Liabilities</b>			
Payable to Management Company	9	-	93
Payable to MCB Financial Services Limited - Trustee	10	-	55
Payable to Securities and Exchange Commission of Pakistan	11	44	109
Accrued and other liabilities	12	401	664
<b>Total liabilities</b>		<b>445</b>	<b>921</b>
<b>Net assets</b>		<b>24,097</b>	<b>100,628</b>
<b>Unit holders' fund</b>		<b>24,097</b>	<b>100,628</b>
<b>Contingencies and commitments</b>	13		
			(Number of units)
<b>Number of units in issue (face value of units is Rs. 50 each)</b>		<b>365,646</b>	<b>1,749,946</b>
			(Rupees)
<b>Net asset value per unit</b>		<b>65.90</b>	<b>57.50</b>

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

  
Chief Executive Officer

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

  
Director

**AH Dow Jones SAFE Pakistan Titans 15 Index Fund**

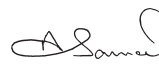
# INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2013

	For the period ended from 1 July 2012 to 25 March 2013	For the year ended 30 June 2012
<i>Note</i>	(Rupees in '000)	
<b>Income</b>		
Capital gain / (loss) on sale of investments - net	11,549	(641)
Dividend income	3,385	8,527
Profit on bank deposits	331	415
	<u>15,265</u>	<u>8,301</u>
Net unrealized appreciation on remeasurement of investments classified as 'at fair value through profit or loss'	-	2,733
<b>Total income</b>	<u>15,265</u>	<u>11,034</u>
<b>Expenses</b>		
Remuneration of Management Company	9.1 & 9.2 467	1,144
Sindh sales tax on management fees of Management Company	75	183
Remuneration of MCB Financial Services Limited - Trustee	10.1 & 10.2 399	700
Annual fee to Securities and Exchange Commission of Pakistan	11.1 & 11.2 44	109
Settlement and bank charges	110	227
Auditor's remuneration	14 353	499
Securities transaction cost	186	127
Write off / amortisation of preliminary expenses	8 658	200
Others	139	424
<b>Total operating expenses</b>	<u>2,431</u>	<u>3,613</u>
<b>Net operating income for the period / year</b>	<u>12,834</u>	<u>7,421</u>
Net element of (loss) and capital (losses) included in prices of units issued less those in units redeemed	(9,766)	(1,188)
<b>Net income for the period / year before taxation</b>	<u>3,068</u>	<u>6,233</u>
Taxation	15 -	-
<b>Net income for the period / year after taxation</b>	<u>3,068</u>	<u>6,233</u>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income for the period / year	-	-
<b>Total comprehensive income for the period / year</b>	<u><u>3,068</u></u>	<u><u>6,233</u></u>
<b>Earning per unit</b>	16	

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

  
Chief Executive Officer

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

  
Director

**AH Dow Jones SAFE Pakistan Titans 15 Index Fund**

# DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2013

	For the period ended from 1 July 2012 to 25 March 2013	For the year ended 30 June 2012
	(Rupees in '000)	
<b>Undistributed income brought forward</b>		
- Unrealized income	10,587	11,815
- Realised income	2,544	5,158
	<u>13,131</u>	<u>16,973</u>
 Net income for the period / year	 3,068	 6,233
 Net element of (loss) and capital (losses) included in prices of units issued less those in units redeemed - amount representing unrealised (diminution)	  (10,382)	  (2,124)
<b>Distribution to the unit holders' of the Fund:</b>		
Final distribution at the rate of Rs. nil (30 June 2011: 2.2) per unit for the year ended 30 June 2012		
- Cash dividend	-	(880)
- Bonus units	-	(3,771)
 Interim distribution at the rate of Rs. nil (30 June 2012: 1.912) per unit for the period from 1 July 2012 to 25 March 2013		
- Cash dividend	-	(1,957)
- Bonus units	-	(1,343)
	-	(7,951)
 <b>Undistributed income available for distribution to unit holders</b>	 <u><u>5,817</u></u>	 <u><u>13,131</u></u>
 <b>Undistributed income carried forward:</b>		
- Unrealized income	-	10,587
- Realised income	5,817	2,544
 <b>Undistributed income available for distribution to unit holders</b>	 <u><u>5,817</u></u>	 <u><u>13,131</u></u>

