



Bachat ka Doosra Naam

Annual Report 2013



Aam Key Aam Guthliyon key Daam

MCB

DYNAMIC

CASH FUND

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

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Vision

To become synonymous with Savings.

Mission

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

Core Values

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

FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings and Investments Limited (Formerly: Arif Habib Investments Limited) 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Board of Directors of the Management Company	Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman(subject to the approval of SECP) Executive Vice Chairman Chief Executive Officer (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director Director (subject to the approval of SECP)
Audit Committee	Mr. Haroun Rashid Mr. Nasim Beg Mr. Samad A. Habib	Chairman Member Member
Human Resource Committee	Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Yasir Qadri	Chairman Member Member Member Member
Company Secretary & Chief Operating Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer	Mr. Umair Ahmed	
Trustee	Central Depository Company of Pakistan Limited CDC House, 990B Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400	
Bankers	MCB Bank Limited Bank Al Falah Limited Faysal Bank Limited NIB Bank Limited Bank Islami Pakistan Limited Allied Bank Limited Habib Metropolitan Bank Limited	
Auditors	M. Yousuf Adil Saleem & Co.-Chartered Accountants Cavis Court, A-35, Block 7 & 8, KCHSU, Sharae Faisal, Karachi-75350	
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
Transfer Agent	MCB-Arif Habib Savings and Investments Limited (Formerly: Arif Habib Investments Limited) 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Rating	AM2 - Management Quality Rating assigned by PACRA	

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

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

Economy and Money Market Overview

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

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

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

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

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

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

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

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

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

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

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

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

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

Future outlook

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

Fund's Performance

The net assets of the fund were grown significantly by 69% on a YoY basis to around PKR 11.3 billion as on June 30, 2013. The investment objective of the fund is to provide an attractive return to short term investors or investors with very low appetite for risk while taking into account the capital security and liquidity considerations. The fund is benchmarked against 1-month KIBOR. Through active management and carefully selected trading positions, the fund was able to yield an annualized return of 9.8% during the period under review which was higher than the Fund's benchmark return of 9.3% during the same period. The overall liquidity situation remained comfortable during the fiscal year under-review. The fund continued to deploy assets cautiously, without aggressively chasing, and has maintained a strong focus on the credit quality of the instruments. Considering the risk-return profile of government papers, the fund increased its exposure significantly towards government papers while maintaining decent allocations towards TFCs especially of financial sector. Although the fund maintained decent exposure towards government papers throughout the year, it managed its portfolio's duration actively to take advantage of the fast changing interest rate scenario.

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

Performance Information (%)	DCF	Benchmark
Last twelve Months Return(Annualized)	9.8%	9.3%
Since Inception (CAGR)	10.6%	11.4%

During the year your fund earned net income of Rs 880.41 million. The Board in the meeting held on July 04, 2013 has declared final distribution amounting to Rs. 289.69 million (i.e. Rs. 2.6526 per unit).

Date of distribution	Distribution PKR / Unit
27 September 2012	3.0133
27 December 2012	2.4902
25 March 2013	1.9045

During the period, units worth Rs. 10,118 million (including Rs. 639.55 million worth of bonus units) were issued and units with a value of Rs. 5,702.16 million were redeemed. As on 30 June 2013 the NAV of the Fund was Rs. 103.6526 per unit.

Update on Workers' Welfare Fund

Through the Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West

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

Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment it appears that WWF Ordinance has become applicable to all Collective Investment Schemes (CISs) whose income exceeds Rs. 0.5 million in a tax year. In light of this, the Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honorable Sindh High Court challenging the applicability of WWF on CISs which was dismissed mainly on the ground that MUFAP is not an aggrieved party.

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

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

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

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

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

Corporate Governance

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

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

- a. Financial statements present fairly the statement of affairs, the results of operations, cash flows and Change in unit holders' fund.
- b. Proper books of accounts of the Fund have been maintained during the year.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable prudent judgment.
- d. Relevant International Accounting Standards, as applicable in Pakistan, provisions of the Non Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.

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

- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- h. Key financial data as required by the Code of Corporate Governance has been summarized in the financial statements.
- i. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- j. The statement as to the value of investments of provident fund is not applicable on the Fund but applies to the Management Company; hence appropriate disclosure has been made in the Directors' Report of the Management Company.
- k. The detailed pattern of unit holding, as required by NBFC Regulations and the Code of Corporate Governance are enclosed.
- l. The details of attendance of Board of Directors meeting is disclosed in note 24 to the attached financial statements. Below is the details of committee meetings held during the year ended June 30, 2013:

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

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

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

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

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

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

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

S. No.	Name	Designation	Investment	Redemption	Bonus
			(Number of Units)		
1	Mr. Nasim Beg	Executive Vice Chairman	-	-	-
2	Mr. Yasir Qadri	Chief Executive Officer	25,635	3,635	6,022
3	Mr. Saqib Saleem	Company Secretary & Chief Operating Officer	-	-	-
4	Umair Ahmed	Chief Financial officer	-	-	-
5	Asif Mehdi Rizvi	Head of Internal Audit & Compliance	97,385	24,001	2,571

External Auditors

The Fund's external auditors, M. Yousuf Adil Saleem & Co., Chartered Accountants, have expressed their willingness to continue as the Fund auditors for the ensuing year ending June 30, 2014. The audit committee of the Board has recommended reappointment of M. Yousuf Adil Saleem & Co., Chartered Accountants, as auditors of the Fund for the year ending June 30, 2014.

Acknowledgement

The Board of Directors of the Management Company is thankful to the valued investors of the Fund for their reliance and trust in 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 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

Karachi: August 05, 2013

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

Fund Type and Category

MCB Dynamic Cash Fund (MCB DCF) is an open-end Income scheme, for which SECP categorization is in process.

Fund Benchmark

The benchmark for MCB DCF is 1-month KIBOR.

Investment Objective

To provide an attractive return to short term investors or investors with a very low appetite for risk while taking into account capital security and liquidity considerations. The fund achieved its objective by posting a decent return while minimizing risk.

Investment Strategy

The Fund through active management will aim to provide optimum returns for its Unit Holders by investing primarily in money market and short term instruments. The fund may also invest a portion of the Fund in medium term assets in order to provide higher returns to Unit Holders.

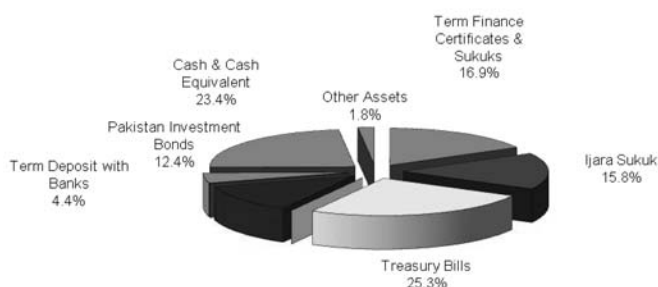
Manager's Review

The fund was able to generate an annualized return of 9.8% during the year under review, which was slightly higher than the fund's benchmark return of 9.3% during the same period.

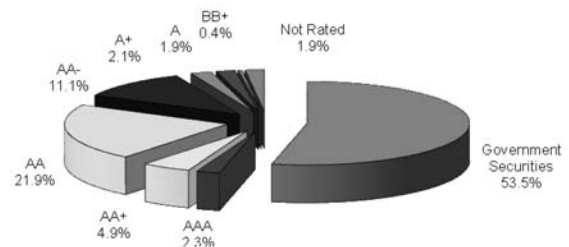
The fund remained focused towards credit quality of the portfolio and hence deployed its assets cautiously. During the year, the fund continued to emphasize on the government papers owing to better risk-return proposition while maintaining a decent exposure in some good quality TFCs especially of financial sector. During the period under review, the fund also capitalized on attractive TDRs opportunities whenever available in order to enhance fund's returns. In addition of capitalizing on conventional government papers, the fund had timely accumulated its exposure in different issues of GoP Ijarah Sukuks (GIS), which did not only offer attractive yields but also provided capital gain potential.

The net assets of the fund stood at PKR 11.3 billion by the end of June 2013, which was up by around PKR 4.8 billion during the period under review. We believe that the fund's exposure towards good quality TFCs along with well-timed accumulation of Government papers should contribute towards decent returns going forward.

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



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



Mr. Kashif Rafi
Fund Manager

Karachi: August 05, 2013

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



CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office

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



TRUSTEE REPORT TO THE UNIT HOLDERS

MCB DYNAMIC CASH FUND

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

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

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


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

Karachi: October 10, 2013



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

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

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

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

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

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

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

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

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

For and on behalf of the board



Yasir Qadri

Chief Executive

Karachi: August 05, 2013

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

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
Karachi-75350
Pakistan

Phone: +92 (0) 21- 3454 6494-7
Fax: +92 (0) 21- 3454 1314
Web: www.deloitte.com

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

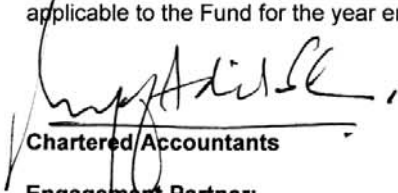
We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **MCB-Arif Habib Savings and Investments Limited** (formerly: Arif Habib Investments Limited), the Management Company of **MCB Dynamic Cash Fund (the Fund)** to comply with the Listing Regulation No. 35 (Chapter XI) of the Karachi Stock Exchange Limited, where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company. 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 Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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.

Regulation 35 (x) of the Listing Regulations requires the Management Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of 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, 2013.



