



Bachat ka Doosra Naam

Annual Report 2014



Aam Key Aam Guthliyon key Daam

MCB

DYNAMIC
CASH FUND

MCB-Arif Habib Savings and Investments Limited

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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 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi | |
| Board of Directors | Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad | Chairman Executive Vice Chairman Chief Executive Officer Director Director Director Director Director |
| Audit Committee | Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib | Chairman Member Member |
| Human Resource & Remuneration Committee | Dr. 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 United 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 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, 2014

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **MCB Dynamic Cash Fund's** accounts review for the year ended June 30th 2014.

ECONOMY AND MONEY MARKET OVERVIEW

Economic optimism generally prevailed throughout the year, as the new government managed to close the performance of their first fiscal year with improving macroeconomic indicators. Single-digit inflation, improvement in reserves, stability in rupee and successful implementation of fiscal reforms managed to dilute the negative impact arising from wide fiscal and current account deficits on the economy.

Despite poor law and order situation and energy crisis, the real GDP growth remained in the vicinity of 4% in FY14, as opposed to 3.7% during the previous fiscal year. During the year, the country successfully entered into a three-year \$6.6 billion loan program with IMF. The country received four tranches of around \$540 million each during FY14 as against the total \$3 billion repayments to IMF due in FY14.

The reserves had remained under pressure during the first eight months of FY14 on account of hefty repayments to foreign donors. However, multilateral agencies and close allies along with fewer repayments towards the latter part of the year helped improve reserve balance to \$13.99 billion as on 27-June-2014 from the trough of \$7.59 billion touched on 7-February-2014. Not to mention, \$1.5 billion from Saudi Arabia in March 2014. Local currency managed to appreciate to Rs98 against dollar from a record low of Rs108.6 against dollar on 5-December-2013.

Despite implementation of fiscal reforms, inflation remained in single digit with CPI averaging around 8.62% in FY14. Although the government had twice announced 50 bps hikes in the discount rate in the monetary policy held in September and November, bringing the discount rate to 10%, stable inflation and improvement in foreign reserve convinced policy makers to keep discount rate unchanged in the later three monetary policies, in spite of IMF pressure of maintaining positive real returns.

The Current Account balance remained in pressure posting a deficit of \$2.57 billion in 11MFY14 as opposed to deficit of \$2.15 billion reported in 11MFY13. Last year's saving grace came in the form of proceeds under Coalition Support Funds (CSF) where the country received \$1 billion as opposed to inflows of \$1.8 billion received during 11MFY14. The country's import bill nudged up by 3.31% to \$38.13 billion and exports stayed constant at last year's level of around \$23 billion. At the same time, remittances improved to \$14.33 billion from \$12.75 billion reported in 11MFY13.

The country's financial account registered a surplus of \$4.36 billion, as opposed to surplus of \$212 million in the previous year. Thanks to higher FDIs as proceeds amounted to \$ 1.36 billion in 11MFY14, nearly \$34 million higher than the previous fiscal year. A large portion of this increase could be attributed to sale of 3G & 4G licenses.

The lower current account deficit along with surplus in financial account and capital account summed to an overall surplus of \$3.33 billion in 11MFY14 as opposed to deficit of \$1.86 billion during the previous year.

On the heels of structural reforms, the country's performance on fiscal side improved, with the government expected to conclude the year by recording a fiscal deficit of 5.8% largely lower than the year's target of 6.3% and the last year's level of 8%. A big part of this reduction could be attributed to large Circular Debt transaction towards the end of last fiscal year.

The tax revenue collection is expected to remain close to the budgeted amount of around Rs 2.51 trillion, while higher than expected growth in non-tax revenues would help the country to record Rs 3.59 trillion in gross receipts that is nearly 10% higher than the budgeted revenue.

While being overly aggressive with their tax collection drive the government's debt management has left a lot to be desired. Perhaps a better strategy could here helped the Govt. borrow long at better rates while developing the mid to long end debt market.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 10.79% as against its benchmark return of 9.57%.

In order to capitalize on changing interest rate scenario during the year, fund increased its exposure in T-Bills during 1HFY14 while exposure towards PIBs was increased in latter half of FY14. Fund increased its portfolio duration by decreasing allocation in T-Bills. At period-end, the fund was 55.2% invested in PIBs and 13.8% in TFCs.

The Net Asset of the Fund as at June 30, 2014 stood at Rs.11.102 billion as compared to Rs.11.320 billion as at June 30, 2013 registering a

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2014

decrease of 1.93%.

The Net Asset Value (NAV) per unit as at June 30, 2014 was Rs. 101.1030 as compared to opening NAV of Rs.103.6526 per unit as at June 30, 2013 registering a decrease of Rs.2.5496 per unit.

Income Distribution

During the period The Management Company has announced the following interim distribution:

| Date of distribution | Per unit distribution |
|----------------------|-----------------------|
| | Rs. |
| September 27, 2013 | 1.7440 |
| December 27, 2013 | 2.0257 |
| March 26, 2014 | 2.6910 |
| June 27, 2014 | 3.9321 |

FUTURE OUTLOOK

The country's trade deficit is likely to reduce on account of stable commodity prices, stronger rupee and incremental exports due to GSP plus facility. Also, in consideration of various reforms introduced in FY15, targeted fiscal deficit level of 4.9% doesn't appear as farfetched as it has been in the last few years. The government expects reserve position to improve further on the back pledges made by multilateral agencies, approved project financing and divestment of strategic assets.

Earnings growth is expected to continue in Cement, Autos and Consumer goods sector, amongst others. The rupee appreciation bodes well for Autos and Consumer goods sectors, while higher allocation in PSDP will increase demand for cement. Moreover, expected monetary easing down the line would reignite the market's interest in the leveraged scripts.

Above all, the equity market will continue to attract foreign investors owing to divestment of the government's holding in listed companies and increase in the country's weight in MSCI FM Index.

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:

- Financial statements present fairly the statement of affairs, the results of operations, cash flows and Change in unit holders' fund.
- Proper books of accounts of the Fund have been maintained during the year.
- Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable prudent judgment.
- 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.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Fund's ability to continue as going concern.
- There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2014

- 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 no 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 22 to the attached financial statements. Below is the details of committee meetings held during the year ended June 30, 2014:

1. Meeting of Human resource and remuneration committee (held on July 31, 2013)

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

2. Meeting of Audit Committee (held on August 02, 2013, October 22, 2013, November 18, 2013, February 04, 2014 and April 18, 2014)

| <i>S. No.</i> | <i>Name</i> | <i>Designation</i> | <i>Total Meetings Held</i> | <i>No. of Meetings Attended</i> | <i>Leave granted</i> |
|---------------|---------------------|----------------------------------|----------------------------|---------------------------------|----------------------|
| 1. | Mr. Haroun Rashid | Chairman | 5 | 4 | 1 |
| 2. | Mr. Nasim Beg* | Member – Executive Vice Chairman | 5 | 4 | - |
| 3. | Mr. Samad A. Habib | Member | 5 | 3 | 2 |
| 4. | Mr. Ahmed Jahangir* | Member | 5 | 1 | - |

* During the period Mr. Nasim Beg retired from audit committee and Mr. Ahmed Jahangir has been appointed as a member of audit Committee.

- m. During the year one of the Directors and in total Three Directors, have completed all parts of the program offered by the Pakistan Institute of Corporate Governance. Further Directors have been briefed regarding the changes in laws and regulations impacting 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:

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2014

| <i>S. No.</i> | <i>Name</i> | <i>Designation</i> | <i>Investment</i> | <i>Redemption</i> | <i>Bonus</i> |
|---------------|-------------------------|--|--------------------------|-------------------|--------------|
| | | | <i>(Number of Units)</i> | | |
| <i>1.</i> | <i>Mr. Nasim Beg</i> | <i>Executive Vice Chairman</i> | - | - | - |
| <i>2.</i> | <i>Yasir Qadri</i> | <i>Chief Executive Officer</i> | 53,834 | 84,211 | 13,990 |
| <i>3.</i> | <i>Mr. Saqib Saleem</i> | <i>Chief Operating Officer & Company Secretary</i> | - | - | - |
| <i>4.</i> | <i>Umair Ahmed</i> | <i>Chief Financial Officer</i> | 22,566 | 23,972 | 108 |
| <i>5.</i> | <i>Asif Mehdi Rizvi</i> | <i>Head of Internal Audit & Compliance</i> | 26,073 | 78,926 | 6,428 |

External Auditors

The fund's external auditors, M. Yousuf Adil Saleem & Co., Chartered Accountants, have retired after the conclusion of audit for current year. Due to completion of maximum time allowed under Code Corporate Governance, they are not eligible for reappointment. The audit committee of the Board has recommended appointment of M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants (who have given consent to such appointment) as auditors for the year ending June 30, 2015.

ACKNOWLEDGMENT

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

For and on behalf of the board



Yasir Qadri
Chief Executive Officer
Karachi: July 28, 2014

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2014

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

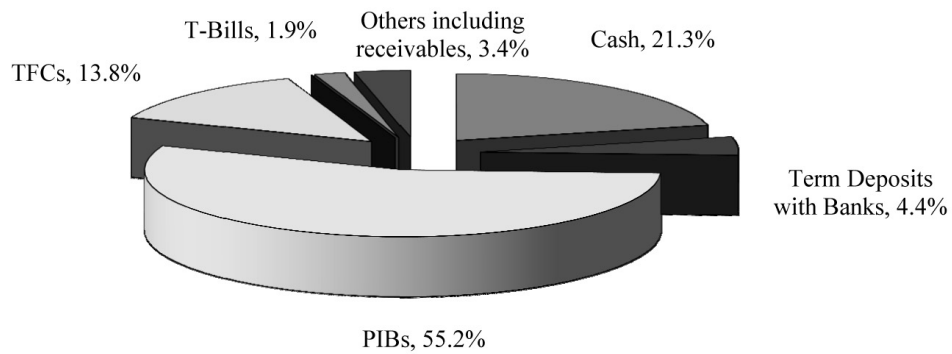
The fund was able to generate an annualized return of 10.79% during the year under review, which was slightly higher than the fund's benchmark return of 9.57% during the same period.