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

  
Chief Executive Officer

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

  
Director

**AH Dow Jones SAFE Pakistan Titans 15 Index Fund**

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

	For the period ended from 1 July 2012 to 25 March 2013 (Rupees in '000)	For the year ended 30 June 2012
<b>Net assets at the beginning of the period / year</b>	<b>100,628</b>	<b>122,687</b>
Issuance of 23,326 units (2012: 32,659 units) for the period / year	1,507	1,799
Issue of nil bonus units (2012: 91,127) for the period / year	-	5,114
Redemption of 1,407,626 units (2012: 488,130 units) for the period / year	(90,872)	(28,442)
	<b>(89,365)</b>	<b>(21,529)</b>
Net element of loss and capital losses included in prices of units issued less those in units redeemed:		
- amount representing loss and capital losses - transferred to the income statement	9,766	1,188
- amount representing unrealised loss and capital losses that forms part of unit holders' fund- transferred to distribution statement	10,382	2,124
	<b>20,148</b>	<b>3,312</b>
Net element of (loss) and capital (losses) included in prices of units issued less those in units redeemed - transferred to distribution statement	<b>(10,382)</b>	<b>(2,124)</b>
Net (loss) / income for the period / year [excluding net unrealised appreciation / (diminution) on remeasurement of investment classified as 'at fair value through profit or loss' and capital gain / (loss) on sale of investments - net]	(8,481)	4,141
Capital gain / (loss) on sale of investment - net	11,549	(641)
Net unrealised appreciation on remeasurement of investments 'at fair value through profit or loss'	-	2,733
Total comprehensive income for the period / year	<b>3,068</b>	<b>6,233</b>
<b>Distribution to the unit holders of the Fund:</b>		
Final distribution at the rate of Rs. nil (30 June 2011: 2.2) per unit for the year ended 30 June 2012		
- Cash distribution	-	(880)
- Bonus units	-	(3,771)
Interim distribution at the rate of Rs. nil (30 June 2012: 1.912) per unit for the period from 1 July 2012 to 25 March 2013		
- Cash distribution	-	(1,957)
- Bonus units	-	(1,343)
	-	(7,951)
<b>Net assets at the end of the period / year</b>	<b>24,097</b>	<b>100,628</b>

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

  
Chief Executive Officer

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

  
Director

**AH Dow Jones SAFE Pakistan Titans 15 Index Fund**

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

	For the period ended from 1 July 2012 to 25 March 2013	For the year ended 30 June 2012
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period / year before taxation	3,068	6,233
<b>Adjustments for non-cash and other items:</b>		
Dividend income	(3,385)	(8,527)
Net unrealized (appreciation) on remeasurement of investments classified as 'at fair value through profit or loss'	-	(2,733)
Write off / amortisation of preliminary expenses	658	200
Net element of loss and capital losses included in prices of units issued less those in units redeemed	9,766	1,188
	<u>10,107</u>	<u>(3,639)</u>
<b>Decrease / (increase) in assets</b>		
Investments	97,846	13,601
Profit receivable	217	8
Receivable against sale of investments	-	12,734
Receivable against sale of units	-	25
Security deposits	2,600	-
	<u>100,663</u>	<u>26,368</u>
<b>(Decrease) / increase in liabilities</b>		
Payable to Management Company	(93)	(3,719)
Payable to MCB Financial Services Limited - Trustee	(55)	(2)
Payable to Securities and Exchange Commission of Pakistan	(65)	29
Accrued and other liabilities	(263)	167
	<u>(476)</u>	<u>(3,525)</u>
Dividend received	3,385	8,823
<b>Net cash generated from operating activities</b>	<u>113,679</u>	<u>28,027</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issuance of units	1,507	1,799
Payments against redemption of units	(90,872)	(28,442)
Dividend Paid	-	(2,838)
<b>Net cash (used in) from financing activities</b>	<u>(89,365)</u>	<u>(29,481)</u>
Net increase in cash and cash equivalents during the period / year	<u>24,314</u>	<u>(1,454)</u>
Cash and cash equivalents at the beginning of the period / year	228	1,682
Cash and cash equivalents at the end of the period / year	<u>24,542</u>	<u>228</u>

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

  
Chief Executive Officer

  
Director



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

## 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 AH Dow Jones SAFE Pakistan Titans 15 Index Fund ("the Fund") was established under a Trust Deed executed on 30 March 2010 between Arif Habib Investments Limited as Management Company and MCB Financial Services Limited as Trustee of the Fund. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan ("SECP") on 19 March 2010 in accordance with the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 ("the NBFC Regulations").\

Formation of the Fund as open end fund was authorized by SECP on 22 April 2010. The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.