Chartered Accountants

Engagement Partner:
Mushtaq Ali Hirani

Karachi
Date: August 05, 2013

Member of
Deloitte Touche Tohmatsu Limited

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

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
Karachi-75350
Pakistan

Phone: +92 (0) 21- 3454 6494-7
Fax: +92 (0) 21- 3454 1314
Web: www.deloitte.com

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **MCB Dynamic Cash Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2013, and the income statement, distribution statement, statement of movements in unit holder's fund, cash flow statement and a summary of significant accounting policies together and other explanatory notes.

Management Company's responsibility for the financial statements

Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with 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 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 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 auditor's 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.

Member of
Deloitte Touche Tohmatsu Limited

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

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants

Opinion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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



Chartered Accountants

Engagement Partner
Mushtaq Ali Hirani

Karachi
Date: August 05, 2013

Member of
Deloitte Touche Tohmatsu Limited

FINANCIAL STATEMENTS

STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2013

	Note	2013 (Rupees in '000)	2012
ASSETS			
Balances with banks	5	2,668,390	2,147,211
Investments	6	8,550,755	4,505,117
Income from investments and other receivables	7	201,254	115,214
Security deposits and prepayments	8	3,300	3,299
Total assets		11,423,699	6,770,841
LIABILITIES			
Payable to Management Company		17,917	9,530
Payable to Central Depository Company of Pakistan Limited - Trustee		789	515
Fee payable to the Securities and Exchange Commission of Pakistan - Annual fee		7,010	4,388
Accrued expenses and other liabilities	9	78,233	60,195
Total liabilities		103,949	74,628
NET ASSETS		11,319,750	6,696,213
Unit holders' fund (as per statement attached)		11,319,750	6,696,213
Contingencies and commitments	10		
		(Number of units)	
NUMBER OF UNITS IN ISSUE		109,208,503	66,006,910
		(Rupees)	
NET ASSET VALUE PER UNIT	4.23	103.65	101.45

The annexed notes 1 to 28 form an integral part of these financial statements.


Chief Executive Officer

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


Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 (Rupees in '000)	2012
INCOME			
Income from government securities		607,322	374,311
Income from term finance certificates		271,686	258,027
Profit on bank deposits and term deposit receipts		128,049	135,376
Capital gain on sale of investments		93,518	13,888
Income from money market placements		-	4,194
		1,100,575	785,796
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.3.6	20,067	17,826
Provision against debt securities	6.3	(72,688)	(76,931)
Total income		1,047,954	726,691
EXPENSES			
Remuneration of Management Company	11	140,198	87,740
Sales tax and Fedral Excise Duty on remuneration of Management Company	12	23,995	14,038
Remuneration of Central Depository Company of Pakistan Limited - Trustee	13	8,142	5,694
Securities and Exchange Commission of Pakistan - Annual fee	14	7,010	4,388
Brokerage and settlement charges		1,798	1,054
Amortisation of preliminary expenses and floatation costs		-	1,526
Auditors' remuneration	15	934	1,038
Bank charges		381	253
Other expenses		359	948
Total expenses		182,817	116,679
Net income from operating activities		865,137	610,012
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed		33,242	8,077
Provision for workers' welfare fund	9.1	(17,968)	(12,362)
Net income for the year before taxation		880,411	605,727
Taxation	16	-	-
Net income for the year after taxation		880,411	605,727
Other comprehensive income for the year		-	-
Total comprehensive income for the year		880,411	605,727
Earnings per unit	4.13	-	-

The annexed notes 1 to 28 form an integral part of these financial statements.


Chief Executive Officer

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


Director

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	(Rupees in '000)	
Undistributed income brought forward		
-Realised income	212,248	212,019
-Unrealised loss	<u>(116,693)</u>	<u>(146,389)</u>
	95,555	65,630
Interim distributions during the year ended June 30, 2013:		
On September 28, 2012 at Rs. 3.0133 per unit (On September 28, 2011 at Rs. 3.3774 per unit)		
- Cash distribution	-	(13,793)
- Bonus distribution	(201,680)	(156,301)
On December 27, 2012 at Rs. 2.4902 per unit (On January 27, 2012 at Rs. 3.4026 per unit)		
- Cash distribution	-	(23,698)
- Bonus distribution	(225,497)	(173,811)
On March 26, 2013 at Rs. 1.9045 per unit (On March 29, 2012 at Rs. 1.6677 per unit)		
- Cash distribution	-	(11,623)
- Bonus distribution	(212,372)	(92,963)
(On June 25, 2012 at Rs. 1.9425 per unit)		
- Bonus distribution	-	(125,429)
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount representing unrealised income	62,517	21,816
Net income for the year	880,411	605,727
	303,379	29,925
Undistributed income carried forward	<u>398,934</u>	<u>95,555</u>
Represented by:		
-Realised income	325,627	212,248
-Unrealised income / (loss)	73,307	(116,693)
	<u>398,934</u>	<u>95,555</u>

The annexed notes 1 to 28 form an integral part of these financial statements.


Chief Executive Officer

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


Director

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

	2013 (Rupees in '000)	2012 (Rupees in '000)
Net assets at beginning of the year	6,696,213	5,019,700
Issue of 96,580,749 units (2012: 63,080,770 units)	9,478,526	6,459,559
Redemption of 59,683,421 units (2012: 52,041,395 units)	(5,702,158)	(5,331,582)
Issue of 6,304,265 bonus units in respect of final distribution for the year ended June 30, 2013 (2012: 1,248,618 bonus units)	639,549	125,429
Issue of Nil interim bonus units (2012: 5,426,818)	-	423,075
	4,415,917	1,676,481
	11,112,130	6,696,181
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		
amount representing (income) / loss and capital (gains) / losses - transferred to income statement	(33,242)	(8,077)
amount representing unrealised capital (gains) / losses and capital (gains) / losses that forms part of the unit holders' fund transferred to distribution statement	(62,517)	(21,816)
	(95,759)	(29,893)
Net income for the year transferred from the distribution statement		
Capital gain on sale of investments	93,518	13,888
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	20,067	17,826
Other net income for the year	766,826	574,013
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount representing unrealised income	62,517	21,816
Distributions made during the year (Refer distribution statement)	(639,549)	(597,618)
	303,379	29,925
	11,319,750	6,696,213
NUMBER OF UNITS IN ISSUE	109,208,503	66,006,910
	(Rupees)	
NET ASSET VALUE PER UNIT	103.65	101.45

The annexed notes 1 to 28 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

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 (Rupees in '000)	2012
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year before taxation		880,411	605,727
Adjustments for non - cash charges and other items			
Income from government securities		(607,322)	(374,311)
Income from term finance certificates		(271,686)	(258,027)
Profit on bank deposits and term deposits receipts		(128,049)	(135,376)
Capital gain on sale of investments		(93,518)	(13,888)
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed		(33,242)	(8,077)
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		(20,067)	(17,826)
Income from money market placements		-	(4,194)
Amortisation of preliminary expenses and floatation costs		-	1,526
		<u>(273,473)</u>	<u>(204,446)</u>
(Increase) / decrease in assets			
Investments - net		(4,955,912)	(425,597)
Other receivables		(14,416)	(9,250)
Security deposits		(1)	189
		<u>(4,970,329)</u>	<u>(434,658)</u>
Increase / (decrease) in liabilities			
Payable to Management Company		8,387	3,750
Payable to Central Depository Company of Pakistan Limited - Trustee		274	118
Fee payable to Securities and Exchange Commission of Pakistan - Annual fee		2,622	475
Accrued expenses and other liabilities		18,038	(275,020)
		<u>29,321</u>	<u>(270,677)</u>
		<u>(5,214,481)</u>	<u>(909,781)</u>
Income received from government securities		552,035	353,623
Mark-up received on term finance certificates		272,991	275,789
Profit received on bank deposits and term deposit receipts		110,407	117,924
Income received from money market placements		-	4,194
Net cash used in operating activities		<u>(4,279,048)</u>	<u>(158,251)</u>
B. CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt from issue of units		9,478,526	6,459,559
Payment on redemption of units		(5,702,158)	(5,331,582)
Cash distribution		-	(49,114)
Net cash generated from financing activities		<u>3,776,368</u>	<u>1,078,863</u>
Net (decrease) / increase in cash and cash equivalents during the year		<u>(502,680)</u>	<u>920,612</u>
Cash and cash equivalents at the beginning of the year		3,171,567	2,250,955
Cash and cash equivalents at the end of the year	18	<u><u>2,668,887</u></u>	<u><u>3,171,567</u></u>

The annexed notes 1 to 28 form an integral part of these financial statements.