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.

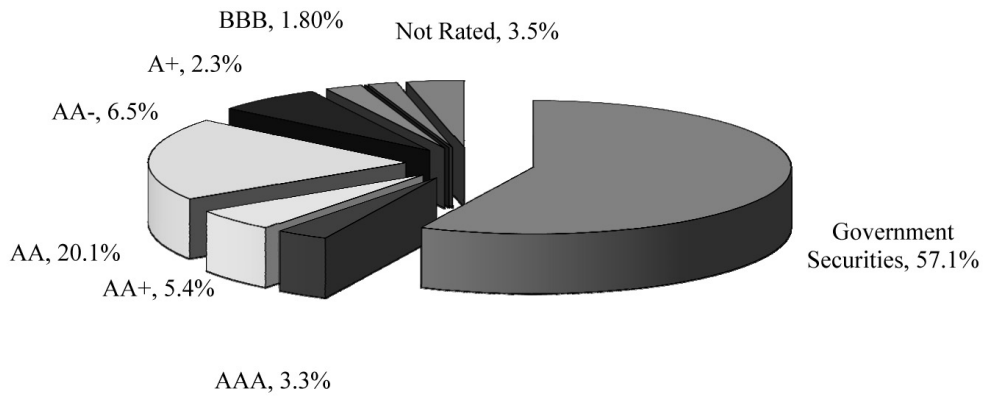
The net assets of the fund stood at PKR 11.1 billion by the end of June 2014, which almost remained consistent with the previous year. We believe that the fund's exposure towards good quality TFCs along with well-timed accumulation of Government papers should contribute towards decent returns going forward.

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2014

Asset Allocation as on June 30, 2014 (% of total assets)



Asset Quality as of June 30, 2014 (% of total assets)



Mr. Kashif Rafi
Fund Manager

Karachi: July 28, 2014

TRUSTEE REPORT TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2014

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, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2014 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 13, 2014



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2014

This statement is being presented by the Board of Directors of MCB Arif Habib Savings and 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 Lahore Stock Exchange Limited 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 Limited. The Fund, being a unit trust scheme, does not have its own Board of Directors. The Management Company, MCB-Arif Habib Saving and Investment 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 meet 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 seven listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies, where applicable)
3. All the resident Directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs, or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the period no casual vacancy occurred on the Board of the Management Company
5. The Management Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Management 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.
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. During the year one of the Directors and in total Three Directors, have completed all parts of the program offered by the Pakistan Institute of Corporate Governance. Further Directors have been briefed regarding the changes in laws and regulations impacting the Management Company.
10. There have been no appointments of Chief Operating Officer and Company Secretary, Chief Financial Officer and Head of Internal Audit during the year. However, during the year, Chief Executive Officer has been re-appointed and his remuneration has been revised and approved by the Board.
11. The Directors' Report for the year ended June 30, 2014 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 were duly endorsed by Chief Executive Officer and Chief Financial Officer of the Management Company before approval of the Board.

STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2014

13. The Directors, Chief Executive Officer and executives of the Management Company do not hold any interest in the units 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, which 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 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 a Human Resource and Remuneration Committee. It comprises of five members, of whom three 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 Management Company.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares / units of the Management Company / Fund. The firm and all its partners are also in compliance with International Federation of Accountants guidelines on code of ethics as adopted by the 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 net assets value of the fund / market price of Management Company's shares, was determined and intimated to directors, employees and the stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through the stock exchange.
23. We confirm that all other material principles enshrined in the Code have been complied with.

On behalf of the Board



Yasir Qadri
Chief Executive

Karachi: July 28, 2014

**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

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**REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE
CODE OF CORPORATE GOVERNANCE**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **MCB-Arif Habib Savings & Investments Limited**, the Management Company of **MCB Dynamic Cash Fund (the Fund)** for the year ended June 30, 2014 to comply with the requirements of Listing Regulation No. 35 (Chapter XI) of the Lahore Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the 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 Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2014.


Chartered Accountants

Karachi
Date: July, 31, 2014

Member of
Deloitte Touche Tohmatsu Limited

**INDEPENDENT AUDITORS' REPORTS TO THE UNIT HOLDERS
FOR THE YEAR ENDED JUNE 30, 2014**

Deloitte.

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

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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, 2014, 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, 2014**

Deloitte.

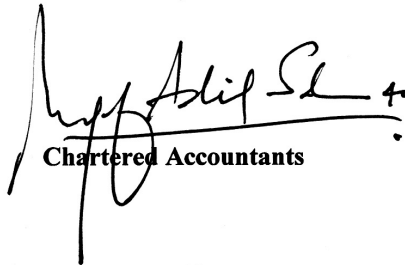
M. Yousuf Adil Saleem & Co
Chartered Accountants

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, 2014 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

Date: July 31, 2014
Karachi

Member of
Deloitte Touche Tohmatsu Limited


STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2014

| | Note | 2014 (Rupees in '000) | 2013 (Rupees in '000) |
|--|------|--------------------------|--------------------------|
| ASSETS | | | |
| Balances with banks | 5 | 2,404,638 | 2,668,390 |
| Investments | 6 | 8,406,950 | 8,550,755 |
| Profit and other receivables | 7 | 377,624 | 201,254 |
| Advance, deposits and prepayments | 8 | 80,801 | 3,300 |
| Total assets | | 11,270,013 | 11,423,699 |
| LIABILITIES | | | |
| Payable to Management Company | | 15,781 | 16,354 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | 767 | 789 |
| Payable to the Securities and Exchange Commission of Pakistan - annual fee | | 8,167 | 7,010 |
| Accrued expenses and other liabilities | 9 | 143,313 | 79,796 |
| Total liabilities | | 168,028 | 103,949 |
| NET ASSETS | | 11,101,985 | 11,319,750 |
| Unit holders' fund (as per statement attached) | | 11,101,985 | 11,319,750 |
| Contingencies and commitments | 10 | | |
| (Number of units) | | | |
| NUMBER OF UNITS IN ISSUE | | 109,808,608 | 109,208,503 |
| (Rupees) | | | |
| NET ASSET VALUE PER UNIT | 4.22 | 101.10 | 103.65 |

The annexed notes from 1 to 26 form an integral part of these financial statements.

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



Chief Executive Officer



Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

| | Note | 2014 (Rupees in '000) | 2013 |
|---|-------|--------------------------|------------------|
| INCOME | | | |
| Income from government securities | | 815,057 | 607,322 |
| Income from term finance certificates | | 231,860 | 271,686 |
| Profit on bank deposits and term deposit receipts | | 138,952 | 128,049 |
| Capital gain on sale of investments - net | | 10,438 | 93,518 |
| | | <u>1,196,307</u> | <u>1,100,575</u> |
| Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | 6.3.4 | 35,335 | 20,067 |
| Reversal / (provision) against debt securities | 6.3 | 151,451 | (72,688) |
| Total income | | <u>1,383,093</u> | <u>1,047,954</u> |
| EXPENSES | | | |
| Remuneration of Management Company | 11 | 163,340 | 140,198 |
| Sales tax and Federal Excise Duty on remuneration of Management Company | 9.2 | 56,450 | 23,995 |
| Remuneration of Central Depository Company of Pakistan Limited - Trustee | 12 | 9,223 | 8,142 |
| Securities and Exchange Commission of Pakistan - annual fee | 13 | 8,167 | 7,010 |
| Brokerage and settlement charges | | 2,575 | 1,798 |
| Auditors' remuneration | 14 | 687 | 934 |
| Bank charges | | 499 | 381 |
| Other | | 587 | 359 |
| Total expenses | | <u>241,528</u> | <u>182,817</u> |
| Net income from operating activities | | <u>1,141,565</u> | <u>865,137</u> |
| Element of (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed | | (27,993) | 33,242 |
| Provision for workers' welfare fund | 9.1 | (22,271) | (17,968) |
| Net income for the year before taxation | | <u>1,091,301</u> | <u>880,411</u> |
| Taxation | 15 | - | - |
| Net income for the year after taxation | | <u>1,091,301</u> | <u>880,411</u> |
| <i>Other comprehensive income for the year</i> | | | |
| Net unrealised appreciation on re-measurement of investments classified as 'available for sale' | | 3,202 | - |
| Total comprehensive income for the year | | <u>1,094,503</u> | <u>880,411</u> |
| Earnings per unit | 4.14 | <u>-</u> | <u>-</u> |

The annexed notes from 1 to 26 form an integral part of these financial statements.

