



**Bachat** ka Doosra Naam

## Annual Report 2014



**Kum Risk Bala Nasheen**

# PAKISTAN CASH MANAGEMENT FUND

MCB-Arif Habib Savings and Investments Limited

## **TABLE OF CONTENTS**

---

<b>1</b>	<b>Vision Mission &amp; Core Values</b>	<b>02</b>
<b>2</b>	<b>Fund's Information</b>	<b>03</b>
<b>3</b>	<b>Report of the Director of Management Company</b>	<b>04</b>
<b>4</b>	<b>Report of the Fund Manager</b>	<b>08</b>
<b>5</b>	<b>Trustee Report to the Unit Holders</b>	<b>10</b>
<b>6</b>	<b>Statement of Compliance with the Code of Corporate Governance</b>	<b>11</b>
<b>7</b>	<b>Review Report to the Unit Holders on the Statement of Compliance with the best Practices of the Code of Corporate Governance</b>	<b>13</b>
<b>8</b>	<b>Independent Auditors Report to the Unit Holders</b>	<b>14</b>
<b>9</b>	<b>Statement of Assets and Liabilities</b>	<b>16</b>
<b>10</b>	<b>Income Statement</b>	<b>17</b>
<b>11</b>	<b>Distribution Statement</b>	<b>18</b>
<b>12</b>	<b>Statement of Movement in Unit Holders' Fund</b>	<b>19</b>
<b>13</b>	<b>Cash Flow Statement</b>	<b>20</b>
<b>14</b>	<b>Notes to and Forming part of the Financial Statements</b>	<b>21</b>
<b>15</b>	<b>Pattern of holding as per Requirement of Code of Corporate Governance</b>	<b>41</b>
<b>16</b>	<b>Pattern of Units Holding by Size</b>	<b>42</b>
<b>17</b>	<b>Performance Table</b>	<b>43</b>

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## **Vision**

To become synonymous with Savings.

## **Mission**

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

## **Core Values**

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

## FUND'S INFORMATION

<b>Management Company</b>	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Board of Directors</b>	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
<b>Audit Committee</b>	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib	Chairman Member Member
<b>Human Resource &amp; Remuneration Committee</b>	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Yasir Qadri	Chairman Member Member Member Member
<b>Company Secretary &amp; Chief Operating Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Financial Officer</b>	Mr. Umair Ahmed	
<b>Trustee</b>	Habib Metropolitan Bank 8th Floor, HBZ Building Limited I.I. Chundrigar Road, Karachi.	
<b>Bankers</b>	MCB Bank Limited Allied Bank Limited Bank Al Falah Limited Faysal Bank Limited Habib Metropolitan Bank Limited	
<b>Auditors</b>	M. Yousuf Adil Saleem & Co.-Chartered Accountants Cavis Court, A-35, Block 7 & 8, KCHSU, Sharae Faisal, Karachi-75350	
<b>Legal Advisor</b>	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
<b>Transfer Agent</b>	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Rating</b>	AM2 - Management Quality Rating assigned by PACRA	

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

The board of Directors of MCB Arif Habib Savings and Investment Limited, the Management Company of Pakistan Cash Management Fund (PCF), is pleased to present the Annual Report on the affairs of PCF for the year ending June 30, 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 quarter under review, the fund generated an annualized return of 8.41% as against its benchmark return of 9.56%, an under performance of 1.15%.

The fund remained significantly invested in Treasury bills throughout the period with a focus on adjusting its portfolio duration to capitalize on the fluctuating liquidity and interest rates in the market. Investments in T-Bills remained around 78.4% at the end of the period as compared to initial allocation of 76.6%.

The Net Assets of the Fund as at June 30, 2014 stood at Rs. 3.147 billion as compared to Rs 2.557 billion as at June 30, 2013 registering an increase of 23.07%.

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

The Net Asset Value (NAV) per unit as at June 30, 2014 was Rs. 50.0125 as compared to opening NAV of Rs.50.4999 per unit as at June 30, 2013 registering a decrease of Rs. 0.4874 per unit.

### Income Distribution

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

Date of distribution	Per unit distribution
	Re.
July 25, 2013	0.2743
August 25, 2013	0.3047
September 25, 2013	0.3238
October 25, 2013	0.3250
November 25, 2013	0.3172
December 25, 2013	0.3449
January 25, 2014	0.3370
February 25, 2014	0.3671
March 25, 2014	0.3012
April 25, 2014	0.3714
May 25, 2014	0.3439
June 29, 2014	0.4168

### 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 Islamabad 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.