Chief Executive Officer

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


Director

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

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 MCB Dynamic Cash Fund (the Fund) was established under a Trust Deed dated, November 09, 2006, executed between MCB Asset Management Company Limited (now merged with and into Arif Habib Investments Limited) as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Trust Deed was amended through a supplemental Trust Deed dated January 21, 2007. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) as a Collective Investment Scheme under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 on December 12, 2006.
- 1.2 Based on shareholders' resolutions of MCB-AMC and AHIL the two companies have merged as of June 27, 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). AHIL being a listed company is the surviving entity and in compliance of SBP's approval, it is a subsidiary of MCB Bank.. Subsequent to the completion of merger on June 27, 2011 the SECP extended the effective date of merger to July 30, 2011 through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AHI/348/2011 dated June 27, 2011 under section 484(2) of the Companies Ordinance 1984. However, recently on request of Management Company the SECP reviewed its aforementioned order and through a letter no. SCD/AMCW/Mis/540/2013 dated May 17, 2013 issued revised order under section 484(2) of the Companies Ordinance 1984 to affirm the effective date of merger of MCB-AMC with AHIL as June 27, 2011. The latest order also endorsed the steps/actions taken by Management Company from June 27, 2011 to date.
- Pursuant of approval of Merger the name of the company have been changed from Airf Habib Investments Limited to MCB-Arif Habib Savings and Investments Limited.
- 1.3 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.
- 1.4 The Fund has been categorised as an open ended "fixed income" mutual fund and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering to the Fund. The units are listed on the Lahore Stock Exchange.
- 1.5 The Fund primarily invests in money market and other short-term instruments which includes short-term corporate debt and government securities, repurchase agreements and spread transactions. The Fund may also invest a portion of the fund in medium term assets in order to provide higher return to the unit holders.
- 1.6 The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2 (positive outlook) dated March 21, 2013 to the Management Company and a rating of "A+(f)" dated January 08, 2013 to the Fund.
- 1.7 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.
- 1.8 The Board of Directors have approved that the Fund approved that the Fund should be categorised as "Income Scheme" as per the categories defined by the Securities and Exchange Commission of Pakistan.

2. STATEMENT OF COMPLIANCE

- 2.1 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 Trust Deed, 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 the SECP shall prevail.

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

2.2 These financial statements comprise of statement of assets and liabilities, income statement, distribution statement, statement of movement in unit holders' fund and cash flow statement together with the notes forming part thereof.

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

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

2.4 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).

3. BASIS OF PREPARATION

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for certain investments which have been marked to market and carried at fair value in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments' : Recognition and Measurement'.

3.2 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 area where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies primarily related to classification and valuation of investments and impairment there against (note 4.1 and 4.5).

3.3 Functional and presentation currency

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

4. 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:

4.1 Financial assets

The Fund classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- available-for-sale investments; and
- loans and receivables

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement', at the time of initial recognition and re-evaluates this classification on a regular basis.

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

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) Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables or (b) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

c) Loans and receivables

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

4.2 Regular way contracts

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

4.3 Initial recognition and measurement

a) Financial assets at fair value through profit or loss

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

b) Available for sale and loans and receivables

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

4.4 Subsequent measurement

Subsequent to initial recognition, financial assets designated by the management at fair value through profit or loss and available for sale are valued at fair values determined as follows:

a) Basis of valuation of debt securities

The investment of the Fund in debt securities is valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 1 dated January 6, 2009 as amended by Circular No. 33 dated October 24, 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorizes them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

b) 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, except the Government of Pakistan Ijarah Sukuks, which are valued on the basis of rates announced by Reuters.

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.

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

Net gains and losses arising from changes in fair value of available for sale financial assets are taken to the 'statement of comprehensive income' until these are derecognized or impaired. At this time, the cumulative gain or loss previously recognized directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

Loans and receivables

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

4.5 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 recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the income statement.

Provision for non-performing debt securities and other exposures is made in accordance with the criteria specified in Circular No. 1 dated January 6, 2009 as amended by Circular No. 13 dated May 4, 2009 and Circular No. 33 dated October 24, 2012 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company.

4.6 Derecognition

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

4.7 Offsetting of financial assets and liabilities

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

4.8 Financial liabilities

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

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

4.9 Issue and redemption of units

Units issued are recorded at the offer price of the day on which cleared 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.

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 the business hours. The redemption price represents the net asset value per unit as of the close of the business day.

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

An equalization 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 per unit income and distribution of income already paid out on redemption.

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

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 unrealized gains / (losses) that form part of the Unit Holders' Funds in a separate reserve account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution 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 recognized in the Income Statement.

4.11 Proposed distributions

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

4.12 Provisions

Provisions are recognized 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.

4.13 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.

4.14 Taxation

The Fund's income is exempt from Income Tax as per clause 99 of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders. The management intends to distribute at least 90% of the income earned by the Fund by the year end 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. The management intends to distribute sufficient accounting income of the Fund for the year ended 30 June 2013 in order to comply with the above stated clause. Accordingly, no tax provision has been made in these financial statements.

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 unutilized tax losses to the extent that it is no longer probable that the related tax benefit will be realized. However, the Fund has not recognized 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 realized or unrealized, to its unit holders every year.

4.15 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 amortized over a period of five years commencing from March 1, 2007, in accordance with the requirements set out in the Trust Deed of the Fund.

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

4.16 Revenue recognition

- Realized capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealized gains / (losses) arising on mark to market 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.
- Income from government securities is recognized using the effective interest method.
- Profit on investments is recognized on an accrual basis.
- Profit on bank deposits is recognized on an accrual basis.

4.17 Cash and cash equivalents

Cash and cash equivalents include demand deposits with banks and other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

4.18 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Translation differences on non-monetary financial assets and liabilities such as equities at fair value through profit or loss are recognized in the Income Statement within the fair value net gain or loss.

4.19 Segment reporting

As per IFRS 8, operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Investment Committee of the Fund has been identified as the chief operating decision-maker, which is responsible for allocating resources and assessing performance of the operating segments.

Investment committee considers the business as a single operating segment as the Fund's assets allocation decisions are based on a single, integrated investment strategy, and the Fund's performance is evaluated on an overall basis. The Fund manager works under the supervision of the Investment Committee and follows the directions given by the Investment Committee.

The internal reporting provided to the Investment Committee for the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

4.20 Derivatives

Derivative instruments are initially recognized at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognized in the income statement.

4.21 Securities under repurchase / resale agreements

Transactions of purchase under an agreement for resale (reverse-repo) of marketable and government securities, including the securities purchased under continuous funding system, are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repo) are not recognized in the statement of assets and liabilities. Amount paid under these agreements are included as receivable in respect of reverse repurchase transactions / against continuous funding system transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions / continuous funding system and accrued over the life of the reverse-repo agreement.

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

All reverse repo / marginal trading system transactions are accounted for on the settlement date.

4.22 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates. The financial statements are presented in Pakistani Rupees, which is the Fund's functional and presentation currency.

4.23 NET ASSET VALUE PER UNIT

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

	2013	2012
Note	Rupees in '000	

5. BALANCES WITH BANKS

In deposit accounts	5.1	<u>2,668,390</u>	<u>2,147,211</u>
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5.1 These carry mark-up at rates ranging between 6% to 12.5% per annum (2012: 5% to 13.5% per annum).

6. INVESTMENTS

Financial assets at fair value through profit or loss

Government securities	6.1	<u>6,114,479</u>	1,583,254
Listed debt securities	6.2	<u>1,270,065</u>	1,042,732
Unlisted debt securities	6.3	<u>666,211</u>	879,131
		<u>8,050,755</u>	3,505,117
Loans and receivables	6.4	<u>500,000</u>	1,000,000
		<u>8,550,755</u>	<u>4,505,117</u>

6.1 Government securities

Name of investee company	Face Value					Balance as at June 30, 2013			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2012	Purchased during the year	Disposed during the year	Matured during the year	As at June 30, 2013	Carrying Value	Market value	Diminution		
-----Rupees in '000'-----										
Treasury Bills - 1 year	-	24,752,050	19,708,650	2,331,250	2,712,150	2,614,075	2,617,352	3,277	23.00%	31%
Treasury Bills - 6 months	-	10,558,900	10,118,500	163,400	277,000	274,352	274,410	58	2.42%	3%
Treasury Bills - 3 months	25,000	19,259,200	17,657,700	1,626,000	500	497	497	-	0.00%	0%
National Saving Bonds	89,900	-	-	89,900	-	-	-	-	0.00%	0%
Pakistan Investment Bonds -10 years	-	125,000	125,000	-	-	-	-	-	0.00%	0%
Pakistan Investment Bonds -05 years	52,700	750,000	800,000	-	2,700	2,684	2,709	25	0.02%	0%
Pakistan Investment Bonds -03 years	-	4,250,000	2,875,000	-	1,375,000	1,403,611	1,411,155	7,544	12.47%	17%
GoP Ijara Sukuk Certificate -03 years	1,417,000	1,361,000	972,300	-	1,805,700	1,810,948	1,808,356	(2,592)	15.98%	21%
Total - 2013	1,584,600	61,056,150	52,257,150	4,210,550	6,173,050	6,106,167	6,114,479	8,312	53.89%	71.90%
Total - 2012	1,749,900	26,202,700	18,051,000	8,317,000	1,584,600	1,591,588	1,583,254	(8,334)	22.88%	35.14%

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

	Note	2013 (Rupees in '000)	2012
6.2 Listed debt securities	6.2.1	1,270,065	1,052,246
Less: Provision of Saudi Pak Leasing Company Limited			
On July 1	6.2.2	(9,514)	-
Charged during the year		-	(9,514)
Reversal during the year*	6.2.2	9,514	-
		-	(9,514)
		1,270,065	1,042,732

* As at June 30, 2012 the Fund had made a provision of Rs. 9.514 million against the amount of redemption, not received since the date of default i.e October 2011. The terms of repayment of Saudi Pak Leasing Company Limited TFCs were restructured on July 13, 2012, after which it started making regular payments against redemption amount as per the restructured redemption schedule. Board of Directors has set off the provision against redemption receivable amounting to Rs. 3.443 million and reversed the provision of amounting of Rs. 6.071 million during the year.