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


Chief Executive Officer


Director

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

| | 2014 (Rupees in '000) | 2013 (Rupees in '000) |
|--|--------------------------|--------------------------|
| Undistributed income brought forward | | |
| -Realised income | 325,627 | 212,248 |
| -Unrealised income / (loss) | 73,307 | (116,693) |
| | 398,934 | 95,555 |
| Final distributions: | | |
| For the year ended June 30, 2014 on June 27, 2014 at Rs. 3.9321 per unit | | |
| - Bonus distribution | (404,777) | - |
| For the year ended June 30, 2013 on July 4, 2013 at Rs. 2.6526 per unit | | |
| - Bonus distribution | (289,686) | - |
| Interim distributions during the year ended June 30, 2014: | | |
| On September 26, 2013 at Rs 1.7440 per unit (On September 28, 2012 at Rs. 3.0133 per unit) | | |
| - Bonus distribution | (178,366) | (201,680) |
| On December 26, 2013 at Rs 2.0257 per unit (On December 27, 2012 at Rs. 2.4902 per unit) | | |
| - Bonus distribution | (214,163) | (225,497) |
| On March 26, 2014 at Rs. 2.6910 per unit (On March 26, 2013 at Rs. 1.9045 per unit) | | |
| - Bonus distribution | (285,224) | (212,372) |
| Element of (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed - amount representing unrealised income | (154) | 62,517 |
| Net income for the year | 1,091,301 | 880,411 |
| | (281,069) | 303,379 |
| Undistributed income carried forward | 117,865 | 398,934 |
| Represented by: | | |
| -Realised income | 183,875 | 325,627 |
| -Unrealised (loss) / income | (66,010) | 73,307 |
| | 117,865 | 398,934 |

The annexed notes from 1 to 26 form an integral part of these financial statements.

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



Chief Executive Officer



Director

STATEMENT OF MOVEMENT IN UNIT HOLDER'S FUND FOR THE YEAR ENDED JUNE 30, 2014

| | 2014 (Rupees in '000) | 2013 |
|--|--------------------------|--------------------|
| Net assets at beginning of the year | 11,319,750 | 6,696,213 |
| Issue of 89,519,479 units (2013: 96,580,749 units) | 9,123,979 | 9,478,526 |
| Redemption of 102,505,661 units (2013: 59,683,421 units) | (10,464,240) | (5,702,158) |
| Issue of 13,586,287 bonus units in respect of final distribution for the year ended June 30, 2014 (2013: 6,304,265 bonus units) | 1,372,216 | 639,549 |
| | 31,955 | 4,415,917 |
| | 11,351,705 | 11,112,130 |
| Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed | | |
| · amount representing loss / (income) and capital losses / (gains) - transferred to income statement | 27,993 | (33,242) |
| · amount representing unrealised capital losses / (gains) and capital losses / (gains) that forms part of the unit holders' fund transferred to distribution statement | 154 | (62,517) |
| | 28,147 | (95,759) |
| Net income for the year transferred from the distribution statement | | |
| Capital gain on sale of investments | 10,438 | 93,518 |
| Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | 35,335 | 20,067 |
| Other net income for the year | 1,045,528 | 766,826 |
| Element of (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed - amount representing unrealised income | (154) | 62,517 |
| Distributions made during the year (Refer distribution statement) | (1,372,216) | (639,549) |
| | (281,069) | 303,379 |
| Net unrealised appreciation on re-measurement of investments classified as 'available for sale' | 3,202 | - |
| | 11,101,985 | 11,319,750 |
| NUMBER OF UNITS IN ISSUE | 109,808,608 | 109,208,503 |
| | (Rupees) | |
| NET ASSET VALUE PER UNIT | 101.10 | 103.65 |

The annexed notes from 1 to 26 form an integral part of these financial statements.

MCB-Arifa Habib Savings and Investments Limited
(Management Company)


Chief Executive Officer


Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

| | Note | 2014 (Rupees in '000) | 2013 |
|--|------|--------------------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income for the year before taxation | | 1,091,301 | 880,411 |
| Adjustments for non - cash charges and other items | | | |
| Income from government securities | | (815,057) | (607,322) |
| Income from term finance certificates | | (231,860) | (271,686) |
| Profit on bank deposits and term deposits receipts | | (138,952) | (128,049) |
| Capital gain on sale of investments | | (10,438) | (93,518) |
| Element of loss / (income) and capital losses / (gains) included in the prices of units issued less those in units redeemed | | 27,993 | (33,242) |
| Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | | (35,335) | (20,067) |
| | | (112,348) | (273,473) |
| (Increase) / decrease in assets | | | |
| Investments - net | | 404,220 | (4,955,912) |
| Other receivables | | (7,010) | (14,416) |
| Advance, deposits and prepayments | | (77,501) | (1) |
| | | 319,709 | (4,970,329) |
| Increase / (decrease) in liabilities | | | |
| Payable to Management Company | | (573) | 8,387 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | (22) | 274 |
| Payable to Securities and Exchange Commission of Pakistan - annual fee | | 1,157 | 2,622 |
| Accrued expenses and other liabilities | | 63,517 | 18,038 |
| | | 64,079 | 29,321 |
| | | 271,440 | (5,214,481) |
| Income received from government securities | | 583,253 | 552,035 |
| Income received on term finance certificates | | 269,534 | 272,991 |
| Profit received on bank deposits and term deposit receipts | | 163,722 | 110,407 |
| Net cash generated from / (used in) operating activities | | 1,287,949 | (4,279,048) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Receipts from issue of units | | 9,123,979 | 9,478,526 |
| Payments on redemption of units | | (10,464,240) | (5,702,158) |
| Net cash (used in) / generated from financing activities | | (1,340,261) | 3,776,368 |
| Net decrease in cash and cash equivalents during the year | | (52,312) | (502,680) |
| Cash and cash equivalents at the beginning of the year | | 2,668,887 | 3,171,567 |
| Cash and cash equivalents at the end of the year | 17 | 2,616,575 | 2,668,887 |

The annexed notes from 1 to 26 form an integral part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 MCB-Arif Habib Savings and 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** The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 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, Pakistan.
- 1.3** The Fund is an open ended mutual fund and has been categorised as "Income Scheme" 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.
- 1.4** The Fund primarily invests in money market and other instruments which includes 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.
- 1.5** The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2 (positive outlook) dated April 10, 2014 to the Management Company and a rating of "A+(f)" dated February 20, 2014 to the Fund.
- 1.6** Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

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 (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.

2.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2014

The following standards, amendments and interpretations are effective for the year ended June 30, 2014. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

Standards / amendments / interpretations

Effective from accounting period beginning on or after

Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information.

January 01, 2013

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

| <i>Standards / amendments / interpretations</i> | <i>Effective from accounting period beginning on or after</i> |
|---|---|
| Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction. | January 01, 2013 |
| Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities. | January 01, 2013 |
| Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities. | January 01, 2013 |

2.3 New accounting standards and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the fund's operations or are not expected to have significant impact on the fund's financial statements other than certain additional disclosures.

| <i>Standards / amendments / interpretations</i> | <i>Effective from accounting period beginning on or after</i> |
|--|---|
| Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities | January 01, 2014 |
| IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets | January 01, 2014 |
| IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting | January 01, 2014 |
| IFRIC 21 - Levies | January 01, 2014 |

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IAS 27 (Revised 2011) – Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11

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'.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 4.6).

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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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.

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 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.

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

4.6 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

4.7 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.

4.8 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.

4.9 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.

4.10 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.

4.11 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.

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.

4.12 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.

4.13 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.

4.14 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

4.15 Taxation

The Fund's income is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities 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 during the year 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 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.

4.16 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 Expenses

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

4.18 Cash and cash equivalents

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

4.19 Other assets

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

4.20 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 are recognized in the Income Statement.

4.21 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.

4.22 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

| | Note | 2014 Rupees in '000 | 2013 Rupees in '000 |
|--|------|------------------------|------------------------|
| 5. BALANCES WITH BANKS | | | |
| In deposit accounts | 5.1 | <u>2,404,638</u> | <u>2,668,390</u> |
| 5.1 These carry mark-up at rates ranging between 3.5% to 10.5% per annum (2013: 6% to 12.5% per annum). | | | |
| 6. INVESTMENTS | | | |
| <i>At fair value through profit or loss</i> | | | |
| Government securities | 6.1 | 3,019,904 | 6,114,479 |
| Listed debt securities | 6.2 | 816,633 | 1,270,065 |
| Unlisted debt securities | 6.3 | 663,159 | 666,211 |
| | | <u>4,499,696</u> | <u>8,050,755</u> |
| <i>Available for sale</i> | | | |
| Government securities | 6.4 | 3,407,254 | - |
| <i>Loans and receivables</i> | | | |
| Term deposit receipts | 6.5 | 500,000 | 500,000 |
| | | <u>8,406,950</u> | <u>8,550,755</u> |