Based on shareholders' resolutions of MCB-Asset Management Company (MCB-AMC) and Arif Habib Investments Limited (AHIL), the two companies have merged as of 27 June 2011 through operation of an Order from the SECP issued under Section 282L of the Companies Ordinance 1984 (letter no. SCD/NBFC-II/MCBAMCL & AHIL/271/2011 dated 10 June 2011). AHIL being a listed company is the surviving entity and in compliance of State Bank of Pakistan (SBP's) approval, it is a subsidiary of MCB Bank Limited. However, subsequent to the completion of merger, the SECP vide its order dated 27 June 2011 extended the effective date of merger to 30 July 2011 (through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AHI/348/2011). Pursuant to Management Company request for review of aforementioned commission order, SECP vide its order dated 17 May 2013 has review its earlier order dated 27 June 2011 and affirm the effective date of merger to be 27 June 2011. As a result all the steps / actions taken by Management Company to give effect to the merger shall be deemed valid. During the year, the Management Company has changed its name from Arif Habib Investments Limited to MCB-Arif Habib Savings and Investments Limited pursuant to approval of merger by SECP.

The Fund is an index tracker scheme and aims to provide investors with a total return that before, expenses closely corresponds to the return of the Dow Jones SAFE Pakistan Titans 15 Index by tracking the return of Dow Jones SAFE Pakistan Titans 15 Index, thus providing exposure to the constituents of Dow Jones SAFE Pakistan Titans 15 Index in a single security.

The Fund invests in local quoted equity stocks in respective weightages of Dow Jones SAFE Pakistan Titans 15 Index to achieve the investment objective. The fund manager monitors the performance of the Fund and the benchmark index on a continuous basis. Upon Rebalancing of the Index the Management Company may also rebalance the portfolio within 21 Dealing Days with the objective to minimize the tracking error.

The Fund shall strive to remain fully invested in accordance with the stated index; however, under no circumstances shall it be invested less than 85% of its net assets in securities covered in the index during the year based on monthly average investment calculated on daily basis. The uninvested amount shall be kept in:

- (a) Cash and / or near cash instruments where near cash instruments include cash in bank account (excluding TDRs); and
- (b) Treasury Bills not exceeding 90 Days maturity.

The duration of the Fund is perpetual. It offers and redeem units on a continuous basis.

Title to the assets of the Fund are held in the name of MCB Financial Services Limited as trustee of the Fund.

- 1.2 According to Clause 54 (3a) of the Non Banking Finance Companies & Notified Entities Regulations, 2008 the minimum size of an Open End Scheme shall be one hundred million rupees at all time during the life of the scheme and all existing Open End Schemes shall ensure compliance with this minimum scheme size limit by 1 July 2012.

The Fund's net assets declined below one hundred million threshold from 7 November 2012, prescribed by the SECP, due to heavy redemption by the unit holders of the Fund. Due to continued non- compliance the above mentioned regulation, the Board

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

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of Directors of the Management Company decided to wind up the Fund as in the view of the management the continued operation of the Fund is no more commercially viable.

Accordingly, the winding up of the Fund was announced by the Trustee through public notice dated 24 January 2013 and in line with Regulation 45B(1) of NBFC & Notified Entities Regulations, 2008 the issuance and redemption of units has been suspended with effect from 24 January 2013 and the Fund ceased to carry on business except so far as may be required for the said winding up.

Subsequent to the period ended 25 March 2013, the winding up proceeds have been distributed to the unit holders in accordance with the requirements of NBFC & Notified Entities Regulations, 2008 and the constitutive document of the Fund.

Considering the above mentioned facts these financial statements of the Fund has not been prepared on going concern basis and assets have been stated on realizable value and liabilities have been stated on their expected settlement amounts.

### **2. BASIS OF PRESENTATION**

#### **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, provisions of and directives issued under the Companies Ordinance, 1984, requirements of Trust Deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003, and Non-Banking Finance Companies and Notified Entities Regulations, 2008, (NBFC rules and regulations). In case, the requirements differ, the provisions or directives of the Companies Ordinance, 1984, the requirements of the Trust Deed and Non Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008, shall prevail.

#### **2.2 Basis of measurement**

These financial statements has not been prepared on going concern basis and assets have been stated at realisable values and liabilities have been stated at their expected settlement amount.

#### **2.3 Functional and presentation currency**

These financial statements are presented in Pak Rupees, which is the functional and presentation currency of the Fund. All financial information presented in Pak Rupees has been rounded off to the thousand of Rupees.

#### **2.4 Use of estimates and judgment**

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of its revision and future periods if the revision affects both current and future periods. In particular, information about assumption and estimation uncertainties that have a significant risk of resulting in material adjustment within the next financial year as well as critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

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

### *Investments stated at fair value and derivative financial instruments*

The Management Company has determined fair value of listed equity securities and government securities by using quotations from The Karachi Stock Exchange (Guarantee) Private Limited and Financial Markets Association of Pakistan (Reuters), respectively.

### *Other assets*

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

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

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

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

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

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

## **3 SIGNIFICANT ACCOUNTING POLICIES**

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

### **3.1 Financial instruments**

The Fund classifies its financial instruments in the following categories:

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

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

Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes there in are recognised in Income Statement.