6.2.1 Listed debt securities - term finance certificates

Certificates have a face value of Rs 5,000 each unless stated otherwise in 6.3.5

Name of investee company	Number of Certificates					Balance as at June 30, 2013			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2012	Purchased during the year	Matured during the year	Disposed during the year	As at June 30, 2013	Carrying value	Market value	Appreciation / (diminution)		
						-----Rupees in '000-----			%	
Commercial banks										
Allied Bank Ltd (December 6, 2006, issue)	11,800	-	-	1,000	10,800	40,894	40,841	(53)	0.36	0.48
Allied Bank Ltd (August 28, 2009, issue)	10,000	-	-	1,000	9,000	45,312	41,572	(3,740)	0.37	0.49
Askari Bank Ltd -I (February 4, 2005, issue)	13,405	-	13,405	-	-	-	-	-	-	-
Askari Bank Ltd -III (November 18, 2009, issue)	23,000	-	-	-	23,000	121,445	115,908	(5,537)	1.02	1.36
Bank Alfalah Limited -V (February 20, 2013, issue)	-	72,631	-	-	72,631	363,648	368,845	5,197	3.26	4.31
Faysal Bank Limited TFC - I (November 12, 2007)	7,515	-	-	-	7,515	28,387	28,314	(73)	0.25	0.33
Faysal Bank (formerly Royal Bank of Scotland February 10, 2005)	300	-	300	-	-	-	-	-	-	-
NIB Bank Limited (March 05, 2008)	43,808	1,000	-	-	44,808	222,625	223,006	381	1.97	2.61
Soneri Bank Limited (May 05, 2005)	4,050	-	4,050	-	-	-	-	-	-	-
United Bank Limited -I (September 08, 2006, issue)	15,000	-	-	-	15,000	36,996	37,675	679	0.33	0.44
United Bank Limited -TFC (August 10, 2004)	3,100	-	3,100	-	-	-	-	-	-	-
United Bank Ltd TFC - IV (February 14, 2008, issue)	79,008	-	-	-	79,008	397,602	397,932	330	3.52	4.65
Fertilizer										
Engro Chemical Pakistan Ltd - 111 (November 30, 2007, issue)	162	-	-	-	162	800	798	(2)	0.01	0.01
Leasing Companies										
Saudi Pak Leasing Company Limited (March 13, 2010)	10,000	-	-	-	10,000	16,383	15,174	(1,209)	0.13	0.18
Total - 2013						1,274,092	1,270,065	(4,027)	11.22	14.85
Total - 2012						1,037,792	1,052,246	14,454	15.70	23.40

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

	Note	2013 (Rupees in '000)	2012
6.3 Unlisted debt securities	6.3.1	876,263	1,010,424
Less: Provision as on July 1			
New Allied Electronics Industries (Private) Limited		57,400	57,571
Maple Leaf Cement Factory Limited - Sukuk bonds		50,279	
Maple Leaf Cement Factory Limited II		13,310	
Security Leasing Corporation Limited -Sukkuk Bonds		5,229	6,305
Security Leasing Corporation Limited - Term Finance Certificates		5,075	
		131,293	63,876
Less: Provision charged during the year			
Maple Leaf Cement Factory Limited - Sukuk bonds		102,373	50,279
Maple Leaf Cement Factory Limited II		-	13,310
Security Leasing Corporation Limited - Sukuk Bonds		-	5,229
Security Leasing Corporation Limited - Term Finance Certificates		-	5,075
	6.3.2	102,373	73,893
Add: Reversal of provision during the year			
Maple Leaf Cement Factory Limited II	6.3.3	13,310	-
Security Leasing Corporation Limited - Sukuk Bonds	6.3.4	5,229	6,305
Security Leasing Corporation Limited - Term Finance Certificates	6.3.4	5,075	-
New Allied Electronics Industries (Private) Limited		-	171
		23,614	6,476
		666,211	879,131
		2013	2012
		------(Rupees in '000)-----	
		Listed debt securities	Unlisted debt securities
			Total
Movement in provision against debt securities			
Opening balance		9,514	131,293
Add : Charge for the year		-	102,373
Less: Reversal of provision		6,071	23,614
Charge / (Reversal) for the year - net		(6,071)	78,759
Less: Set off against redemption receivable		3,443	-
Closing balance		-	210,052

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

6.3.5 Significant terms and conditions of term finance certificates and other securities outstanding at the year end are as follows:

Name of security	Number of certificates	Face Value	Unredeemed Face value / Redemption value (Rupees)	Mark-up rate (Per annum)	Maturity	Secured / unsecured	Rating
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Listed debt securities

Commercial banks

Allied Bank Ltd (December 6, 2006, issue)	10,800	5,000	3,741	6 month KIBOR+1.9%	December 6, 2014	Unsecured	AA-
Allied Bank Ltd (August 28, 2009, issue)	9,000	5,000	4,993	6 month KIBOR+0.85%	August 28, 2019	Secured	AA-
Askari Bank Ltd -III (November 18, 2009, issue)	23,000	5,000	4,993	6 month KIBOR+2.5%	November 18, 2019	Unsecured	AA-
Bank AlFalalah Limited -V (February 20, 2013, issue)	72,631	5,000	5,000	6 month KIBOR+1.25%	February 20, 2021	Unsecured	AA-
Faysal Bank Limited TFC - I (November 12, 2007)	7,515	5,000	3,743	6 month KIBOR+1.4%	November 12, 2014	Unsecured	AA-
NIB Bank Limited (March 05, 2008)	44,808	5,000	4,990	6 month KIBOR+1.15%	March 5, 2016	Unsecured	A+
United Bank Limited -I (September 08, 2006, issue)	15,000	5,000	2,495	6 month KIBOR+1.7%	September 8, 2014	Unsecured	AA
United Bank Ltd TFC - IV (February 14, 2008, issue)	79,008	5,000	4,990	6 month KIBOR+0.85%	February 14, 2018	Unsecured	AA

Fertilizer

Engro Chemical Pakistan Ltd - 111	162	5,000	4,989	6 month KIBOR+1.55%	November 30, 2015	Secured	AA
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Leasing Companies

Saudi Pak Leasing Company Limited	10,000	5,000	3,035	6.00%	March 13, 2017	Secured	Non - Rated
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Unlisted debt securities

Askari Bank Ltd - II (October 31, 2005)	6,980	5,000	4,985	3 month KIBOR+1.5%	October 31, 2013	Unsecured	AA-
Askari Bank Limited IV (PPTFC)	95	1,000,000	999,400	6 month KIBOR+1.75%	December 23, 2021	Unsecured	AA-
Bank AlFalalah Limited-IV (December 2, 2009)	8,500	5,000	4,993	6 month KIBOR+2.5%	December 2, 2017	Unsecured	AA-
Bank AlFalalah Limited-IV (December 2, 2009) Fixed	18,235	5,000	4,993	15%	December 2, 2017	Unsecured	AA-
Engro Chemical Pakistan Limited- Perpetual TFC - IV (March 18, 2008)	2,419	5,000	5,000	6 month KIBOR+1.7%	March 18, 2018	Secured	AA
Jahangir Siddiqui Company Ltd-V (July 04, 2007)	24,000	5,000	2,495	6 month KIBOR+1.7%	July 4, 2013	Secured	AA
JDW Sugar Mills Ltd-PPTFCs (June 23, 2008)	15,000	5,000	1,111	3 month KIBOR+1.25%	June 23, 2014	Secured	A
Maple Leaf Cement Factory Limited -I (December 03, 2009)	71,000	5,000	4,489	3 month KIBOR+1.0%	December 3, 2018	Secured	*NPDS
Security Leasing Corporation Limited -PPTFC (March 28, 2010)	10,000	5,000	871.38	6 month KIBOR+2.45%	March 28, 2014	Secured	Non - Rated
Security Leasing Corporation Limited -Sukuk (March 18, 2010)	5,000	5,000	1,453	1 month KIBOR+2.00%	March 18, 2014	Secured	Non - Rated
Standard Chartered Bank Pakistan Limited PPTFC	50,000	5,000	5,000	6 month KIBOR+0.75%	June 29, 2022	Unsecured	AAA

*NPDS represents Non performing debt securities

The Term Finance Certificates and Sukuks held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage / pledge of fixed assets of the issuer.

Note

2013 2012
(Rupees in '000)

6.3.6 Net unrealised diminution on re-measurement of investments classified as financial 'assets at fair value through profit or loss'

Market value of investments	6.1, 6.2.1 & 6.3.1	8,260,807	3,645,924
Carrying value of investments	6.1, 6.2.1 & 6.3.1	8,240,740	3,628,098
		<u>20,067</u>	<u>17,826</u>

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

6.4 Loans and receivables

Particulars	Profit / mark-up rate	Maturity date	Closing balance as at June 30, 2013	Value as a percentage of net assets	Value as percentage of investments
(Rupees in '000)					
Term deposit receipts	10.25%	4-Oct-13	500,000	4.42	5.85
Total - 2013			500,000	4.42	5.85
Total - 2012	12.5 - 12.40	At various dates by July 2012	1,000,000	14.93	22.20
			Note	2013	2012
				(Rupees in '000)	

7. INCOME FROM INVESTMENTS AND OTHER RECEIVABLES

Income on government securities	84,011	28,724
Income on term finance certificates	50,852	52,157
Income on term deposits	37,911	16,885
Receivable against redemption of term finance certificates	18,080	3,664
Income on savings deposits	1,532	4,916
Others	8,868	8,868
	201,254	115,214

8. SECURITY DEPOSITS AND PREPAYMENTS

Security deposit with National Clearing Company of Pakistan Limited	3,000	3,000
Security deposit with Central Depository Company of Pakistan Limited	200	200
Prepaid rating fee	100	99
	3,300	3,299

9. ACCRUED EXPENSES AND OTHER LIABILITIES

Provision for workers' welfare fund	9.1	76,372	58,404
Auditors' remuneration		610	570
Sales load		198	641
Withholding tax		67	56
Others		986	524
		78,233	60,195

9.1 Provision for workers' welfare fund

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

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

On July 15, 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 the nature 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.