6.1 Government securities - 'At fair value through profit or loss'

| Name of investee company | Face Value | | | | | Balance as at June 30, 2014 | | | Market value as a percentage of net assets % | Market value as a percentage of total investment % |
|---------------------------------------|--------------------|---------------------------|--------------------------|-------------------------|---------------------|-----------------------------|--------------|------------|---|---|
| | As at July 1, 2013 | Purchased during the year | Disposed during the year | Matured during the year | As at June 30, 2014 | Carrying Value | Market value | Diminution | | |
| | | | | | | | | | | |
| -----Rupees in '000'----- | | | | | | | | | | |
| Treasury Bills - 1 year | 2,712,150 | 11,254,000 | 10,688,000 | 3,278,150 | - | - | - | - | - | - |
| Treasury Bills - 6 months | 277,000 | 2,255,000 | 2,205,000 | 327,000 | - | - | - | - | - | - |
| Treasury Bills - 3 months | 500 | 38,176,885 | 26,790,940 | 11,172,385 | 214,060 | 211,947 | 211,937 | (10) | 1.91 | 2.52 |
| Pakistan Investment Bonds -05 years | 2,700 | 60,000 | 25,000 | 2,700 | 35,000 | 35,599 | 35,445 | (154) | 0.32 | 0.42 |
| Pakistan Investment Bonds -03 years | 1,375,000 | 11,266,900 | 9,876,400 | - | 2,765,500 | 2,772,557 | 2,772,522 | (35) | 24.97 | 32.98 |
| GoP Ijara Sukuk Certificate -03 years | 1,805,700 | - | 1,805,700 | - | - | - | - | - | - | - |
| Total | 6,173,050 | 63,012,785 | 51,391,040 | 14,780,235 | 3,014,560 | 3,020,103 | 3,019,904 | (199) | 27.20 | 35.92 |

| | Note | 2014 (Rupees in '000) | 2013 (Rupees in '000) |
|--|-------|--------------------------|--------------------------|
| 6.2 Listed debt securities | 6.2.1 | 817,834 | 1,270,065 |
| Less: Provision of Saudi Pak Leasing Company Limited | | | |
| On July 1 | | - | (9,514) |
| Charged during the year | | (1,201) | |
| Reversal during the year | | - | 9,514 |
| | | <u>(1,201)</u> | <u>-</u> |
| | | <u>816,633</u> | <u>1,270,065</u> |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

| | Note | 2014 (Rupees in '000) | 2013 |
|--|------------------------|-----------------------------|----------------|
| 6.3 Unlisted debt securities | 6.3.1 | 720,559 | 876,263 |
| Less: Provision as on July 1 | | | |
| New Allied Electronics Industries (Private) Limited | | 57,400 | 57,400 |
| Maple Leaf Cement Factory Limited - Sukuk bonds | | 152,652 | 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 |
| | | 210,052 | 131,293 |
| Less: Provision charged during the year | | | |
| Maple Leaf Cement Factory Limited - Sukuk bonds | 6.3.2 | - | 102,373 |
| Add: Reversal of provision during the year | | | |
| Maple Leaf Cement Factory Limited - Sukuk bonds | 6.3.2 | 152,652 | - |
| 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 |
| | | 152,652 | 23,614 |
| | | 663,159 | 666,211 |
| | | | |
| | | 2014 | 2013 |
| | | ------(Rupees in '000)----- | |
| | Listed debt securities | Unlisted debt securities | Total |
| Movement in provision against debt securities | | | |
| Opening balance | - | 210,052 | 210,052 |
| Add : Charge for the year | 1,201 | - | 1,201 |
| Less: Reversal of provision | - | 152,652 | 152,652 |
| (Reversal) / charge for the year - net | 1,201 | (152,652) | (151,451) |
| Less: Set off against redemption receivable | - | - | - |
| Closing balance | 1,201 | 57,400 | 58,601 |
| | | | 210,052 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

6.2.1 Listed debt securities - term finance certificates

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

| Name of investee company | Number of Certificates | | | | Balance as at June 30, 2014 | | | Market value as a percentage of net assets | Market value as a percentage of total investment |
|--|------------------------|---------------------------|-------------------------|--------------------------|-----------------------------|-----------------|----------------|--|--|
| | As at July 1, 2013 | Purchased during the year | Matured during the year | Disposed during the year | As at June 30, 2014 | Carrying value* | Market value | Appreciation / (diminution) | |
| | | | | | | | | | -----Rupees in '000----- % |
| Commercial banks | | | | | | | | | |
| Allied Bank Limited (December 6, 2006, issue) | 10,800 | - | - | - | 10,800 | 13,687 | 13,492 | (195) | 0.16 |
| Allied Bank Limited (August 28, 2009, issue) | 9,000 | - | - | - | 9,000 | 41,554 | 43,943 | 2,389 | 0.52 |
| Askari Bank Limited -III (November 18, 2009, issue) | 23,000 | - | - | - | 23,000 | 115,861 | 111,785 | (4,076) | 1.01 |
| Bank Alfalah Limited -V (February 20, 2013, issue) | 72,631 | - | - | - | 72,631 | 368,709 | 367,818 | (891) | 3.31 |
| Faysal Bank Limited TFC - I (November 12, 2007, issue) | 7,515 | - | - | - | 7,515 | 9,470 | 9,398 | (72) | 0.08 |
| NIB Bank Limited (March 05, 2008, issue) | 44,808 | - | 44,808 | - | - | - | - | - | - |
| United Bank Limited -I (September 08, 2006, issue) | 15,000 | - | - | - | 15,000 | 12,600 | 12,489 | (111) | 0.15 |
| United Bank Limited TFC - IV (February 14, 2008, issue) | 79,008 | - | 79,008 | - | - | - | - | - | - |
| Fertilizer | | | | | | | | | |
| Engro Chemical Pakistan Limited - III (November 30, 2007, issue) | 162 | 50,000 | - | - | 50,162 | 249,407 | 247,959 | (1,448) | 2.23 |
| Leasing Companies | | | | | | | | | |
| Saudi Pak Leasing Company Limited (March 13, 2010, issue) | 10,000 | - | - | - | 10,000 | 13,242 | 10,950 | (2,292) | 0.13 |
| Total - 2014 | | | | | | 824,530 | 817,834 | (6,696) | 7.37 |
| Total - 2013 | | | | | | 1,274,092 | 1,270,065 | (4,027) | 11.22 |
| | | | | | | | | | 14.85 |

* Carrying value before provision. Provision details are specified in note 6.2

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

6.3.1 Unlisted debt securities - term finance certificates and other securities

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

| Name of investee company | Number of Certificates | | | | Balance as at June 30, 2014 | | Market value as a percentage of net assets | Market value as a percentage of total investment |
|---|------------------------|---------------------------|-------------------------|--------------------------|-----------------------------|----------------|--|--|
| | As at July 1, 2013 | Purchased during the year | Matured during the year | Disposed during the year | As at June 30, 2014 | Market value | Appreciation / (diminution) | |
| | | | | | | | | -----Rupees in '000----- % |
| Askari Bank Limited - II (October 31, 2005) - TFC | 6,980 | - | 6,980 | - | - | - | - | - |
| Askari Bank Limited IV - PPTFC (December 23, 2011) - TFC | 95 | - | - | - | 95 | 101,140 | 99,810 | (1,330) |
| Bank Alfalah Limited-IV (December 2, 2009) - TFC | 8,500 | - | - | - | 8,500 | 44,595 | 43,752 | (843) |
| Bank Alfalah Limited-IV (December 2, 2009) Fixed - TFC | 18,235 | - | - | - | 18,235 | 97,382 | 98,169 | 787 |
| Engro Chemical Pakistan Limited - Perpetual TFC - IV (March 18, 2008) - TFC | 2,419 | - | - | - | 2,419 | 11,339 | 11,870 | 531 |
| Jahangir Siddiqui Company Limited-V (July 04, 2007) - TFC | 24,000 | - | 24,000 | - | - | - | - | - |
| JDW Sugar Mills Limited - PPTFC (June 23, 2008) - TFC | 15,000 | - | 15,000 | - | - | - | - | - |
| Maple Leaf Cement Factory Limited (December 03, 2009) - Sukuk | 71,000 | - | - | 3,000 | 68,000 | 154,803 | 197,354 | 42,551 |
| New Allied Electronics Industries (Private) Limited (May 15, 2007) - TFC | 10,400 | - | - | - | 10,400 | 22,337 | 22,337 | - |
| New Allied Electronics Industries (Private) Limited (July 25, 2007) - Sukuk | 112,000 | - | - | - | 112,000 | 35,063 | 35,063 | - |
| Security Leasing Corporation Limited - PPTFC (March 28, 2010) - TFC | 10,000 | - | - | - | 10,000 | 4,288 | 4,547 | 259 |
| Security Leasing Corporation Limited (March 18, 2010) - Sukuk | 5,000 | - | - | - | 5,000 | 3,550 | 2,247 | (1,303) |
| Standard Chartered Bank Pakistan Limited - PPTFC (June 29, 2012) - TFC | 50,000 | 4,000 | - | 13,000 | 41,000 | 203,832 | 205,410 | 1,578 |
| Total - 2014 | | | | | | 678,329 | 720,559 | 42,230 |
| Total - 2013 | | | | | | 860,481 | 876,263 | 15,782 |

* Carrying value before provision. Provision details are specified in note 6.3

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

6.3.2 Maple Leaf Cement Factory Limited defaulted in principal and profit payments on its sukuk bonds in September 2011. As on June 23, 2014, the total provision held against these sukuk bonds amounted to Rs. 146.202 million. However on that date, Mutual Funds Association of Pakistan has classified these Sukuks as "Performing" on the basis that the issuer has cleared all the past dues. Accordingly the Fund has reversed the entire provision against these sukuk, during the year ended June 30, 2014.