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

- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- h. Key financial data as required by the Code of Corporate Governance has been summarized in the financial statements.
- i. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- j. The statement as to the value of investments of provident fund is not applicable on the Fund but applies to the Management Company, hence appropriate disclosure has been made in the Directors' Report of the Management Company.
- k. The detailed pattern of unit holding, as required by NBFC Regulations and the Code of Corporate Governance are enclosed.
- l. The details of attendance of Board of Directors meeting is disclosed in note 18 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)

S. No.	Name	Designation	Total Meetings Held	No. of Meetings Attended	Leave granted
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 April 18, 2014)

S. No.	Name	Designation	Total Meetings Held	No. of Meetings Attended	Leave granted
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	-

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

- 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:

S. No.	Name	Designation	Investment	Redemption	Bonus
			(Number of Units)		
1.	Mr. Nasim Beg	Executive Vice Chairman	-	740	25
2.	Mr. Yasir Qadri	Chief Executive Officer	-	-	-
3.	Mr. Saqib Saleem	Company Secretary & Chief Operating Officer	-	-	-
4.	Umair Ahmed	Chief Financial Officer	-	-	-
5.	Asif Mehdi Rizvi	Head of Internal Audit and Compliance	-	991	10

### External Auditors

The fund's external auditors, M. Yousuf Adil Saleem & Co., Chartered Accountants, have expressed their willingness to continue as the fund auditors for the ensuing year ending June 30, 2015. The audit committee of the Board has recommended reappointment of M. Yousuf Adil Saleem & Co., Chartered Accountants as auditors of the fund for the year ending June 30, 2015.

### Acknowledgement

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

For and on behalf of the board



**Yasir Qadri**  
Chief Executive

Karachi: July 28, 2014



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

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### **Fund Type and Category**

Pakistan Cash Management Fund (PCF) is an open-end Fund.

### **Fund Benchmark**

The benchmark for Pakistan Cash Management Fund is 3 Months PKRV.

### **Investment Objective**

The fund aims to deliver regular income and provide high level of liquidity primarily from short duration government securities investments.

### **Investment Strategy**

The Fund will invest in government securities; mainly Treasury bills and short maturity reverse repurchase transactions against Government Securities. The un-invested funds are kept in deposits with minimum AA rated commercial banks. The overall maturity of the portfolio is kept below 90 days, in order to keep interest rate risk at a relatively low and manageable level and provide high liquidity to investors comparable to current bank deposits. PCF is a long only Fund.

### **Manager's Review**

During the year under review, the fund was able to generate an annualized return of 8.41% as against its benchmark return of 9.56%, an under-performance of 1.15%.

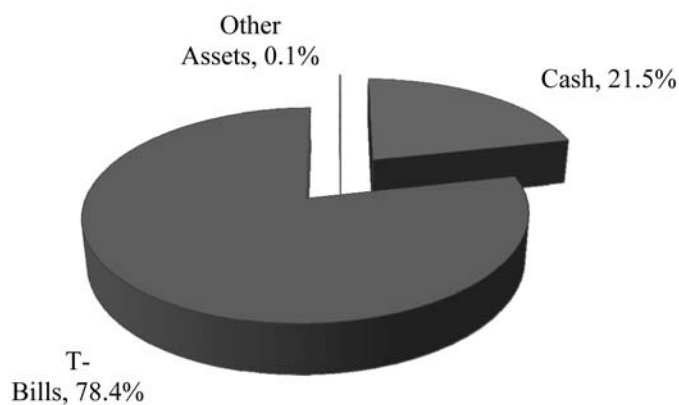
Considering its low-risk profile, the fund remained significantly invested in Treasury bills throughout the period with a focus on adjusting its portfolio duration to capitalize on the fluctuating liquidity and interest rates in the market.

The net assets of fund stood at Rs. 3.147 billion as compared to Rs 2.557 billion as at June 30, 2013 registering an increase of 23.07%. Given the volatility in the overall interest rate environment, the fund continued to alter its portfolio WAM in order to take advantage to shift in the yield curve. The funds WAM was kept in a lower and closed the year at a portfolio WAM of 14 days.