During the year 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 by SHC judgment.

As a matter of abundant prudence, management company has decided to continue and retain the provision for WWF amounting to Rs. 76.372 million (including Rs. 17.968 million for the current year) in these financial statements. The net asset value of the fund as at June 30, 2013 would have been higher by Rs.0.70 per unit, if the same were not recognised.

10. CONTINGENCIES AND COMMITMENTS

No contingency and commitment exist as at June 30, 2013 (2012: Nil).

	Note	2013 (Rupees in '000)	2012
11. REMUNERATION OF MANAGEMENT COMPANY			
Management fee	11.1	<u>140,198</u>	<u>87,740</u>
11.1 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 1.5 percent.			
12. SALES TAX AND FEDERAL EXCISE DUTY ON REMUNERATION OF MANAGEMENT COMPANY			
Sales tax	12.1	22,647	14,038
Federal excise duty	12.2	<u>1,348</u>	<u>-</u>
		<u>23,995</u>	<u>14,038</u>
12.1 General Sales Tax is charged at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Services Act 2011.			
12.2 During the year, through Finance Bill 2013 effective from June 13, 2013, the Federal Government has levied Federal Excise Duty at the rate of 16% on the remuneration of the Management Company.			
13. REMUNERATION OF CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
Trustee fee	13.1	<u>8,142</u>	<u>5,694</u>
13.1 The Trustee, Central Depository Company of Pakistan Limited is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed and Offering Documents as per the tariff specified therein, based on the daily net asset value of the Fund. As per the Trust Deed and Offering Document the tariff structure applicable to the Fund in respect of trustee fee is as follows:			

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

Tariff applicable from July 1, 2012 to June 30, 2013.

Amount of funds under management (average NAV)

Tariff per annum

Upto Rs 1,000 million

Rs 0.6 million or 0.17% per annum of NAV, whichever is higher

Rs 1,000 million to 5,000 million

Rs 1.7 million plus 0.085% per annum of NAV, exceeding Rs 1,000 million

On an amount exceeding Rs 5,000 million

Rs 5.1 million plus 0.07% per annum of NAV, exceeding Rs 5,000 million.

The remuneration is paid to the Trustee monthly in arrears.

		2013	2012
	Note	(Rupees in '000)	
14. SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - ANNUAL FEE			
Annual fee	14.1	<u>7,010</u>	<u>4,388</u>

- 14.1** Under the provisions of the NBFC Regulations, the Fund is required to pay as an annual fee to the SECP, an amount equal to 0.075 percent of the average annual net assets of the Fund.

	2013	2012
	(Rupees in '000)	
15. AUDITORS' REMUNERATION		
Annual audit fee	400	320
Half yearly review fee	225	180
Other certifications	290	450
Out of pocket expenses	19	88
	<u>934</u>	<u>1,038</u>

16. 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 realized or unrealized, is distributed amongst the unit holders. (Refer note 4.14)

17. COMPLIANCE WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. MCB Arif Habib Savings and Investments Limited (Management Company), classified MCB Dynamic Cash Fund (the Fund) as 'Income Scheme' in accordance with the said circular. As at June 30, 2013, the Fund is compliant with all the requirements of the said circular except for clause 9 (v) which requires that the rating of any security in the portfolio shall not be lower than investment grade. The following investments were held by the fund which were in the non- investment grade:

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

Category of non-compliant investment	Type of Investment / Name of Company	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
		-----Rupees in '000'-----			%	
Investment in Debt securities (note 18.1):						
a)	Maple Leaf Cement Factory Limited - Sukuk	195,071	152,652	42,419	0.37	0.37
b)	New Allied Electronics Industries (Pvt) Ltd. -TFC	22,337	22,337	-	-	-
c)	New Allied Electronics Industries (Pvt) Ltd. -Sukuk	35,063	35,063	-	-	-
d)	Security Leasing Corporation Limited - PPTFC	5,116	-	5,116	0.05	0.04
e)	Security Leasing Corporation Limited - Sukuk	4,270	-	4,270	0.04	0.04
f)	Saudi Pak Leasing Company Limited	15,174	-	15,174	0.13	0.13

17.1 At the time of purchase, the TFCs and Sukuks were in compliance with the aforementioned circular. They subsequently defaulted or were downgraded to non investment grade.

	2013 (Rupees in '000)	2012
18. CASH AND CASH EQUIVALENTS		
Balances with banks	2,668,390	2,147,211
Term deposit receipts	-	1,000,000
Treasury bills due within 3 months	497	24,356
	<u>2,668,887</u>	<u>3,171,567</u>

19. TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES

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 and other associated undertakings.

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

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of the Non-Banking Finance Companies & Notified Entities Regulations, 2008 and the Trust Deed respectively.

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

	2013	2012
	(Rupees in '000)	
19.1 Details of transactions with connected persons are as follows:		
MCB Arif Habib Savings and Investments Limited (formerly : Arif Habib Investments Limited)		
Remuneration of management company	164,193	101,778
Issuance of 1,963,420 units (2012: 3,123,190 units)	204,118	323,785
Redemption of 1,823,077 units (2012: 1,613,249 units)	187,024	165,000
Distribution of 314,996 bonus units (2012: 285,471 units)	31,955	28,852
Central Depository Company of Pakistan Limited - Trustee		
Remuneration and settlement charges for the year	8,156	5,694
MCB Bank Limited		
Profit on deposit accounts	12,157	42,717
Bank charges	47	158
Adamjee Insurance Company Limited		
Issuance of 4,717,285 units (2012: 7,477,938 units)	488,318	777,286
Redemption of 4,717,285 units (2012: 6,383,058 units)	481,102	652,546
Distribution of 666,636 bonus units (2012: 824,098 units)	67,628	83,288
MCB Employees Provident Fund		
Distribution of 63,536 bonus units (2012: 81,919 units)	6,446	8,279
MCB Employees Pension Fund		
Distribution of 63,536 bonus units (2012: 81,919 units)	6,446	8,279
Staff Provident Fund of Management Company		
Issuance of 24,539 units (2012: NIL units)	2,538	-
Redemption of 21,002 units (2012: NIL units)	2,150	-
Distribution of 1,253 bonus units (2012: 1,435 units)	127	145
D.G Khan Cement Company Limited Employees Provident Fund Trust		
Distribution of 191 bonus units (2012: 246 units)	19	25
Adamjee Life Assurance Company Limited		
Issue of 11,778 Units (2012: Nil units)	1,194	
Redemption of 27,214 units (2012: NIL units)	2,828	-
Distribution of 785 bonus units (2012: 1,413 units)	79	143
Adamjee Insurance Company Limited - Employees Provident Fund		
Issue of 979,784 Units (2012: Nil units)	101,823	
Redemption of 495,832 units (2012: NIL units)	50,318	-
Distribution of 21,188 bonus units (2012: NIL units)	2,149	-

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

	2013	2012
	(Rupees in '000)	
Adamjee Life Assurance Company Limited - NUIL Fund		
Issue of 706,285 Units (2012: Nil units)	73,603	-
Distribution of 14,351 Bonus units (2012: Nil units)	1,456	-
Adamjee Life Assurance Company Limited - Investment Multiplier Fund		
Issue of 124,780 Units (2012: Nil units)	12,919	-
Redemption of 9,985 units (2012: NIL units)	1,018	-
Distribution of 239 Bonus units (2012: Nil units)	24	-
Adamjee Life Assurance Company Limited - Investment Secure Fund		
Issue of 790,251 Units (2012: Nil units)	82,342	-
Redemption of 121,804 units (2012: Nil units)	12,500	-
Distribution of 14,412 Bonus units (2012: Nil units)	1,462	-
Adamjee Life Assurance Company Limited ISF - Investment Secure Fund II		
Issue of 742,640 Units (2012: Nil units)	77,326	-
Redemption of 273,853 units (2012: Nil units)	28,100	-
Distribution of 7,443 Bonus units (2012: Nil units)	755	-
Key management personnel		
Issuance of 215,985 units (2012: 14,988 units)	22,504	1,570
Redemption of 109,251 units (2012: 16,467 units)	11,191	1,685
Distribution of 10,806 bonus units (2012: 6,842 units)	1,096	7
19.2 Amount outstanding as at year end		
MCB Arif Habib Savings and Investments Limited (formerly : Arif Habib Investments Limited)		
Remuneration payable to management company	17,917	9,530
4,171,478 units held as at June 30, 2013 (2012: 3,716,139)	432,385	376,907
Central Depository Company of Pakistan Limited - Trustee		
Security Deposit	200	200
Remuneration and settlement charges payable	8,142	515
MCB Bank Limited		
Bank balance	10,647	43,142
Profit receivable on deposit accounts	26	675
MCB Employees Provident Fund		
913,118 units held as at June 30, 2013 (June 2012: 849,582)	94,647	86,168
MCB Employees Pension Fund		
913,118 units held as at June 30, 2013 (June 2012: 849,582)	94,647	86,168
Adamjee Insurance Company Limited		
9,580,727 units held as at June 30, 2013 (2012: 8,914,091 units)	993,068	904,106