6.3.3 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 |
|---|------------------------|------------|---|--------------------------|-------------------|---------------------|-------------|
| Listed debt securities | | | | | | | |
| Commercial banks | | | | | | | |
| Allied Bank Limited (December 6, 2006, issue) | 10,800 | 5,000 | 1,247 | 6 month KIBOR+1.9% | December 6, 2014 | Unsecured | AA |
| Allied Bank Limited (August 28, 2009, issue) | 9,000 | 5,000 | 4,991 | 6 month KIBOR+0.85% | August 28, 2019 | Unsecured | AA |
| Askari Bank Limited -III (November 18, 2009, issue) | 23,000 | 5,000 | 4,991 | 6 month KIBOR+2.5% | November 18, 2019 | Unsecured | AA- |
| Bank Alfalah Limited -V (February 20, 2013, issue) | 72,631 | 5,000 | 4,998 | 6 month KIBOR+1.25% | February 20, 2021 | Unsecured | AA- |
| Faysal Bank Limited TFC - I (November 12, 2007, issue) | 7,515 | 5,000 | 1,248 | 6 month KIBOR+1.4% | November 12, 2014 | Unsecured | AA- |
| United Bank Limited -I (September 08, 2006, issue) | 15,000 | 5,000 | 832 | 6 month KIBOR+1.7% | September 8, 2014 | Unsecured | AA |
| Fertilizer | | | | | | | |
| Engro Chemical Pakistan Limited - III (November 30, 2007) | 50,162 | 5,000 | 4,987 | 6 month KIBOR+1.55% | November 30, 2015 | Secured | A+ |
| Leasing Companies | | | | | | | |
| Saudi Pak Leasing Company Limited (March 13, 2010, issue) | 10,000 | 5,000 | 2,635 | 6.00% | March 13, 2017 | Secured | NPDS |
| Unlisted debt securities | | | | | | | |
| Askari Bank Limited IV - PPTFC (October 31, 2005) | 95 | 1,000,000 | 999,000 | 6 month KIBOR+1.75% | December 23, 2021 | Unsecured | AA- |
| Bank Alfalah Limited-IV (December 2, 2009) | 8,500 | 5,000 | 4,991 | 6 month KIBOR+2.5% | December 2, 2017 | Unsecured | AA- |
| Bank Alfalah Limited-IV (December 2, 2009) Fixed | 18,235 | 5,000 | 4,991 | 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 | A+ |
| Maple Leaf Cement Factory Limited - Sukuk (December 03, 2009) | 68,000 | 5,000 | 3,864 | 3 month KIBOR+1.0% | December 3, 2018 | Secured | BBB |
| Security Leasing Corporation Limited - PPTFC (March 28, 2010) | 10,000 | 5,000 | 770 | 6 month KIBOR+2.45% | January 28, 2022 | Secured | Non - Rated |
| Security Leasing Corporation Limited -Sukuk (March 18, 2010) | 5,000 | 5,000 | 1,284 | 1 month KIBOR+2.00% | January 19, 2022 | Secured | Non - Rated |
| Standard Chartered Bank Pakistan Limited PPTFC (June 29, 2012) | 41,000 | 5,000 | 5,000 | 6 month KIBOR+0.75% | June 29, 2022 | Unsecured | AAA |

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

| | Note | 2014 (Rupees in '000) | 2013 |
|---|--------------------|--------------------------|---------------|
| 6.3.4 Net unrealised appreciation 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 | 4,558,297 | 8,260,807 |
| Carrying value of investments | 6.1, 6.2.1 & 6.3.1 | 4,522,962 | 8,240,740 |
| | | <u>35,335</u> | <u>20,067</u> |

6.4 Government securities - 'available for sale'

| Name of investee company | Face Value | | | | | Balance as at June 30, 2014 | | | Market value as a percentage of net assets % | Market value as a percentage of total investment % |
|-------------------------------------|--------------------|---------------------------|--------------------------|-------------------------|---------------------|-----------------------------|--------------|------------|--|--|
| | As at July 1, 2013 | Purchased during the year | Disposed during the year | Matured during the year | As at June 30, 2014 | Carrying Value | Market value | Diminution | | |
| -----Rupees in '000'----- | | | | | | | | | | |
| Pakistan Investment Bonds -10 years | | 25,000 | 25,000 | - | - | - | - | - | - | - |
| Pakistan Investment Bonds -05 years | - | 137,500 | 125,000 | - | 12,500 | 12,106 | 12,104 | (2) | - | - |
| Pakistan Investment Bonds -03 years | - | 4,541,500 | 1,100,000 | - | 3,441,500 | 3,391,946 | 3,395,150 | 3,204 | 31.00 | 40.00 |
| Total | - | 4,704,000 | 1,250,000 | - | 3,454,000 | 3,404,052 | 3,407,254 | 3,202 | 31.00 | 40.00 |

6.5 Loans and receivables

| Particulars | Profit / mark-up rate | Maturity date | Closing balance as at June 30, 2014 | Value as a percentage of net assets % | Value as percentage of investments % |
|-----------------------|-----------------------|---------------|-------------------------------------|---------------------------------------|--------------------------------------|
| (Rupees in '000) | | | | | |
| Term deposit receipts | 10.25% | 14-Nov-14 | 500,000 | 4.50 | 5.95 |
| Total - 2014 | | | <u>500,000</u> | <u>4.50</u> | <u>5.95</u> |
| Total - 2013 | 10.25% | 4-Oct-13 | <u>500,000</u> | <u>4.42</u> | <u>5.85</u> |

| | Note | 2014 (Rupees in '000) | 2013 |
|--|------|--------------------------|----------------|
| 7. PROFIT AND OTHER RECEIVABLES | | | |
| Income on government securities | | 315,815 | 84,011 |
| Income on term finance certificates | | 31,258 | 50,852 |
| Income on term deposits | | 6,038 | 37,911 |
| Receivable against redemption of term finance certificates | | - | 18,080 |
| Income on savings deposits | | 8,635 | 1,532 |
| Advances against Pre-IPO investment | | | |
| Others | | 15,878 | 8,868 |
| | | <u>377,624</u> | <u>201,254</u> |

8. ADVANCES, DEPOSITS AND PREPAYMENTS

| | | | |
|--|-----|---------------|--------------|
| Advance against subscription of term finance certificates | 8.1 | 77,500 | - |
| 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 | | 101 | 100 |
| | | <u>80,801</u> | <u>3,300</u> |

8.1 Advance against subscription of term finance certificates

This represents advance paid against purchase of term finance certificates of Pakistan Mobile Communications Limited. It carries markup at the rate of 6-monthly KIBOR plus 2% per annum.

9. ACCRUED EXPENSES AND OTHER LIABILITIES

| | | | |
|---|-----|----------------|---------------|
| Provision for workers' welfare fund | 9.1 | 98,643 | 76,372 |
| Federal Excise Duty payable on management fee | 9.2 | 31,880 | 1,563 |
| Auditors' remuneration | | 520 | 610 |
| Sales load | | 10,583 | 198 |
| Withholding tax | | 557 | 67 |
| Others | | 1,130 | 986 |
| | | <u>143,313</u> | <u>79,796</u> |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

9.1 Provision for workers' welfare fund

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance), whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, all Collective Investment Schemes (CISs) / mutual funds 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 Collective Investment Schemes (CISs) through their trustees in the Honorable Sindh High Court (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

In 2011, a single judge of the Lahore High Court (LHC) issued a judgment in response to a petition in similar case whereby the amendments introduced in WWF Ordinance through Finance Acts, 2006 and 2008 have been declared unconstitutional and therefore struck down.

However in 2013, the Larger Bench of the SHC issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

As the matter relating to levy of WWF on CISs is currently pending in the SHC, the Management Company has decided to retain and continue with the provision for WWF in its books of account and financial statements aggregating to Rs. 98.643 million as at June 30, 2014. Had the said provision of WWF not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 0.90 per unit.

9.2 Federal Excise Duty on remuneration of Management Company

The Finance Act 2013 introduced an amendment to Federal Excise Act 2005 where by Federal Excise Duty (FED) has been imposed at the rate of 16% of the services rendered by assets management companies. In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honourable Sindh High Court (SHC), challenging the levy of Federal Excise Duty on Asset Management Company services after the eighteenth amendment in the constitution of Pakistan. The SHC in its short order dated 4 September 2013 directed the FBR not to take any coercive action against the petitioners pursuant to impugned notices till next date of hearing. The management, as a matter of abundant caution, has decided to retain and continue with the provision of FED and related taxes in its books of account and financial statements aggregating to Rs 31.88 million as at June 30, 2014. In case, the suit is decided against the fund the same would be paid to management company, who will be responsible for submitting the same to authorities. Had the said provision of FED and related taxes were not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 0.29 per unit as at June 30, 2014.

10. CONTINGENCIES AND COMMITMENTS

There were no contingency and commitment existing as at June 30, 2014 and June 30, 2013.

| | Note | 2014 (Rupees in '000) | 2013 |
|---|--|--------------------------|----------------|
| 11. REMUNERATION OF MANAGEMENT COMPANY | | | |
| Management fee | 11.1 | <u>163,340</u> | <u>140,198</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. | | |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

| | Note | 2014 (Rupees in '000) | 2013 (Rupees in '000) |
|---|------|--------------------------|--------------------------|
| 12. REMUNERATION OF CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE | | | |
| Trustee fee | 12.1 | <u>9,223</u> | <u>8,142</u> |

- 12.1** 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:

Tariff applicable from July 1, 2013 to June 30, 2014.