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

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**b) *Available-for-sale***

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

**c) *Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Fund as fair value through profit or loss or available-for-sale. This includes receivable against sale of investments and other receivables and are carried at amortised cost using the effective yield method, less impairment losses, if any.

**d) *Financial liabilities***

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

### **Recognition**

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

A regular way purchase of financial assets is recognised using trade date accounting. From this date, any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

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

### **Measurement**

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

Subsequent to initial recognition, financial instruments classified as 'at fair value through profit or loss' and 'available for sale' are measured at fair value. Gains or losses arising, from changes in the fair value of the financial assets 'at fair value through profit or loss' are recognised in the Income Statement.

Changes in the fair value of financial instruments classified as 'available-for-sale' are recognised in Unit Holders' Funds until derecognised or impaired, when the accumulated adjustments recognised in Unit Holders' Funds are included in the Income Statement. Unquoted securities are carried at investment price or break-up value which ever is lower, except for government and debt securities which are stated at fair value.

### **Basis of valuation of Equity Securities**

The fair value of quoted equity securities is based on their price quoted on the Karachi Stock Exchange at the balance sheet date.

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

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### *Basis of valuation of Government Securities*

The investment in government securities are valued at their fair values (determined by reference to the quotations obtained from the PKRV rate sheet on the Reuters page), based on the remaining tenor of the security. Mark up accrued on treasury bills are included in the carrying value of these investments.

### *Derecognition*

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

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

### *Derivatives Financial Instruments*

These are measured at fair value. The fair value of a derivative is based on quoted bid price of Stock Exchange ruling at the balance sheet date. Derivatives with positive market values (unrealized gains) are included in other assets and derivatives with negative market values (unrealized losses) are included in other liabilities in the Balance Sheet. The resultant gains and losses are included in the income currently. Gain or loss on remeasurement of value of derivative financial instrument is recognised in Income Statement.

### **3.2 Unit holders' Fund**

Unit holders' Fund represents the units issued by the Fund, carried at the redemption amount representing the investors' right to a residual interest in the Fund assets.

### **3.3 Issue and redemption of units**

Units issued are recorded at the offer price determined by the Management Company for the application received by the distributors during business hours on that date. The offer price represents the net assets value per units as of the close of business day plus the allowable front-end load, provision for transaction cost and any provision for duties and charges, if applicable. The front-end load is payable to the investment facilitator, distributors and the Management Company.

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

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

An equalisation account called the "element of income / (loss) and capital gain / (losses) included in prices of units sold less those in units redeemed" is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. Element is recognised in the income statements to the extent that it is represented by income / (loss) earned / (incurred) during the period and the element represented by income / (loss) earned / (incurred) carried forward from prior year is included in the distribution statement.

### **3.5 Provisions**

A provision is recognised in the balance sheet when the Fund has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provision are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

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

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### 3.6 Preliminary expenses and floatation cost

Preliminary expenses and floatation costs represents expenditure incurred prior to the commencement of operations of the Fund. These cost have been provided in full in these financial statements as the Fund has ceased to operate and assets have been stated at their realisable value.

### 3.7 Net asset value per unit

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

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

### 3.9 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of investments classified as financial assets 'at fair value through profit or loss' and derivatives are included in the income statement in the period in which they arise.
- Dividend income is recognised when the right to receive the payment is established.
- Income from government securities is recognised on accrual basis using the effective interest rate method.
- Profit on bank deposit is recognised on time proportion basis taking into account effective yield.
- Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed is included in the income statement on the date of issue and redemption of units

### 3.10 Impairment

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial assets is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated cash flows discounted at the original effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in income statement.

### 3.11 Expenses

All expenses are recognised in the Income Statement on an accrual basis.

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

## 3.12 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of balances with the banks and deposits with bank having original maturities of three months or less.

## 3.13 Offsetting of financial instruments

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

## 3.14 Other assets

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

## 3.15 Proposed dividend and transfer between reserves

Dividends declared and transfers between reserves made subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such dividends are declared / transfers are made.

## 4. BALANCES WITH BANKS

	25 March 2013	30 June 2012
	(Rupees in '000)	
Saving account	4.1 -	228
Current account	24,542	-
	<u>24,542</u>	<u>228</u>

4.1 During the period ended from 1 July 2012 to 25 March 2013, funds were maintained in saving deposit accounts carrying profit rates ranging from 6 % to 9.5% % (2012: 9.5% to 10.5%) per annum. However, these have been transferred to current account due to winding up of the Fund as mentioned in note 1.2.