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

	2013	2012
	(Rupees in '000)	
Staff Provident Fund of Management Company		
19,669 units held as at June 30, 2013 (June 2012: 14,879 units)	2,039	1,509
D.G Khan Cement Company Limited Employees Provident Fund Trust		
2,747 units held as at June 30, 2013 (2012: 2,556 units)	285	259
Adamjee Life Assurance Company Limited		
NIL units held as at June 30, 2013 (2012: 14,652 units)	-	14,652
Adamjee Insurance Company Limited - Employees Provident Fund		
505,140 units held as at June 30, 2013 (June 30, 2012: Nil units)	52,359	-
Adamjee Life Assurance Company Limited NUIL Fund		
720,636 units held as at June 30 2013 (June 30 2012: Nil)	74,696	-
Adamjee Life Assurance Company Limited - Investment Multiplier Fund		
115,033 units held as at June 30 2013 (June 30 2012: Nil)	11,924	-
Adamjee Life Assurance Company Limited - Investment Secure Fund		
682,859 units held as at June 30 2013 (June 30 2012: Nil)	70,780	-
Adamjee Life Assurance Company Limited - Investment Secure Fund II		
476,230 units held as at June 30 2013 (June 30 2012: Nil)	49,362	-
Key management personnel		
185,118 units held as at June 30, 2013 (2012: 67,578)	19,187	6,855

20. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

20.1 Detail of members of the investment committee of the Fund are as follow:

		----- 2013 -----		
		Designation	Experience in years	Qualification
1	Mr. Yasir Qadri	Chief Executive	18	MBA
2	Mr. Kashif Rafi	Senior Vice President Investments	12	MBA & CFA (level 1)
3	Mr. Muhammad Asim	Vice President-Head of Equities	10	MBA & CFA
4	Mrs. Uzma Khan	Assistant Vice President	8	MBA, CFA, FRM
5	Mr. Mohsin Pervez	Vice President-Investments	12	MBA & CFA (level 1)

20.2 Mr. Kashif Rafi is the Fund Manager. He is also the Fund Manager of MCB Cash Management Optimizer and Metro Bank Pakistan Sovereign Fund.

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

21. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

	2013 %
1 Invest & Finance Securities Limited	37.62
2 Invest Capital Markets Limited	30.18
3 Optimus Markets (Pvt) Limited	7.11
4 Invest One Markets (Pvt) Limited	6.78
5 KASB Securities Limited	4.56
6 Global Securities Pakistan Limited	3.01
7 Icon Securities (Pvt) Limited	2.52
8 Summit Capital (Pvt) Limited	1.98
9 Vector Capital (Pvt) Limited	1.62
10 JS Global Capital Limited	1.58
	2012 %
1 BMA Capital Management Company Limited	31.29
2 Invest Capital and Securities (Pvt) Limited	23.43
3 Investment and Finance Securities Pakistan (Pvt) Limited	11.33
4 JS Global Capital Limited	8.77
5 C&M Capital Management (Pvt) Limited	5.42
6 KASB Securities Limited	5.25
7 Alfalah Securities (Pvt) Limited	4.68
8 Invest one markets Limited	3.59
9 Pearl Securities (Pvt) Limited	3.38
10 Invisor Securities (Pvt) Limited	0.69

22. PATTERN OF UNIT HOLDINGS

As at June 30, 2013				
	Number of unit holders	Number of units held	Net asset value of the amount invested Rupees '000'	Percentage investment %
Individuals	4,127	57,830,751	5,994,313	52.95
Associated companies / Directors	4	6,123,964	634,765	5.61
Insurance companies	9	12,837,739	1,330,665	11.76
Banks / DFIs	14	9,636,900	998,890	8.82
NBFCs	1	1,014,923	105,199	0.93
Retirement funds	59	3,873,161	401,463	3.55
Public limited companies	54	16,813,998	1,742,815	15.40
Others	9	1,077,067	111,641	0.99
	4,277	109,208,503	11,319,750	100.00
As at June 30, 2012				
	Number of unit holders	Number of units held	Net asset value of the amount invested Rupees '000'	Percentage investment %
Individuals	3,352	39,376,642	3,994,649	59.66
Associated companies / Directors	6	5,503,354	558,300	8.34
Insurance companies	2	8,925,867	905,504	13.52
Banks / DFIs	8	6,188,911	627,847	9.38
NBFCs	1	1,054,257	106,951	1.60
Retirement funds	39	1,430,744	145,145	2.17
Public limited companies	39	3,436,681	348,641	5.21
Others	3	90,454	9,176	0.14
	3,450	66,006,910	6,696,213	100.00

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

23. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

During the year, six board meetings were held on 16th July 2012, 15th August 2012, 4th October 2012, 25th October 2012, 4th February 2013, 24th April 2013. Information in respect of attendance by Directors in the meetings is given below:

Name of persons attending the meetings	No. of meetings held	Number of Meetings			Meeting not attended
		Attendance required	Attended	Leave granted	
1 Mr. Mian Mohammad Mansha	6	6	2	4	98th,99th,100th,103rd
2 Mr. Nasim Beg	6	6	5	1	102th
3 Mr. Yasir Qadri (Chief Executive Officer)	6	6	6	-	-
4 Dr. Syed Salman Ali Shah	6	6	5	1	103rd
5 Mr. Haroun Rashid	6	6	4	2	100th,101th
6 Mr. Ahmed Jahangir	6	6	6	-	-
7 Mr. Samad A. Habib	6	6	4	2	100th,101st
8 Mr. Mirza Mehmood Ahmed	6	6	3	3	98th,99th,101st
9 Mr. Saqib Saleem (Chief Operating Officer & Company Secretary)	6	6	6	-	-
10 Mr. Umair Ahmed (Chief Financial Officer)	3	3	3	-	-

24. FINANCIAL RISK MANAGEMENT

The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance.

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate and price risk), credit risk and liquidity risk. Risk of the Fund are being managed by the Management Company in accordance with the approved policies of the investment committee which provide broad guidelines for management of above mention risks.

The Fund primarily invests in a portfolio of money market investments such as investment-grade debt securities, government securities and investments in other money market instruments. These activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk.

24.1 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 Board and regulations laid down by the Securities and Exchange Commission of Pakistan and the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations), The Non Banking Finance Companies (establishment and Regulation) Rules, 2003 (the Rules).

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

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

24.1.1 Currency risk

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

24.1.2 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.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds KIBOR based interest bearing term finance certificates and sukuks exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on the last repricing date of these term finance certificates and sukuks, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs 8.190 million (2012: 3.705 million).

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2012, the Fund holds Treasury bills, Pakistan Investment Bonds and Government of Pakistan Ijara Sukuk which are classified as at fair value through profit or loss exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by Financial Market Association of Pakistan (FMAP) on June 30, 2013, with all other variables held constant, the net income for the year and net assets would be higher by Rs 0.264 million (2012: lower by Rs 1.439 million). In case of 100 basis points decrease in rates announced by FMAP on June 30, 2013, with all other variables held constant, the net income for the year and net assets would be lower by Rs 0.259 million (2012: higher by Rs 1.05 million).

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

-----June 30, 2013-----						
Exposed to Yield/ Interest rate risk						
	Yield / effective interest rate (%)	Upto three months	More than three months and upto one year	More than one year	Not exposed to yield / interest risk	Total
-----Rupees in '000 -----						
On-balance sheet financial instruments						
Financial Assets						
Balances with banks	6.00 - 12.50	2,668,390	-	-	-	2,668,390
Investments						
Financial assets at fair value through profit or loss - net						
- Government securities	8.92-12.00	1,798,409	1,137,415	3,178,655	-	6,114,479
- Listed debt securities	6.00 - 14.52	-	-	1,270,065	-	1,270,065
- Unlisted debt securities	10.17 - 15.00	59,881	60,986	545,344	-	666,211
Loans and Receivables						
-Term Deposit Receipts	9.50-12.40	-	500,000	-	-	500,000
		1,858,290	1,698,401	4,994,064	-	8,550,755
Profit and other receivables		-	-	-	201,254	201,254
Security deposits and prepayments		-	-	-	3,300	3,300
		4,526,680	1,698,401	4,994,064	204,554	11,423,699
Financial Liabilities						
Payable to Management Company		-	-	-	17,917	17,917
Payable to Trustee		-	-	-	789	789
Payable to Security and Exchange Commission of Pakistan		-	-	-	7,010	7,010
Accrued and other liabilities		-	-	-	78,233	78,233
		-	-	-	103,949	103,949
On-balance sheet gap		4,526,680	1,698,401	4,994,064	100,605	11,319,750
Off-balance sheet financial instruments						
		-	-	-	-	-

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

-----June 30, 2013-----					
Exposed to Yield/ Interest rate risk					
Yield / effective interest rate (%)	Upto three months	More than three months and upto one year	More than one year	Not exposed to yield / interest risk	Total
-----Rupees in '000 -----					
On-balance sheet financial instruments					
Financial Assets					
Balances with banks	5.00 - 13.5	2,147,211	-	-	2,147,211
Investments					
Financial assets at fair value through profit or loss - net					
- Government securities	11.5 - 12.50	1,583,254	-	-	1,583,254
- Listed debt securities	6.00-16.06	1,042,732	-	-	1,042,732
- Unlisted debt securities	12.79 - 16.24	879,131	-	-	879,131
Loans and receivables					
- Term deposit receipts	12.15 - 12.40	1,000,000	-	-	1,000,000
		4,505,117	-	-	4,505,117
Dividend and other receivables		-	-	115,214	115,214
Security deposits and prepayments		-	-	3,200	3,200
		6,652,328	-	118,414	6,770,742
Financial Liabilities					
Payable to Management Company		-	-	9,530	9,530
Payable to Trustee		-	-	515	515
Accrued and other liabilities		-	-	1,735	1,735
		-	-	11,780	11,780
On-balance sheet gap		6,652,328	-	106,634	6,758,962

Off-balance sheet financial instruments

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24.1.3 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 Price risk because of Term Finance Certificates(TFCs) held by it and classified as 'Fair value through Profit and Loss'.