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.

| | Note | 2014 (Rupees in '000) | 2013 (Rupees in '000) |
|--|------|--------------------------|--------------------------|
| 13. SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - ANNUAL FEE | | | |
| Annual fee | 13.1 | <u>8,167</u> | <u>7,010</u> |

- 13.1** 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.

| | 2014 (Rupees in '000) | 2013 (Rupees in '000) |
|-----------------------------------|--------------------------|--------------------------|
| 14. AUDITORS' REMUNERATION | | |
| Annual audit fee | 350 | 400 |
| Half yearly review fee | 180 | 225 |
| Other certifications | 150 | 290 |
| Out of pocket expenses | 7 | 19 |
| | <u>687</u> | <u>934</u> |

15. TAXATION

The Fund's income is exempt from Income Tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 (the Ordinance) 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. 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 Ordinance. As the management intends to distribute at least 90% of income earned during current year to the unit holders, therefore no provision for taxation has been made in these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

16. DETAILS OF NON-COMPLIANT INVESTMENT WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

In accordance with Clause (v) of the investment criteria laid down for 'Income Scheme' in Circular no. 7 of 2009, the Fund is required to invest in any security having rating not lower than the investment grade (credit rating of BBB and above). However, as at June 30, 2014, the Fund is non-compliant with the above mentioned requirement in respect of the following investments. The securities were in compliance of the circular (i.e. investment grade) at the time of purchase and were subsequently downgraded to non investment grade by MUFAP on default by respective issuer in repayment of coupon due on respective dates.

| 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 16.1): | | | | | | |
| a) | Maple Leaf Cement Factory Limited - Sukuk | 197,354 | - | 197,354 | 1.78 | 1.75 |
| b) | New Allied Electronics Industries (Private) Limited. -TFC (note 6.3.1) | 22,337 | 22,337 | - | - | - |
| c) | New Allied Electronics Industries (Private) Limited. -Sukuk (note 6.3.1) | 35,063 | 35,063 | - | - | - |
| d) | Security Leasing Corporation Limited - PPTFC (note 6.3.1) | 4,547 | - | 4,547 | 0.04 | 0.04 |
| e) | Security Leasing Corporation Limited - Sukuk (note 6.3.1) | 2,247 | - | 2,247 | 0.02 | 0.02 |
| f) | Saudi Pak Leasing Company Limited (note 6.2.1) | 10,950 | - | 10,950 | 0.10 | 0.10 |

2014 2013
(Rupees in '000)

17. CASH AND CASH EQUIVALENTS

| | | |
|------------------------------------|------------------|------------------|
| Balances with banks | 2,404,638 | 2,668,390 |
| Treasury bills due within 3 months | 211,937 | 497 |
| | <u>2,616,575</u> | <u>2,668,887</u> |

18. 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, other associated undertakings and unit holders holding more than 10% units of the Fund.

The transactions with connected persons are in the normal course of business.

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, 2014

| | 2014 | 2013 |
|--|------------------|---------|
| | (Rupees in '000) | |
| 18.1 Details of transactions with connected persons are as follows: | | |
| MCB Arif Habib Savings and Investments Limited | | |
| Remuneration of management company including indirect taxes | 219,790 | 164,193 |
| Issuance of 1,239,340 units (2013: 1,963,420 units) | 126,175 | 204,118 |
| Redemption of 3,269,246 units (2013: 1,823,077 units) | 333,000 | 187,024 |
| Distribution of 443,224 bonus units (2013: 314,996 units) | 44,766 | 31,955 |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Remuneration and settlement charges for the year | 9,276 | 8,156 |
| MCB Bank Limited | | |
| Profit on deposit accounts | 4,876 | 12,157 |
| Bank charges | 53 | 47 |
| Adamjee Insurance Company Limited | | |
| Issuance of 9,404,176 units (2013: 4,717,285 units) | 954,943 | 488,318 |
| Redemption of 9,404,176 units (2013: 4,717,285 units) | 954,943 | 481,102 |
| Distribution of 1,301,637 bonus units (2013: 666,636 units) | 131,465 | 67,628 |
| MCB Employees Provident Fund | | |
| Distribution of 124,056 bonus units (2013: 63,536 units) | 12,530 | 6,446 |
| MCB Employees Pension Fund | | |
| Distribution of 124,056 bonus units (2013: 63,536 units) | 12,530 | 6,446 |
| Staff Provident Fund of Management Company | | |
| Issuance of NIL units (2013: 24,539 units) | - | 2,538 |
| Redemption of 20,186 units (2013: 21,002 units) | 2,051 | 2,150 |
| Distribution of 517 bonus units (2013: 1,253 units) | 52 | 127 |
| D.G Khan Cement Company Limited Employees Provident Fund Trust | | |
| Distribution of 373 bonus units (2013: 191 units) | 38 | 19 |
| Adamjee Life Assurance Company Limited | | |
| Issue of NIL Units (2013: 11,778 units) | - | 1,194 |
| Redemption of NIL units (2013: 27,214 units) | - | 2,828 |
| Distribution of NIL bonus units (2013: 785 units) | - | 79 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

| | 2014 | 2013 |
|---|------------------|---------|
| | (Rupees in '000) | |
| Adamjee Insurance Company Limited - Employees Provident Fund | | |
| Issue of NIL Units (2013: 979,784 units) | - | 101,823 |
| Redemption of 527,359 units (2013: 495,832 units) | 53,990 | 50,318 |
| Distribution of 22,219 bonus units (2013: 21,188 units) | 2,244 | 2,149 |
| Adamjee Life Assurance Company Limited - Non-Unitised Investment Linked Fund | | |
| Issue of 207,180 Units (2013: 706,285 units) | 21,000 | 73,603 |
| Redemption of 946,742 units (2013: NIL units) | 96,370 | - |
| Distribution of 18,926 Bonus units (2013: 14,351 units) | 1,912 | 1,456 |
| Adamjee Life Assurance Company Limited - Investment Multiplier Fund | | |
| Issue 64,172 of Units (2013: 124,780 units) | 6,500 | 12,919 |
| Redemption of 182,226 units (2013: 9,985 units) | 18,545 | 1,018 |
| Distribution of 3,021 Bonus units (2013: 239 units) | 305 | 24 |
| Adamjee Life Assurance Company Limited - Investment Secure Fund | | |
| Issue of 457,642 Units (2013: 790,251 units) | 46,400 | 82,342 |
| Redemption of 1,158,435 units (2013: 121,804 units) | 117,912 | 12,500 |
| Distribution of 17,934 Bonus units (2013: 14,412 units) | 1,811 | 1,462 |
| Adamjee Life Assurance Company Limited - Investment Secure Fund II | | |
| Issue of 88,853 Units (2013: 742,640 units) | 9,000 | 77,326 |
| Redemption of 577,590 units (2013: 273,853 units) | 58,774 | 28,100 |
| Distribution of 12,507 Bonus units (2013: 7,443 units) | 1,263 | 755 |
| Arif Habib Limited | | |
| Brokerage * | 115 | - |
| Mandate Under Discretionary Portfolio Services | | |
| Issue of 694,130 Units (2013: 61,147 units) | 70,304 | 6,300 |
| Redemption of 785,862 units (2013: NIL units) | 79,653 | - |
| Distribution of 41,412 Bonus units (2013: 6,275 units) | 4,183 | 637 |
| Key management personnel | | |
| Issuance of 182,783 units (2013: 215,985 units) | 18,624 | 22,504 |
| Redemption of 288,250 units (2013: 109,251 units) | 29,287 | 11,191 |
| Distribution of 25,559 bonus units (2013: 10,806 units) | 2,581 | 1,096 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

| 18.2 | Amount outstanding as at year end | 2014 | 2013 |
|------|---|------------------|---------|
| | | (Rupees in '000) | |
| | MCB Arif Habib Savings and Investments Limited | | |
| | Remuneration payable to management company | 13,604 | 14,098 |
| | Sales tax payable on management fee | 2,177 | 2,256 |
| | Sales load payable | 10,583 | 198 |
| | 2,584,796 units held as at June 30, 2014 (2013: 4,171,478) | 261,331 | 432,385 |
| | Central Depository Company of Pakistan Limited - Trustee | | |
| | Security deposit | 200 | 200 |
| | Remuneration and settlement charges payable | 767 | 789 |
| | MCB Bank Limited | | |
| | Bank balance | 164,712 | 10,647 |
| | Profit receivable on deposit accounts | 303 | 26 |
| | MCB Employees Provident Fund | | |
| | 1,037,174 units held as at June 30, 2014 (June 2013: 913,118) | 104,861 | 94,647 |
| | MCB Employees Pension Fund | | |
| | 1,037,174 units held as at June 30, 2014 (June 2013: 913,118) | 104,861 | 94,647 |
| | Adamjee Insurance Company Limited | | |
| | 10,882,364 units held as at June 30, 2014 (2013: 9,580,727 units) | 1,100,240 | 993,068 |
| | Staff Provident Fund of Management Company | | |
| | NIL units held as at June 30, 2014 (June 2013: 19,669 units) | - | 2,039 |
| | D.G Khan Cement Company Limited Employees Provident Fund Trust | | |
| | 3,120 units held as at June 30, 2014 (2013: 2,747 units) | 315 | 285 |
| | Adamjee Insurance Company Limited - Employees Provident Fund | | |
| | NIL units held as at June 30, 2014 (June 30, 2013: 505,140 units) | - | 52,359 |
| | Adamjee Life Assurance Company Limited - Non-Unitised Investment Linked Fund | | |
| | NIL units held as at June 30 2014 (June 30 2013: 720,636) | - | 74,696 |
| | Adamjee Life Assurance Company Limited - Investment Multiplier Fund | | |
| | NIL units held as at June 30 2014 (June 30 2013: 115,033) | - | 11,924 |
| | Adamjee Life Assurance Company Limited - Investment Secure Fund | | |
| | NIL units held as at June 30 2014 (June 30 2013: 682,859) | - | 70,780 |
| | Adamjee Life Assurance Company Limited - Investment Secure Fund II | | |
| | NIL units held as at June 30 2014 (June 30 2013: 476,230) | - | 49,362 |
| | Mandate Under Discretionary Portfolio Services | | |
| | 79,214 units held as at June 30, 2014 (2013: 129,534) | 8,009 | 13,421 |
| | Key management personnel | | |
| | 105,210 units held as at June 30, 2014 (2013: 185,118) | 10,637 | 19,187 |

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

19. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

| | | ----- 2014 ----- | |
|---|-------------------|--|---------------------|
| | Designation | Qualification | Experience in years |
| 1 | Mr. Yasir Qadri | Chief Executive | MBA |
| 2 | Mr. Kashif Rafi | Senior Vice President Investments | MBA & CFA (level 1) |
| 3 | Mr. Muhammad Asim | Senior Vice President-Head of Equities | MBA & CFA |
| 4 | Mrs. Uzma Khan | Senior Assistant Vice President | MBA, CFA, FRM |
| 5 | Mr. Mohsin Pervez | Vice President-Investments | MBA & CFA (level 1) |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