## 5. DIVIDEND AND PROFIT RECEIVABLE

Dividend receivable	-	212
Profit receivable on bank deposit	-	5
	<u>-</u>	<u>217</u>

**6. INVESTMENTS - 'AT FAIR VALUE THROUGH PROFIT OR LOSS'**

6.1 - 97,846

Quoted equity securities

### 6.1 Quoted equity securities

**6.2** The investments have been disposed off due to winding up of the Fund as mentioned in note 1.2.



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

7. SECURITY DEPOSITS	25 March 2013	30 June 2012
	(Rupees in '000)	
Security deposits with		
- Central Depository Company of Pakistan Limited	-	100
- National Clearing Company of Pakistan Limited	-	2,500
	<u>-</u>	<u>2,600</u>

7.1 These deposits have been refunded as the Fund is being wound up as mentioned in note 1.2.

## 8. PRELIMINARY EXPENSES

Opening balance	658	858
Less: Write off / amortisation during the period	(658)	(200)
Closing balance	<u>-</u>	<u>658</u>

8.1 This represents expenses incurred on the formation of the Fund. The offering document of the Fund, approved by the Securities and Exchange Commission of Pakistan, permits the deferral of the cost over a period not exceeding five years. However, these expenses are provided in full in these financial statement as a result of the winding up of the Fund as mentioned in note 1.2.

## 9. PAYABLE TO MANAGEMENT COMPANY

Management fee payable	9.1	-	80
Sindh sales tax payable		-	13
		<u>-</u>	<u>93</u>

9.1 Under the provisions of NBFC Regulations 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. The Management Company has charged its remuneration at the rate of 1% per annum. The management fee is monthly paid to the Management Company in arrears.

9.2 The Fund has charged management fee upto 24 January 2013, as the Fund has ceased to carry on its activities except to the extent necessary for it to be wound up as mentioned in note 1.2.

## 10. PAYABLE TO MCB FINANCIAL SERVICES LIMITED - TRUSTEE

Trustee fee payable	10.1	<u>-</u>	<u>55</u>
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10.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the average daily net asset value of the Fund. The remuneration has been paid to the trustee according to the following tariff structure:

Amount of Funds under Management (Average Net Asset Value)	Tariff per annum
On Net Assets upto Rs. 500 million	Rs. 0.7 million or 0.20% per annum of the Net Assets, which ever is higher.
On Net Assets exceeding Rs.500 million to Rs. 1,000 million	Rs.1.0 million plus 0.15% per annum of the amount exceeding Rs.500 million.
On Net Assets exceeding Rs.1,000 million to Rs. 2,000 million	Rs.1.75 million plus 0.08% per annum of the amount exceeding Rs.1,000 million.
On Net Assets over Rs. 2,000 million	Rs.2.55 million plus 0.05% per annum of the amount exceeding Rs.2,000 million.

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

**10.2** The Fund has charged trustee's remuneration upto 24 January 2013, as the Fund has ceased to carry on its activities except to the extent necessary for it to be wound up as mentioned in note 1.2.

**11. PAYABLE TO SECURITIES AND EXCHANGE  
COMMISSION OF PAKISTAN**

**25 March      30 June**  
**2013            2012**  
**(Rupees in '000)**

Annual Fee payable	<i>11.1</i>	<b>44</b>	<b>109</b>
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**11.1** This represents annual fee payable to SECP in accordance with the NBFC Regulations, whereby the Fund is required to pay SECP fee at the rate of 0.095% of the average daily net assets of the fund in accordance with regulation 62 of NBFC Regulations, 2008.

**11.2** The Fund has charged fee to Securities and Exchange Commission of Pakistan's fee upto 24 January 2013, as the Fund has ceased to carry on its activities except to the extent necessary for it to be wound up as mentioned in note 1.2.

**12. ACCRUED AND OTHER LIABILITIES**

Brokerage payable	-	34	
Auditors' remuneration	<b>198</b>	340	
Legal and professional charges	<b>83</b>	79	
Others	<b>120</b>	211	
	<b>401</b>	<b>664</b>	

**13. CONTINGENCIES AND COMMITMENTS**

**Provision for Worker's Welfare Fund**

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

Subsequent to the year ended 30 June 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) on 8 July 2010 which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on 14 December 2010 the Ministry filed its response against the Constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the Court.

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

However, as per advice of legal counsel the stay granted to CIS remains intact and the constitution petitions filed by the CIS to challenge the WWF contribution have not been affected by the SHC judgment.

In view of the afore mentioned developments, the Management Company of the Fund has decided not to recognise liability towards WWF aggregating to Rs. 0.536 million in the books of the Fund as at 25 March 2013. As the Fund has ceased to carry on its activities on 24 January 2013 and is currently in the process of winding up, the management is of the view that in case the above matter is not decided in favour of the mutual funds the expense will be borne by the Management Company of the Fund.