In case of a decrease in price as a result of 1% increase in effective yield as on June 30, 2013, the net assets of the Fund would decrease by Rs. 21.463 million, as a result of reduction/increase in Unrealized Gains/(losses). In case of decrease in price of TFCs as a result of 1% decrease in effective yield the net assets of the fund would increase by Rs. 21.463 million as a result of increase/(reduction) in unrealized gains/(losses) on TFCs classified at 'Fair Value through Profit and Loss'.

24.2 Credit risk

Credit risk represents the risk of loss if counterparties fail to perform as contracted. The Fund is exposed to counter party credit risks on Investment in term finance certificates and sukuks, loans and receivables, and balances with bank. The credit risk on the fund is limited because the counterparties are financial institutions with reasonably high credit ratings.

The Fund has adopted a policy of only dealing with creditworthy counterparties, and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies, where available, and if not available, the Fund uses other publicly available financial information and its own trading records to rate its major customers. The Fund's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Credit risk from balances with banks and financial institutions is managed by financial department in accordance with the Fund's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are approved by the Board of Directors. The limits are set to minimise the concentration of risk and therefore mitigate financial loss through potential counterparty failure.

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

The Fund's maximum exposure to credit risk related to receivables at June 30, 2013 and June 30, 2012 is the carrying amounts of following financial assets.

	June 30, 2013	June 30, 2012
	(Rupees in '000')	
Balances with banks	2,668,390	2,147,211
Investments	8,550,755	4,505,117
Income from investments and other receivables	201,254	115,214
Security deposits and prepayments	3,300	3,299
	11,423,699	6,770,841

The analysis below summarizes the credit rating quality of the Fund's financial assets as at June 30, 2013 and June 30, 2012.

Bank Balances by rating category	June 30, 2013	June 30, 2012
AA / A1+	72.04%	74.69%
AA+ / A1+	2.17%	0.00%
A / A1	7.50%	0.00%
AAA / A1+	0.40%	2.01%
AA- / A1+	17.90%	23.29%
	100.00%	100.00%

The analysis below summarizes the credit quality of the Fund's investment in term finance certificates and sukuks, term deposit receipts and government securities as at June 30, 2013 and June 30, 2012:

Investments by rating category	June 30, 2013	June 30, 2012
	%	%
Government Securities	74	35
AAA, AAA-, AAA+	3	-
AA, AA-, AA+	17	33
A, A-, A+	3	6
Non - performing, Unrated	3	26

The maximum exposure to credit risk before any credit enhancement as at June 30, 2013 is the carrying amount of the financial assets.

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 concentration of credit risk.

24.3 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.

The Fund has the ability to borrow in the short term to ensure settlement. During the current year, the Fund did not availed any borrowing. As per NBFC regulation 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 and bear interest at commercial rates.

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

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

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.

	-----June 30, 2013-----			
	Total	Upto three months	Over three months and upto one year	Over one year
	------(Rupees in '000)-----			
Liabilities				
Payable to Management Company	17,917	17,917	-	-
Payable to Trustee	789	789	-	-
Annual fee payable to the Securities and Exchange Commission of Pakistan	7,010	7,010	-	-
Accrued and other liabilities	1,861	1,861	-	-
Total liabilities	27,577	27,577	-	-

	-----June 30, 2012-----			
	Total	Upto three months	Over three months and upto one year	Over one year
	------(Rupees in '000)-----			
Liabilities				
Payable to Management Company	9,530	9,530	-	-
Payable to Trustee	515	515	-	-
Annual fee payable to the Securities and Exchange Commission of Pakistan	4,388	4,388	-	-
Accrued and other liabilities	1,791	1,791	-	-
Total liabilities	16,224	16,224	-	-

24.4 Financial instruments by category

	Loans and Receivables	Assets at fair value through profit and loss	Total
	-----2013-----		
	------(Rupees in '000)-----		
Assets			
Balances with banks	2,668,390	-	2,668,390
Investments	500,000	8,050,755	8,550,755
Profit and other receivables	201,254	-	201,254
Security deposits and prepayments	3,300	-	3,300
	3,372,944	8,050,755	11,423,699

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

	Liabilities at fair value through profit and loss	Other financial liabilities	Total
	-----2013----- (Rupees in '000)		
Liabilities			
Payable to Management Company	-	17,917	17,917
Payable to Trustee	-	789	789
Annual fee payable to the Securities and Exchange Commission	-	7,010	7,010
Accrued expenses and other liabilities	-	78,233	78,233
	-	103,949	103,949

	Loans and Receivables	Assets at fair value through profit and loss	Total
	-----2012----- (Rupees in '000)		
Assets			
Balances with banks	2,147,211	-	2,147,211
Investments	1,000,000	3,505,117	4,505,117
Profit and other receivables	115,214	-	115,214
Security deposits and prepayments	3,299	-	3,299
	2,213,586	3,149,605	6,770,841

	Liabilities at fair value through profit and loss	Other financial liabilities	Total
	-----2012----- (Rupees in '000)		
Liabilities			
Payable to Management Company	-	9,530	9,530
Payable to Trustee	-	515	515
Annual fee payable to the Securities and Exchange Commission	-	4,388	4,388
Accrued expenses and other liabilities	-	60,195	60,195
	-	74,628	74,628

24.5 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 tradeable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book values as the items are either short term in nature or periodically repriced.

International Financial Reporting Standard 7, Financial Instruments : Disclosure requires an entity 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:

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

- 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).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

----- As at June 30, 2013 -----				
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
ASSETS				
Investments	1,936,276	6,114,479	500,000	8,550,755
----- As at June 30, 2012 -----				
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
ASSETS				
Investments	1,921,863	1,583,254	1,000,000	4,505,117

25. UNIT HOLDERS' FUND RISK MANAGEMENT

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 subscription and redemption of units. There is no specific capital requirement which is applicable to the fund.

The Fund's objectives when managing unit holder's fund are to safeguard its ability to continue as a going concern so that it can continue to provide returns for units 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 24, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, such liquidity being augmented by short-term borrowings or disposal of investments when necessary.

26. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

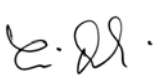
The Board of Directors of the Management Company in their meeting held on July 04, 2013 have approved distribution at the rate of Rs. 2.6526 per unit. The financial statements of the Fund for the year ended June 30, 2013 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2014.

27. GENERAL

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

28. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 05 August 2013 by the Board of Directors of the management company.


Chief Executive Officer

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


Director

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

Category	No.of Unit Holders	Units
Associated Companies, undertakings and related Parties		
ADAMJEE INSURANCE CO. LTD.	1	11,701,794
MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED	1	4,171,479
MCB EMPLOYEES PROVIDENT FUND (PAK STAFF)	1	913,118
MCB EMPLOYEES PENSION FUND	1	913,118
Staff Provident of Management Company	1	19,669
Nasim Beg	-	0
Public Sector Companies and Corporations	72	10,822,468
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance, Insurance Companies, Modarbas and Mutual Funds.	6	2,518,602
Individuals	4,127	57,830,751
Trust	65	4,467,458
Unitholders holding 5 percent or more Voting interest in the listed company		
HABIB METROPOLITAN BANK LTD.	1	8,737,639
GUL AHMED ENERGY LTD	1	7,112,408
	4,277	109,208,503