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

| | 2014 % |
|--|-----------|
| 1 Invest Capital Markets Limited | 34.58 |
| 2 Invest & Finance Securities Limited | 14.83 |
| 3 Icon Securities (Private) Limited | 11.25 |
| 4 Optimus Markets (Private) Limited | 8.71 |
| 5 KASB Securities Limited | 6.01 |
| 6 C & M Management (Private) Limited | 5.85 |
| 7 Arif Habib Limited | 5.35 |
| 8 JS Global Capital Limited | 4.72 |
| 9 Invest One Markets (Private) Limited | 3.12 |
| 10 Summit Capital (Private) Limited | 1.94 |
| | 2013 % |
| 1 Invest & Finance Securities Limited | 37.62 |
| 2 Invest Capital Markets Limited | 30.18 |
| 3 Optimus Markets (Private) Limited | 7.11 |
| 4 Invest One Markets (Private) Limited | 6.78 |
| 5 KASB Securities Limited | 4.56 |
| 6 Global Securities Pakistan Limited | 3.01 |
| 7 Icon Securities (Private) Limited | 2.52 |
| 8 Summit Capital (Private) Limited | 1.98 |
| 9 Vector Capital (Private) Limited | 1.62 |
| 10 JS Global Capital Limited | 1.58 |

21. PATTERN OF UNIT HOLDINGS

As at June 30, 2014

| | Number of unit holders | Number of units held | Net asset value of the amount invested | Percentage investment |
|----------------------------------|---------------------------|-------------------------|---|--------------------------|
| | | | Rupees '000' | % |
| Individuals | 3,948 | 56,347,081 | 5,696,861 | 51.31 |
| Associated companies / Directors | 5 | 15,544,629 | 1,571,609 | 14.21 |
| Insurance companies | 5 | 4,067,771 | 411,264 | 3.65 |
| Banks / DFIs | 3 | 9,760,110 | 986,777 | 8.89 |
| Retirement funds | 48 | 3,810,144 | 385,217 | 3.47 |
| Public limited companies | 44 | 18,142,444 | 1,834,256 | 16.52 |
| Others | 17 | 2,136,430 | 216,000 | 1.95 |
| | 4,070 | 109,808,608 | 11,101,985 | 100.00 |

As at June 30, 2013

| | Number of unit holders | Number of units held | Net asset value of the amount invested | Percentage investment |
|----------------------------------|---------------------------|-------------------------|--|--------------------------|
| | | | Rupees '000' | % |
| Individuals | 4,127 | 57,830,751 | 5,994,313 | 52.95 |
| Associated companies / Directors | 4 | 6,123,964 | 634,765 | 5.60 |
| 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 | 401,462 | 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 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

22. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

During the year, eight board meetings were held on 4th July, 2013 (104th meeting), 5th August 2013 (105th meeting), 23rd October, 2013 (106th meeting), 31st December, 2013 (107th meeting), 6th February, 2014 (108th meeting), 7th March 2014 (109th meeting), 21st April 2014 (110th meeting), 27th June, 2014 (111th meeting). 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 | 8 | 8 | 1 | 7 | 104th, 105th, 106th, 107th, 108th, 109th and 111th |
| 2 Mr. Nasim Beg | 8 | 8 | 7 | 1 | 106th |
| 3 Mr. Yasir Qadri (Chief Executive Officer) | 8 | 8 | 8 | - | - |
| 4 Dr. Syed Salman Ali Shah | 8 | 8 | 7 | 1 | 107th |
| 5 Mr. Haroun Rashid | 8 | 8 | 6 | 2 | 104th and 106th |
| 6 Mr. Ahmed Jahangir | 8 | 8 | 8 | - | - |
| 7 Mr. Samad A. Habib | 8 | 8 | 6 | 2 | 105th, 109th |
| 8 Mr. Mirza Mehmood Ahmed | 8 | 8 | 7 | 1 | 106th |
| 9 Mr. Saqib Saleem (Chief Operating Officer & Company Secretary) | 8 | 8 | 8 | - | - |
| 10 Mr. Umair Ahmed (Chief Financial Officer) | 8 | 8 | 8 | - | - |

23. 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 Board of Directors of Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework

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.

23.1 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, 2014

23.1.1 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 were carried out in Pak Rupees.

23.1.2 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 sukus 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 sukus, 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 2.242 million (2013: 8.190 million).

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2014, the Fund holds Treasury bills and Pakistan Investment Bonds which are classified as at fair value through profit or loss and available-for-sale 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, 2014, with all other variables held constant, total comprehensive income for the year and net assets would be lower by Rs. 94.304 million (2013: higher by Rs 0.264 million). In case of 100 basis points decrease in rates announced by FMAP on June 30, 2014, with all other variables held constant, total comprehensive income for the year and net assets would be higher by 96.373 million (2013: lower by Rs 0.259 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, 2014 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, 2014 | | | | | | |
|---|----------------------|---|-----------------------|--|---------|------------|
| 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 | 3.50-10.50 | 2,404,638 | - | - | - | 2,404,638 |
| Investments | | | | | | |
| At fair value through profit or loss - net | | | | | | |
| - Government securities | 8.92-12.00 | 216,943 | - | 2,802,961 | - | 3,019,904 |
| - Listed debt securities | 11.13-14.21 | 12,489 | 22,890 | 781,254 | - | 816,633 |
| - Unlisted debt securities | 10.88-23.03 | - | - | 663,159 | - | 663,159 |
| Available for sale | | | | | | |
| - Government securities | 11.25-12.00 | - | - | 3,407,254 | - | 3,407,254 |
| Loans and Receivables | | | | | | |
| -Term Deposit Receipts | 9.90-10.25 | - | 500,000 | - | - | 500,000 |
| | | 229,432 | 522,890 | 7,654,628 | - | 8,406,950 |
| Profit and other receivables | | - | - | - | 377,624 | 377,624 |
| Advance and deposits | | - | - | - | 80,700 | 80,700 |
| | | 2,634,070 | 522,890 | 7,654,628 | 458,324 | 11,269,912 |
| Financial Liabilities | | | | | | |
| Payable to Management Company | | - | - | - | 15,781 | 15,781 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | - | - | - | 767 | 767 |
| Accrued expenses and other liabilities | | - | - | - | 44,113 | 44,113 |
| | | - | - | - | 60,661 | 60,661 |
| On-balance sheet gap | | 2,634,070 | 522,890 | 7,654,628 | 397,663 | 11,209,251 |
| Off-balance sheet financial instruments | | | | | | |
| | | - | - | - | - | - |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

| -----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 | | | | | | |
| 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 |
| Advance and deposits | | - | - | - | 3,200 | 3,200 |
| | | 4,526,680 | 1,698,401 | 4,994,064 | 204,454 | 11,423,599 |
| Financial Liabilities | | | | | | |
| Payable to Management Company | | - | - | - | 16,354 | 16,354 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | - | - | - | 789 | 789 |
| Accrued expenses and other liabilities | | - | - | - | 3,357 | 3,357 |
| | | - | - | - | 20,500 | 20,500 |
| On-balance sheet gap | | 4,526,680 | 1,698,401 | 4,994,064 | 183,954 | 11,403,099 |
| Off-balance sheet financial instruments | | | | | | |
| | | - | - | - | - | - |

23.1.3 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 1% increase / decrease in effective yield as on June 30, 2014, the net assets of the Fund would increase / decrease by Rs. 11.445 million, as a result of reduction/increase in Unrealized Gains/(losses).

23.2 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. Investments in Treasury bills and Pakistan Investment Bonds are government backed and hence considered as secured.

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.

The Fund's maximum exposure to credit risk related to receivables at June 30, 2014 and June 30, 2013 is the carrying amounts of following financial assets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

| | June 30, 2014 | June 30, 2013 |
|------------------------------|-------------------|------------------|
| | (Rupees in '000') | |
| Balances with banks | 2,404,638 | 2,668,390 |
| Investments | 1,979,792 | 2,436,276 |
| Profit and other receivables | 377,624 | 201,254 |
| Advance and deposits | 80,700 | 3,200 |
| | 4,842,754 | 5,309,120 |

The analysis below summarizes the credit rating quality of the Fund's financial assets as at June 30, 2014 and June 30, 2013.

Bank Balances by rating category

| | June 30, 2014 | June 30, 2013 |
|-----------|----------------|----------------|
| AA / A1+ | 67.52% | 72.04% |
| AA+ / A1+ | 25.59% | 2.16% |
| A / A1 | 0.01% | 7.50% |
| AAA / A1+ | 6.85% | 0.40% |
| AA- / A1+ | 0.03% | 17.90% |
| | 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, 2014 and June 30, 2013:

| Investments by rating category | June 30, 2014 % | June 30, 2013 % |
|--------------------------------|--------------------|--------------------|
| Government Securities | 76.45 | 74.00 |
| AAA, AAA-, AAA+ | 2.44 | 3.00 |
| AA, AA-, AA+ | 15.47 | 17.00 |
| A, A-, A+ | 3.09 | 3.00 |
| BBB | 2.35 | - |
| Non - performing, Unrated | 0.21 | 3.00 |

Investment in fixed income securities

Investment in treasury bills do not expose the Fund to credit risk as the counter party to the investment is the Government of Pakistan and management does not expect to incur any credit loss on such investments.

Receivables against sale of units

These represents amount held under distribution accounts maintained by the management company for receipt of subscription money from unit holders. The amount has been cleared subsequently by the management company.