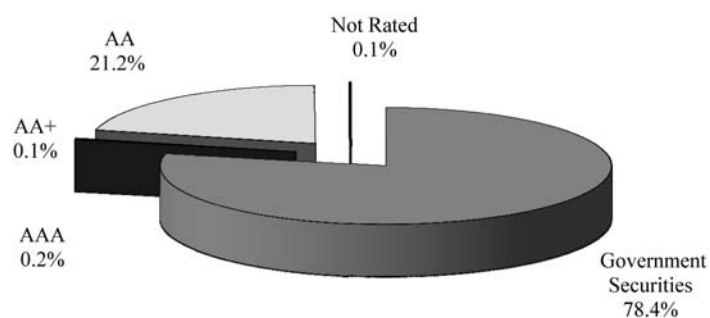
## REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2014

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



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



Syed Sheeraz Ali  
Fund Manager

Karachi: July 28, 2014

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

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**HABIBMETRO**

**TRUSTEE REPORT TO THE UNIT HOLDERS**

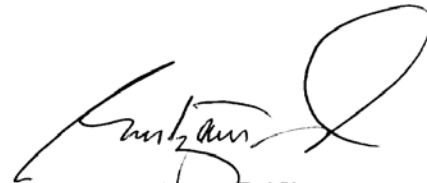
**PAKISTAN CASH MANAGEMENT FUND**

**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**

Pakistan Cash Management Fund (the Fund), an open-end fund was established under a trust deed executed between MCB-Arif Habib Savings & Investments Limited, as the Management Company and Habib Metropolitan Bank Limited as Trustee on February 08, 2008. The Fund was authorized by the Securities and Exchange Commission of Pakistan (SECP) on 1<sup>st</sup> February 2008.

In our opinion, the Management Company has in all material respects managed the Fund during the year ended 30 June 2014 in accordance with the provisions of the following:

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

  
**Azam Zaidi**  
Senior Executive Vice President

Karachi: August 29, 2014

**Habib Metropolitan Bank Ltd.**  
(Subsidiary of Habib Bank AG Zurich)

Trustee Division: HBZ Plaza 8<sup>th</sup> Floor, I.I. Chundrigar Road, Karachi  
Tel: (92 21) 32644184-83 | Fax: (92 21) 3227 4768, 3221 3000  
[www.habibmetro.com](http://www.habibmetro.com)

# 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 Pakistan Cash Management Fund (the Fund) to comply with the Code of Corporate Governance contained in Regulation no. 35 of Islamabad 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.

Pakistan Cash Management Fund is an open end mutual fund and is listed at Islamabad 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
<b>Independent Directors</b>	<ol style="list-style-type: none"> <li>1. Dr. Salman Shah</li> <li>2. Mr. Haroun Rashid</li> <li>3. Mr. Mirza Mehmood</li> </ol>
<b>Executive Directors</b>	<ol style="list-style-type: none"> <li>1. Mr. Nasim Beg – Executive Vice Chairman</li> <li>2. Mr. Yasir Qadri – Chief Executive Officer</li> </ol>
<b>Non – Executive Directors</b>	<ol style="list-style-type: none"> <li>1. Mian Mohammad Mansha</li> <li>2. Mr. Ahmed Jehangir</li> <li>3. Mr. Samad Habib</li> </ol>

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

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

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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.
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**

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**Deloitte.**

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

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

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

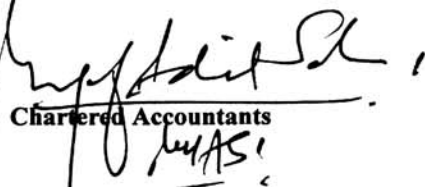
We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **MCB-Arif Habib Savings & Investments Limited**, the Management Company of **Pakistan Cash Management Fund (the Fund)** for the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

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**Deloitte.**

**M. Yousuf Adil Saleem & Co**  
Chartered Accountants  
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**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS**

***REPORT ON THE FINANCIAL STATEMENTS***

We have audited the accompanying financial statements of **Pakistan Cash Management 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 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**

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**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
<b>ASSETS</b>			
Balances with banks	5	686,164	601,898
Investments	6	2,494,161	1,977,423
Receivable against sale of units		-	860
Profit and other receivables	7	2,875	158
<b>Total assets</b>		<b>3,183,200</b>	<b>2,580,339</b>
<b>LIABILITIES</b>			
Payable to Management Company		3,228	2,353
Accrued expenses and other liabilities	8	32,404	21,075
<b>Total liabilities</b>		<b>35,632</b>	<b>23,428</b>
<b>NET ASSETS</b>		<b>3,147,568</b>	<b>2,556,911</b>
<b>UNIT HOLDER'S FUND (as per statement attached)</b>		<b>3,147,568</b>	<b>2,556,911</b>
Contingencies and commitments	9		
<b>(Number of Units)</b>			
<b>NUMBER OF UNITS IN ISSUE</b>		<b>62,935,566</b>	<b>50,631,960</b>
<b>(Rupees)</b>			
<b>NET ASSET VALUE PER UNIT</b>	4.12	<b>50.0125</b>	<b>50.4999</b>