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

14. AUDITORS' REMUNERATION	25 March 2013	30 June 2012
	(Rupees in '000)	
Annual audit fee	150	230
Half yearly review fee	120	120
Other certifications and services	30	110
Out of pocket expenses	53	39
	<u>353</u>	<u>499</u>

## 15. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance 2001. As the Fund is in the process of winding up as mentioned in note 1.2 and winding up proceeds have been distributed to the unit holders sub-sequent to the period ended 25 March 2013, no provision for the taxation has been made in these financial statements.

## 16. EARNINGS PER UNIT

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

## 17. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provision of the NBFC rules 2003, NBFC Regulations 2008 and Constitutive documents of the Fund.

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

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

## 17.1 Transactions during the period with connected persons / related parties are as follows:

		For the period ended from 1 July 2012 to 25 March 2013 (Rupees in '000)	For the year ended 30 June 2012
<b>Management Company</b>			
Remuneration for the period / year		467	1,144
Sindh sales tax paid on remuneration fee of Management Company		75	-
<b>Arif Habib Limited</b>			
Brokerage expense for the period / year	17.3	13	9
<b>MCB Financial Services Limited - Trustee</b>			
Remuneration for the period / year		399	700
<b>Allied Bank Limited</b>			
Cash dividend received		-	880
<b>Next Capital Limited</b>			
Brokerage expense for the period / year	17.3	8	-

## 17.2 Balance outstanding as at the period / year end

<b>Management Company</b>			
Remuneration payable		-	80
		-	13
<b>MCB Financial Services Limited - Trustee</b>			
Remuneration payable		-	55
<b>MCB Bank Limited</b>			
Investment in quoted equity securities		-	19,976

	25 March 2013		30 June 2012	
	Units	Rs in '000	Units	Rs in '000
<b>Units sold to:</b>				
Directors and executives of the Management Company	-	-	9,930	526
<b>Units redeemed by:</b>				
Management Company	111,536	7,000	213,465	13,000
Directors and executives of the Management Company	-	-	10,747	610
National Bank of Pakistan	623,643	40,119	20,927	1,192
Habib Metropolitan Bank Limited	248,165	15,870	175,654	10,000
Allied Bank Limited	400,000	26,348	29,184	1,645
<b>Bonus units issued:</b>				
Management Company	-	-	37,407	2,104
Directors and executives of the Management Company	-	-	72	4
National Bank of Pakistan	-	-	44,570	2,512
Habib Metropolitan Bank Limited	-	-	23,819	1,339
Allied Bank Limited	-	-	29,184	1,645
<b>Units held by:</b>				
Management Company	312,406	20,588	423,942	24,377
Directors and executives of the Management Company	597	39	597	34
National Bank of Pakistan	-	-	623,643	35,859
Habib Metropolitan Bank Limited	-	-	248,165	14,269
Allied Bank Limited	-	-	400,000	23,000

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

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

### **18. FINANCIAL RISK MANAGEMENT**

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

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

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

- market risk
- credit risk
- liquidity risk

#### **18.1 Market risk**

Market risk is the risk that 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.

##### ***Currency risk***

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at march 25, 2013, is not exposed to currency risk as all transactions are carried out in Pakistani Rupee.

##### ***Yield / Interest rate risk***

Yield / 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.

At the reporting date, the interest rate profile of Funds' interest-bearing financial instruments is as follows:

	<b>25 March 2013</b>	<b>30 June 2012</b>
	<b>(Rupees in '000)</b>	
<b>Variable rate instruments</b>		
Financial assets	4	228

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

As at 25 March 2013 the Fund does not hold any variable rate instruments that expose it to yield / interest rate risk.

### *Fair Value sensitivity analysis for variable rate instruments*

A change of 100 basis points in interest rates at the year end would not have material impact on the loss for the period / year and unit holders' fund.

### *Sensitivity analysis for fixed rate instruments*

As at 25 March 2013, the Fund does not hold any fixed rate instruments that expose to yield / interest rate risk.

### *Other price risk*

Other price risk is the risk of changes in the fair value of equity securities as the result of changes in the levels of Karachi Stock Exchange (KSE) and other respective market indices and the value of individual shares. The equity price risk exposure arises from the Fund's investments in equity securities.

This arises from investments held by the Fund for which prices in the future are uncertain. The Fund's policy is to manage price risk through diversification within specified limits set by internal risk management guidelines.

The Fund manages those risks arising from local investments by limiting exposure to any single investee company to the extent of the weightage of that security in the tracking index and also maintaining the investment restrictions as prescribed by the NBFC Regulations, 2008. The Fund Manager also manages its exposure to price risk by reviewing portfolio allocation on a continuous basis and also by the investment committee on a regular basis in respect of allocation within industry and individual stock within that allocation.