Advances and deposits

Deposits are placed with National Clearing Company of Pakistan Limited (NCCPL) and Central Depository Company of Pakistan Limited (CDC) for the purpose of effecting transaction and settlement of listed securities. It is expected that all securities deposited with NCCPL and CDC will be clearly identified as being assets of the Fund, hence management believes that the Fund is not materially exposed to a credit risk with respect to such parties.

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.

Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of counter party to honour its obligations to deliver cash, securities or other assets as contractually agreed. Credit risk relating to unsettled transactions in securities is considered to be minimal as the Fund uses brokers with high creditworthiness and the transactions are settled or paid for only upon delivery using central clearing system.

23.3 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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.

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, 2014----- | | | |
|---|-----------------------------|-------------------|-------------------------------------|---------------|
| | Total | Upto three months | Over three months and upto one year | Over one year |
| | ------(Rupees in '000)----- | | | |
| Liabilities | | | | |
| Payable to Management Company | 15,781 | 15,781 | - | - |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 767 | 767 | - | - |
| Accrued expenses and other liabilities | 44,113 | 44,113 | - | - |
| Total liabilities | 60,661 | 60,661 | - | - |

| | -----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 | 16,354 | 16,354 | - | - |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 789 | 789 | - | - |
| Accrued expenses and other liabilities | 3,357 | 3,357 | - | - |
| Total liabilities | 20,500 | 20,500 | - | - |

23.4 Financial instruments by category

| | Loans and Receivables | Assets at fair value through profit and loss | Available for sale | Total |
|------------------------------|-----------------------|--|--------------------|-------------------|
| | -----2014----- | | | |
| | (Rupees in '000) | | | |
| Assets | | | | |
| Balances with banks | 2,404,638 | - | - | 2,404,638 |
| Investments | 500,000 | 4,499,696 | 3,407,254 | 8,406,950 |
| Profit and other receivables | 377,624 | - | - | 377,624 |
| Advance and deposits | 80,700 | - | - | 80,700 |
| | 3,362,962 | 4,499,696 | 3,407,254 | 11,269,912 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

| | Liabilities at fair value through profit and loss | Other financial liabilities | Total |
|---|--|-----------------------------------|--------|
| | -----2014----- (Rupees in '000) | | |
| Liabilities | | | |
| Payable to Management Company | - | 15,781 | 15,781 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | - | 767 | 767 |
| Accrued expenses and other liabilities | - | 44,113 | 44,113 |
| | - | 60,661 | 60,661 |

| | 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 |
| Advance and deposits | 3,300 | - | 3,300 |
| | 3,372,944 | 8,050,755 | 11,423,699 |

| | Liabilities at fair value through profit and loss | Other financial liabilities | Total |
|---|--|-----------------------------------|--------|
| | -----2013----- (Rupees in '000) | | |
| Liabilities | | | |
| Payable to Management Company | - | 16,354 | 16,354 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | - | 789 | 789 |
| Accrued expenses and other liabilities | - | 3,357 | 3,357 |
| | - | 20,500 | 20,500 |

23.5 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 tradable 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:

- 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).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, 2014 | | | | |
|---------------------|----------------|-----------|---------|-----------|
| | Level 1 | Level 2 | Level 3 | Total |
| | Rupees in '000 | | | |
| ASSETS | | | | |
| Investments | 1,479,792 | 6,427,158 | - | 7,906,950 |
| | | | | |
| As at June 30, 2013 | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| | Rupees in '000 | | | |
| ASSETS | | | | |
| Investments | 1,936,276 | 6,114,479 | - | 8,050,755 |

24. 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 23, 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.

25. GENERAL

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

26. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 28th July, 2014 by the Board of Directors of the management company.

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



Chief Executive Officer



Director

PATTERN OF HOLDING AS PER REQUIREMENT OF CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2014

| Category | No.of Unit Holders | Units |
|--|--------------------|-------------|
| Associated Companies, undertakings and related Parties | | |
| ADAMJEE INSURANCE CO. LTD. | 1 | 10,882,364 |
| MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED | 1 | 2,584,796 |
| MCB EMPLOYEES PROVIDENT FUND (PAK STAFF) | 1 | 1,037,174 |
| MCB EMPLOYEES PENSION FUND | 1 | 1,037,174 |
| D.G Khan Cement Company Limited Employees Provident Fund | 1 | 3,120 |
| Nasim Beg | - | 0 |
| Public Sector Companies and Corporations | 43 | 10,610,186 |
| Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance, Insurance Companies, Modarbas and Mutual Funds. | 7 | 5,362,608 |
| Individuals | 3,948 | 56,347,081 |
| Trust | 48 | 3,810,144 |
| Others | 17 | 2,136,430 |
| Unitholders holding 5 percent or more Voting interest in the listed company | | |
| HABIB METROPOLITAN BANK LTD. | 1 | 8,465,273 |
| GUL AHMED ENERGY LTD | 1 | 7,532,258 |
| | 4,070 | 109,808,608 |

**PATTERN OF UNIT HOLDING BY SIZE
FOR THE YEAR ENDED JUNE 30, 2014**

| No of Unit Holders | Unit Holdings | Total Units Held |
|---------------------------|----------------------|-------------------------|
| 2842 | 1-10000 | 9,481,366 |
| 1106 | 10001-100000 | 28,220,004 |
| 108 | 100001-1000000 | 25,597,988 |
| 14 | 1000001-Onwards | 46,509,250 |
| 4070 | | 109,808,608 |

PERFORMANCE TABLE

| | June 30, 2014 | June 30, 2013 | June 30, 2012 | June 30, 2011 | June 30, 2010 (Rupees in '1000) | June 30, 2009 | June 30, 2008 |
|--------------------------------------|----------------------|----------------------|----------------------|----------------------|------------------------------------|---------------|---------------|
| Net Assets | 3,147,567 | 2,556,911 | 3,834,258 | 2,710,685 | 2,061,964 | 579,814 | 114,075 |
| Net Income | 266,560 | 232,678 | 276,222 | 313,035 | 167,210 | 22,533 | 2,526 |
| (Rupees per unit) | | | | | | | |
| Net Asset Value per Unit | 50.0125 | 50.5000 | 50.0792 | 51.1828 | 50.6935 | 50.6800 | 50.5400 |
| Interim distribution per unit * | 3.7023 | 3.9400 | 4.7804 | 4.5500 | 4.6932 | 5.0400 | 0.6500 |
| Final distribution per Unit | 0.4168 | 0.5000 | 0.4343 | 1.1801 | 0.6900 | 0.6750 | 0.5000 |
| Distribution date-final | June 30, 2014 | July 4, 2013 | June 24, 2012 | July 4, 2011 | July 5, 2010 | July 6, 2009 | July 3, 2008 |
| Year end offer price per unit | 50.0000 | 50.5000 | 50.0792 | 51.1828 | 50.6935 | 50.6800 | 50.5400 |
| Year end repurchase price per unit | 50.0000 | 50.5000 | 50.0792 | 51.1828 | 50.6935 | 50.6800 | 50.5400 |
| Highest offer price | 50.3806 | 50.3806 | 50.6884 | 50.6935 | 50.6807 | 50.6700 | 50.7000 |
| Lowest offer price | 50.0000 | 50.0000 | 50.0072 | 50.6935 | 50.0700 | 50.0600 | 50.0800 |
| Highest repurchase price per unit | 50.3806 | 50.3806 | 50.6884 | 51.1800 | 50.6807 | 50.6700 | 50.7000 |
| Lowest repurchase price per unit | 50.0000 | 50.0000 | 50.0072 | 50.0400 | 50.0700 | 50.0600 | 50.0700 |
| (Percentage) | | | | | | | |
| Total return of the Fund | | | | | | | |
| Capital growth | 4.29 | 0.13 | 0.75 | - | 0.52 | 0.52 | 0.33 |
| Income Distribution | 4.12 | 8.87 | 10.29 | 11.47 | 10.76 | 11.43 | 8.17 |
| Average annual return | | | | | | | |
| One Year | 8.41 | 9.00 | 11.04 | 12.00 | 11.28 | 11.95 | 8.50 |
| Since inception | 10.53 | 13.80 | 11.40 | 13.10 | 11.25 | 11.24 | - |
| Waeighted average portfolio duration | 14 days | 21 days | 32 days | 48 days | 37 days | 42 days | 85 days |
| * Interim Distribution | 2014 | 2013 | 2012 | 2011 | | | |
| Date | Rate per Unit | Rate per Unit | Rate per Unit | Rate per Unit | | | |
| 26th July 2013 | 0.27 | 0.36 | 0.36 | 0.35 | | | |
| 26th August 2013 | 0.30 | 0.50 | 0.46 | 0.42 | | | |
| 26th September 2013 | 0.32 | 0.38 | 0.44 | 0.42 | | | |
| 26th October 2013 | 0.32 | 0.40 | 0.44 | 0.42 | | | |
| 26th November 2013 | 0.32 | 0.32 | 0.44 | 0.42 | | | |
| 26th December 2013 | 0.34 | 0.33 | 0.44 | 0.42 | | | |
| 26th January 2014 | 0.37 | 0.34 | 0.44 | 0.42 | | | |
| 26th February 2014 | 0.37 | 0.33 | 0.44 | 0.42 | | | |
| 26th March 2014 | 0.30 | 0.31 | 0.44 | 0.42 | | | |
| 28th April 2014 | 0.37 | 0.34 | 0.44 | 0.42 | | | |
| 26th May 2014 | 0.34 | 0.33 | 0.43 | 0.42 | | | |
| 30th June 2014 | 0.41 | - | - | - | | | |

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 find us on



by typing: **Bachat Ka Doosra Naam**

MCB-Arif Habib Savings and Investments Limited

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