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

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

  
Chief Executive Officer

  
Director

# INCOME STATEMENT AS AT JUNE 30, 2014

	Note	2014 (Rupees in '000)	2013
<b>INCOME</b>			
Income from investments		289,800	254,747
Capital gain on sale of investments - net		4,727	6,078
Profit on bank deposits		22,120	9,557
Other income		66	47
Unrealised appreciation on re-measurement of investments 'at fair value through profit or loss'	6.2	107	428
<b>Total income</b>		<b>316,820</b>	<b>270,857</b>
<b>EXPENSES</b>			
Performance fee of Management Company	10	31,902	27,081
Sales tax and Federal Excise Duty on performance fee of Management Company	8.2	11,025	4,564
Securities transaction cost		225	135
Amortisation of preliminary expenses and floatation costs		-	145
<b>Total expenses</b>		<b>43,152</b>	<b>31,925</b>
<b>Net income from operating activities</b>		<b>273,668</b>	<b>238,932</b>
Element of loss and capital losses included in prices of units issued less those in units redeemed		(1,668)	(1,507)
Provision for workers' welfare fund	8.1	(5,440)	(4,747)
<b>Net income for the year before taxation</b>		<b>266,560</b>	<b>232,678</b>
Taxation	11	-	-
<b>Net income for the year after taxation</b>		<b>266,560</b>	<b>232,678</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>266,560</b>	<b>232,678</b>
<b>Earnings per unit</b>	4.13		

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

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

  
Chief Executive Officer

  
Director

# DISTRIBUTION STATEMENT AS AT JUNE 30, 2014

	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
<b>Undistributed income brought forward</b>			
- Realised income		24,895	6,612
- Unrealised gain / (loss)		428	(537)
		<u>25,323</u>	<u>6,075</u>
<b>Final Distribution for the year ended June 30, 2013</b>			
Rs. 0.5 (2013: Rs. Nil) per unit			
- Bonus units		(25,316)	-
<b>Final Distribution for the year ended June 30, 2014</b>			
Rs. 0.4168 (2013: Rs. Nil) per unit			
- Bonus units		(27,882)	-
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount representing unrealised income		-	(2,053)
Net income for the year		266,560	232,678
<b>Interim Distribution for the year ended June 30, 2014</b>			
- Bonus units	12	(237,895)	(211,049)
- Cash distribution		-	(328)
		<u>(24,533)</u>	<u>19,248</u>
<b>Undistributed income carried forward</b>		<u>790</u>	<u>25,323</u>
<b>Represented by:</b>			
- Realised income		683	24,895
- Unrealised income/(loss)		107	428
		<u>790</u>	<u>25,323</u>

The annexed notes from 1 to 21 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 HOLDERS' FUND

## AS AT JUNE 30, 2014

	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
Net assets at the beginning of the year		2,556,911	3,834,263
Issue of 116,660,354 units (2013: 87,984,824 units)		5,227,589	4,423,466
Issue of 5,821,712 bonus units for the year ended June 30, 2014 (2013: 4,214,310 bonus units)		291,093	211,049
Redemption of 110,178,460 units (2013: 118,131,012 units)		(4,905,160)	(5,934,675)
		<u>613,522</u>	<u>(1,300,160)</u>
		3,170,433	2,534,103
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed			
- amount representing loss and Capital losses transferred to Income Statement		1,668	1,507
- amount representing loss and Capital losses transferred to distribution Statement		-	2,053
		<u>1,668</u>	<u>3,560</u>
Net income for the year transferred from distribution statement			
Capital gain on sale of investments		4,727	6,078
Unrealised appreciation on re-measurement of investments 'at fair value through profit or loss'		107	428
Element of loss and capital losses included in the prices of units issued less those in units redeemed - amount representing unrealised income		-	(2,053)
Other net income for the year		261,726	226,172
Distributions made during the year (Refer distribution statement)		(291,093)	(211,377)
		<u>(24,533)</u>	<u>19,248</u>
Net assets as at the end of the year		<u>3,147,568</u>	<u>2,556,911</u>
<b>NUMBER OF UNITS IN ISSUE</b>			
		<u>62,935,566</u>	<u>50,631,960</u>
<b>NET ASSET VALUE PER UNIT</b>			
		<u>50.0125</u>	<u>50.4999</u>