A summary analysis of local investments by industry sector, the percentage in relation to Fund's own net assets and the issued capital of the investee company is presented in note 6.1.

The table below summarises the sensitivity of the Fund's net assets attributable to unit holders to equity price movements as at 25 March 2013. The analysis is based on the assumption that KSE-100 index increased by 5% and decreased by 5%, with all other variables held constant and that the fair value of the Fund's portfolio of equity securities moved according to their historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE-100 index, having regard to the historical volatility of index of past three years.

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

	<b>25 March 2013</b>	<b>30 June 2012</b>
	<b>(Rupees in '000)</b>	
Effect on income statement, net assets attributable to unit holders and equity investments due to increase / decrease in the index	<u>-</u>	<u>5,529</u>

The sensitivity analysis presented is based upon the portfolio composition as at 25 March 2013 and the historical correlation of the securities comprising the portfolio to the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE and other respective market indices, is expected to change over time. Accordingly, the sensitivity analysis prepared as at 25 March 2013 is not necessarily indicative of the effect on the Fund's net assets attributed to unit holders of future movements in the level of the KSE and other respective market indices.

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

## 18.2 Credit risk

### *Credit risk management*

Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties in case of placements or other arrangements to fulfil their obligations. There is a possibility of default by participants and of failure of the financial markets, the depositories, the settlements or clearing system etc.

### *Management of credit risk*

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Board of Directors. In addition, credit risk is also minimised due to the fact that the Fund invests only in high quality financial assets, majority of which have been rated by a reputable rating agency. All transactions in listed securities are settled / paid for upon delivery using the National Clearing Company of Pakistan Limited. The risk of default is considered minimal due to inherent systematic measures taken therein.

### *Exposure to credit risk*

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

	<b>25 March 2013</b>	
	<b>Statement of Asset and Liabilities</b>	<b>Maximum</b>
Balances with banks	24,542	24,542
Dividend receivable	-	-
Investments	-	-
Security deposits	-	-
	<b>24,542</b>	<b>24,542</b>
	<b>30 June 2012</b>	
	<b>Statement of Asset and Liabilities</b>	<b>Maximum</b>
Bank balances (including profit receivable)	233	233
Dividend receivable	212	212
Investments	97,846	-
Security deposits	2,600	2,600
	<b>100,891</b>	<b>3,045</b>

Difference in the balance as per the Statement of Assets and Liabilities and maximum exposure in investments is due to the fact that investment in equity securities of Rs. nil (30 June 2012: Rs. 97.856 million) is not exposed to credit risk.

None of the above financial assets were considered to be past due or impaired as on 25 March 2013.

All the deposits with the banks, Central Depository Company of Pakistan Limited and National Clearing Company of Pakistan Limited are highly rated and risk of default is considered minimal.

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

Details of the credit ratings of balances with banks, deposits and dividend receivable are as follows:

Rating	25 March 2013	30 June 2012
AA+	100%	8%
Others	0%	92%
	<b>100%</b>	<b>100%</b>

### *Concentration of credit risk*

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

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

	25 March 2013	
	(Rupees in '000)	(Percentage)
Commercial banks	24,542	100.00
Others	-	-
	<b>24,542</b>	<b>100.00</b>
	30 June 2012	
	(Rupees in '000)	(Percentage)
Commercial banks	233	7.65
Others	2,812	92.35
	<b>3,045</b>	<b>100.00</b>

### *Settlement risk*

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

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

### **18.3 Liquidity risk**

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The Fund is exposed to daily cash redemptions, if any. Management Company manages the liquidity risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets.

For the purpose of making redemptions the Fund has the ability to borrow in the short term, however such need did not arise during the period. 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.



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

- 18.4 All the above transactions with connected persons have been carried out at arm's length prices determined in accordance with the method disclosed in note 3 to these financial statements.**

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption request in excess of ten percent of the units in issue or exceed ten percent of the Net Assets of the Fund and such requests would be treated as redemption request 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 period.

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

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

<b>25 March 2013</b>			
	<b>Carrying amount</b>	<b>Up to three months</b>	<b>Above three months</b>
<i>Non-derivative liabilities</i>	----- <b>(Rupees in '000)</b> -----		
Payable to Management Company	-	-	-
Payable to MCB Financial Services Limited - Trustee	-	-	-
Payable to Securities and Exchange Commission of Pakistan	<b>44</b>	-	<b>44</b>
Accrued and other liabilities	<b>401</b>	<b>401</b>	-
	<b>445</b>	<b>401</b>	<b>44</b>
<b>30 June 2012</b>			
	<b>Carrying amount</b>	<b>Up to three months</b>	<b>Above three months</b>
<i>Non-derivative liabilities</i>	----- <b>(Rupees in '000)</b> -----		
Payable to Management Company	93	93	-
Payable to MCB Financial Services Limited - Trustee	55	55	-
Payable to Securities and Exchange Commission of Pakistan	109	109	-
Accrued and other liabilities	664	664	-
	921	921	-

As mentioned in note 21, Subsequent to March 25, 2013 all payment have been made to the unit holders of the fund in accordance with the requirements of NBFC & Notified Entities Regulations, 2008 and the constitutive documents of the Fund

### **18.5 Unit Holders' Fund risk management**

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

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

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

## 19. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The Fund's accounting policy on fair value measurements of its investments is discussed in note 3.1 to these financial statements.