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

No. of Unit Holders	Units Holdings	Total Units Held
2,254	(SHAREHOLDING FROM 1.0000 TO 5000.0000)	4,557,537.27
776	(SHAREHOLDING FROM 5001.0000 TO 10000.0000)	5,739,356.63
367	(SHAREHOLDING FROM 10001.0000 TO 15000.0000)	4,415,062.64
206	(SHAREHOLDING FROM 15001.0000 TO 20000.0000)	3,677,501.06
121	(SHAREHOLDING FROM 20001.0000 TO 25000.0000)	2,727,536.07
102	(SHAREHOLDING FROM 25001.0000 TO 30000.0000)	2,829,858.63
64	(SHAREHOLDING FROM 30001.0000 TO 35000.0000)	2,063,938.56
60	(SHAREHOLDING FROM 35001.0000 TO 40000.0000)	2,271,983.22
32	(SHAREHOLDING FROM 40001.0000 TO 45000.0000)	1,346,146.45
34	(SHAREHOLDING FROM 45001.0000 TO 50000.0000)	1,636,201.42
20	(SHAREHOLDING FROM 50001.0000 TO 55000.0000)	1,037,220.79
15	(SHAREHOLDING FROM 55001.0000 TO 60000.0000)	869,221.54
18	(SHAREHOLDING FROM 60001.0000 TO 65000.0000)	1,123,125.07
14	(SHAREHOLDING FROM 65001.0000 TO 70000.0000)	943,252.19
9	(SHAREHOLDING FROM 70001.0000 TO 75000.0000)	652,096.16
16	(SHAREHOLDING FROM 75001.0000 TO 80000.0000)	1,229,942.06
7	(SHAREHOLDING FROM 80001.0000 TO 85000.0000)	575,468.37
9	(SHAREHOLDING FROM 85001.0000 TO 90000.0000)	787,511.62
3	(SHAREHOLDING FROM 90001.0000 TO 95000.0000)	278,947.37
22	(SHAREHOLDING FROM 95001.0000 TO 100000.0000)	2,134,247.18
15	(SHAREHOLDING FROM 100001.0000 TO 105000.0000)	1,529,083.52
6	(SHAREHOLDING FROM 105001.0000 TO 110000.0000)	650,430.81
1	(SHAREHOLDING FROM 110001.0000 TO 115000.0000)	114,304.07
3	(SHAREHOLDING FROM 115001.0000 TO 120000.0000)	353,913.55
2	(SHAREHOLDING FROM 120001.0000 TO 125000.0000)	247,896.12
5	(SHAREHOLDING FROM 125001.0000 TO 130000.0000)	636,400.16
5	(SHAREHOLDING FROM 130001.0000 TO 135000.0000)	660,026.43
4	(SHAREHOLDING FROM 135001.0000 TO 140000.0000)	547,920.13
7	(SHAREHOLDING FROM 140001.0000 TO 145000.0000)	1,006,558.32
4	(SHAREHOLDING FROM 145001.0000 TO 150000.0000)	593,124.84
2	(SHAREHOLDING FROM 150001.0000 TO 155000.0000)	304,101.61
1	(SHAREHOLDING FROM 155001.0000 TO 160000.0000)	156,692.03
2	(SHAREHOLDING FROM 165001.0000 TO 170000.0000)	333,785.62
1	(SHAREHOLDING FROM 170001.0000 TO 175000.0000)	174,958.63
3	(SHAREHOLDING FROM 175001.0000 TO 180000.0000)	533,535.15
2	(SHAREHOLDING FROM 180001.0000 TO 185000.0000)	365,827.92
1	(SHAREHOLDING FROM 185001.0000 TO 190000.0000)	186,491.56
1	(SHAREHOLDING FROM 190001.0000 TO 195000.0000)	192,603.46
4	(SHAREHOLDING FROM 195001.0000 TO 200000.0000)	793,076.64
5	(SHAREHOLDING FROM 200001.0000 TO 205000.0000)	1,009,456.33
1	(SHAREHOLDING FROM 205001.0000 TO 210000.0000)	207,383.11
1	(SHAREHOLDING FROM 210001.0000 TO 215000.0000)	213,318.90
1	(SHAREHOLDING FROM 215001.0000 TO 220000.0000)	215,313.83
1	(SHAREHOLDING FROM 225001.0000 TO 230000.0000)	229,586.75
1	(SHAREHOLDING FROM 240001.0000 TO 245000.0000)	241,425.93
1	(SHAREHOLDING FROM 255001.0000 TO 260000.0000)	255,290.98

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

No. of Unit Holders	Units Holdings	Total Units Held
1	(SHAREHOLDING FROM 260001.0000 TO 265000.0000)	264,692.17
1	(SHAREHOLDING FROM 265001.0000 TO 270000.0000)	267,021.73
1	(SHAREHOLDING FROM 270001.0000 TO 275000.0000)	273,282.80
1	(SHAREHOLDING FROM 275001.0000 TO 280000.0000)	276,191.31
1	(SHAREHOLDING FROM 285001.0000 TO 290000.0000)	288,886.43
1	(SHAREHOLDING FROM 295001.0000 TO 300000.0000)	298,343.18
3	(SHAREHOLDING FROM 300001.0000 TO 305000.0000)	909,288.72
1	(SHAREHOLDING FROM 305001.0000 TO 310000.0000)	305,645.15
1	(SHAREHOLDING FROM 330001.0000 TO 335000.0000)	334,177.54
2	(SHAREHOLDING FROM 340001.0000 TO 345000.0000)	686,936.14
1	(SHAREHOLDING FROM 360001.0000 TO 365000.0000)	364,056.41
1	(SHAREHOLDING FROM 365001.0000 TO 370000.0000)	366,412.25
1	(SHAREHOLDING FROM 370001.0000 TO 375000.0000)	373,069.98
1	(SHAREHOLDING FROM 390001.0000 TO 395000.0000)	390,903.35
1	(SHAREHOLDING FROM 400001.0000 TO 405000.0000)	402,005.42
1	(SHAREHOLDING FROM 415001.0000 TO 420000.0000)	417,648.11
1	(SHAREHOLDING FROM 470001.0000 TO 475000.0000)	474,835.03
2	(SHAREHOLDING FROM 475001.0000 TO 480000.0000)	955,461.78
1	(SHAREHOLDING FROM 480001.0000 TO 485000.0000)	482,567.26
2	(SHAREHOLDING FROM 505001.0000 TO 510000.0000)	1,010,563.39
1	(SHAREHOLDING FROM 510001.0000 TO 515000.0000)	510,368.39
1	(SHAREHOLDING FROM 565001.0000 TO 570000.0000)	569,070.50
1	(SHAREHOLDING FROM 585001.0000 TO 590000.0000)	589,079.27
1	(SHAREHOLDING FROM 590001.0000 TO 595000.0000)	591,335.69
1	(SHAREHOLDING FROM 680001.0000 TO 685000.0000)	682,859.16
1	(SHAREHOLDING FROM 720001.0000 TO 725000.0000)	720,636.06
1	(SHAREHOLDING FROM 730001.0000 TO 735000.0000)	734,959.33
1	(SHAREHOLDING FROM 750001.0000 TO 755000.0000)	754,084.70
1	(SHAREHOLDING FROM 755001.0000 TO 760000.0000)	755,650.69
1	(SHAREHOLDING FROM 775001.0000 TO 780000.0000)	775,034.58
1	(SHAREHOLDING FROM 810001.0000 TO 815000.0000)	813,790.02
2	(SHAREHOLDING FROM 910001.0000 TO 915000.0000)	1,826,235.76
1	(SHAREHOLDING FROM 1000001.0000 TO 1005000.0000)	1,003,369.00
1	(SHAREHOLDING FROM 1010001.0000 TO 1015000.0000)	1,014,922.63
1	(SHAREHOLDING FROM 1075001.0000 TO 1080000.0000)	1,078,098.26
1	(SHAREHOLDING FROM 1245001.0000 TO 1250000.0000)	1,246,451.24
1	(SHAREHOLDING FROM 1990001.0000 TO 1995000.0000)	1,993,642.58
1	(SHAREHOLDING FROM 2155001.0000 TO 2160000.0000)	2,156,006.65
1	(SHAREHOLDING FROM 4170001.0000 TO 4175000.0000)	4,171,478.55
1	(SHAREHOLDING FROM 7110001.0000 TO 7115000.0000)	7,112,408.47
1	(SHAREHOLDING FROM 8735001.0000 TO 8740000.0000)	8,737,638.58
1	(SHAREHOLDING FROM 9580001.0000 TO 9585000.0000)	9,580,734.38
4,277	Total :	109,208,503.34

PERFORMANCE TABLE

Performance Information	2013	2012	2011	2010	2009	2008	2007
Total Net Assets Value – Rs. in million	11319.75	6,696.21	5,020.00	5,970.00	9,487.00	12,896.89	9,143.86
Net Assets value per unit – Rupees	103.6526	101.4500	101.32	103.42	103.17	106.46	103.38
Highest offer price per unit	105.9915	105.9686	107.0111	106.2858	105.1300	108.0900	103.3800
Lowest offer price per unit	103.0244	102.5150	102.5526	101.5228	97.1400	100.1700	100.0000
Highest Redemption price per unit	104.4016	104.4026	105.4059	104.6915	105.1300	108.0900	103.3800
Lowest Redemption price per unit	101.479	101.0000	101.0143	100.0000	97.1400	100.1700	100.0100
Distribution per unit (Annual) - Rs. *	2.65	1.94	3.02	2.42	-	-	-
Distribution per unit (Interim) - Rs. **	7.41	8.45	12.45	7.30	9.17	6.46	3.38
Average Annual Return - %							
One year	9.80	10.80	12.90	11.00	9.40		10.10
Two year	5.40	12.50	12.70	10.7	10.03		N/a
Three year (inception date Mar 01, 2007)	4.10	12.95	12.30	11.1	10.30		N/a
Net Income gain for the year / period – Rs. in million	880.41	605.73	591.54	738.14	926.41		298.95
Income Distribution – Rs. in million	639.55	597.61	575.45	680.41	926.41		298.95
Accumulated Capital Growth – Rs. in million	46.73	33.40	73.82	57.73	-	-	-
Weighted average Portfolio Duration (years)	1.10	1.80	1.87	2.37	2.48	2.10	2.90

Disclaimer

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

* Please refer note 26 of Financial Statement.

** Details of Interim Distributions of 2013:

- Distribution per unit (Interim) - Rs. (28 Sep 2012)
- Distribution per unit (Interim) - Rs. (27 Dec 2012)
- Distribution per unit (Interim) - Rs. (26 Mar 2013)

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

8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.
UAN: (+92-21) 11-11-622-24 (11-11-MCB-AH), 111-468378 (111-INVEST)
Bachat Center: 0800-622-24 (0800-MCB-AH), Fax: (+92-21)32276898, 32276908
URL: www.mcbah.com, Email: info@mcbah.com