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

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

**25 March 2013**

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

**At fair value through profit or loss**

**-**

30 June 2012

At fair value through profit or loss

**97,846**

## 20. SUPPLEMENTARY NON FINANCIAL INFORMATION

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

### 20.1 Pattern of unit holding

Details of pattern of unit holding as at:

	25 March 2013		
	Number of unit holders	Investment amount	Percentage of investment
		(Rupees in '000)	
Individuals	17	3,469	14.40%
Associated Companies and Directors	3	20,627	85.60%
Banks and DFIs	-	-	0.00%
	<b>20</b>	<b>24,096</b>	<b>100.00%</b>

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

	30 June 2012		
	Number of unit holders	Investment amount	Percentage of investment
	(Rupees in '000)		
Individuals	20	3,093	3.07%
Associated Companies and Directors	3	24,403	24.25%
Banks and DFIs	3	73,132	72.68%
	<u>26</u>	<u>100,628</u>	<u>100.00%</u>

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

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

	<b>25 March 2013 Percentage</b>
BMA Capital Management Limited	
Invest and Finance Securities Limited	
Arif Habib Limited	<b>12.73%</b>
Habib Metro Financial Services (Private) Limited	<b>12.35%</b>
M.M. Securities (Private) Limited	<b>8.33%</b>
JS Global Capital Limited	<b>7.09%</b>
AL Habib Capital Markets (Private) Limited	<b>6.25%</b>
Al Hoqani Securities & Investment Corporation (Private) Limited	<b>5.83%</b>
Next Capital Limited	<b>5.11%</b>
Aba Ali Habib Securities (Private) Limited	<b>5.07%</b>
	<b>4.91%</b>
	<b>4.66%</b>
	<b>30 June 2012 Percentage</b>
Optimus Securities (Private) Limited	
Topline Securities (Private) Limited	
Arif Habib Limited	14.00%
Elixir Securities Pakistan (Private) Limited	10.70%
Global Securities Pakistan Limited	8.60%
First Capital Equities Limited	7.80%
Ismail Iqbal Securities Limited	7.80%
JS Global Capital Limited	7.10%
Next Capital Limited	7.00%
Habib Metro Financial Services (Private) Limited	6.30%
	6.00%
	6.00%

### 20.3 Attendance at meetings of the Board of Directors

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

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

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

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave Granted	
Mr. Mian Mohammad Mansha	5	2	3	98th, 99th, 100th and 103rd
Mr. Nasim Beg	5	4	1	102nd
Mr. Yasir Qadri (Chief Executive Officer)	5	5	-	
Dr. Syed Salman Ali Shah	5	5	-	
Mr. Haroun Rashid	5	2	2	100th and 101st
Mr. Ahmed Jahangir	5	5	-	
Mr. Samad A. Habib	5	2	2	98th and 100th
Mr. Mirza Mehmood Ahmed	5	2	3	98th, 99th and 101st
Mr. M. Saqib Saleem (COO & Company Secretary)	5	5	-	
Mr. Umair Ahmed (Chief Financial Officer) *	1	1	-	

\* Mr. Umair Ahmed was designated as Chief Financial Officer from 1 January 2013.

### 20.4 Particulars of investment committee and fund manager

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

25 March 2013			
	Designation	Qualification	Experience in years
1 Yasir Qadri	Chief Executive Officer	MBA	18
2 Kashif Rafi	SVP - Head of Fixed Income Investments	MBA, CFA (Level I)	12
3 Muhammad Asim	VP - Head of Equities	MBA & CFA	10
4 Syed Akbar Ali	VP - Head of Research	MBA & CFA	8
5 Mohsin Pervaiz	VP - Investments	MBA, CFA (Level I)	12

### 20.5 Other funds managed by the fund manager

#### **Mr. Mohsin Pervez**

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

- Pakistan Strategic Allocation Fund
- Pakistan Capital Market Fund

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

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**21. DATE OF AUTHORISATION FOR ISSUE**

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

  
\_\_\_\_\_  
Chief Executive Officer

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

  
\_\_\_\_\_  
Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

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

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