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

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

  
Chief Executive Officer

  
Director

# CASH FLOW STATEMENT AS AT JUNE 30, 2014

	Note	2014 (Rupees in '000)	2013
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net income for the year		266,560	232,678
<b>Adjustments for non cash items:</b>			
Unrealised appreciation on remeasurement of investments classified as 'at fair value through profit or loss'		(107)	(428)
Element of loss and capital losses included in prices of units issued less those in units redeemed		1,668	1,507
Amortisation of preliminary expenses and floatation costs		-	145
Performance fee of Management Company		31,902	27,081
Sales tax and Federal Excise Duty on performance fee of Management Company		11,025	4,564
		<u>311,048</u>	<u>265,547</u>
<b>Decrease / (Increase) in assets</b>			
Investments - net		634,532	213,725
Profit and other receivables		(2,717)	1,114
Receivable against sale of units		860	(860)
		<u>632,675</u>	<u>213,979</u>
<b>Increase / (decrease) in liabilities</b>			
Accrued expenses and other liabilities		5,410	4,616
Performance fee paid to the Management Company		(31,148)	(29,047)
Sales tax paid		(4,983)	(4,648)
<b>Net cash generated from operating activities</b>	<b>A</b>	<u>913,002</u>	<u>450,447</u>
<b>B. CASH FLOW FROM FINANCING ACTIVITIES</b>			
Cash distributions made during the year		-	(328)
Receipts from issue of units		5,227,589	4,423,466
Payment made on redemption of units		(4,905,160)	(5,934,675)
<b>Net cash generated from / (used in) financing activities</b>	<b>B</b>	<u>322,429</u>	<u>(1,511,537)</u>
<b>Net increase / (decrease) in cash and cash equivalents during the year</b>	<b>(A+B)</b>	<u>1,235,431</u>	<u>(1,061,090)</u>
Cash and cash equivalents at beginning of the year		1,944,894	3,005,984
<b>Cash and cash equivalents at end of the year</b>	<b>5.2</b>	<u><u>3,180,325</u></u>	<u><u>1,944,894</u></u>

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

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

  
Chief Executive Officer

  
Director

# 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** Pakistan Cash Management Fund (PCF) "the Fund" was established under a Trust Deed executed between Arif Habib Investments Limited (the Management Company) and Habib Metropolitan Bank Limited as Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on February 1, 2008 and was executed on February 8, 2008.
- 1.2** Pursuant to the merger of MCB Asset Management Company Limited with and into Arif Habib Investments Limited (AHIL), the name of AHIL has been changed to MCB-Arif Habib Savings and Investments Limited effective from June 2011.
- 1.3** The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulation) Rules 2003 through a certificate of registration issued by SECP. The registered office of the Management Company is situated at 8th Floor, Technocity Corporate Tower, Hasrat Mohani Road, Karachi
- 1.4** The Fund is an open-ended mutual fund and is listed on the Islamabad Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund has been categorised as a "money market scheme" by the Management Company.
- 1.5** The Fund is allowed to invest in treasury bills, short term government instruments and reverse repurchase transactions against government securities and the uninvested portion is deposited in bank accounts.
- 1.6** Pakistan Credit Rating Agency (PACRA) has assigned Management quality rating of AM2 dated April 10, 2014 to the management company and AAA(f) dated February 20, 2014 as stability rating to the Fund.
- 1.7** Title to the assets of the Fund is held in the name of Habib Metropolitan Bank 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.

2.3 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
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

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

	'Effective from accounting period beginning on or after
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

## **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.

Standards / amendments / interpretations	'Effective from accounting period beginning on or after
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

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## 3.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of its accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments (note 4.2 and note 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 have been consistently applied to all the years presented unless otherwise stated

### 4.1 Expenses

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

### 4.2 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of assets and liabilities at cost. Cash and cash equivalents comprise of bank balances and short term investments having original maturities of less than three months.

### 4.3 Other assets

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

### 4.4 Financial assets

#### 4.4.1 Classification

The Fund classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss
- loans and receivables
- Available for sale

The classification depends on the purpose for which the financial assets were acquired. Management determines the appropriate classification of its financial assets at initial recognition 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 market prices, interest rate movements or are financial assets included in a portfolio in which a pattern of short-term profit taking exists.



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

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

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund's loans and receivables comprise of cash and bank balances, receivable against sale of investments, deposits and dividend and profit receivable.

### **c) Available for sale**

These are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

#### **4.4.2 Regular way contracts**

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

#### **4.4.3 Initial recognition and measurement**

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

#### **4.4.4 Subsequent measurement**

##### **a) Financial assets 'at fair value through profit or loss' and 'available for sale'**

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

##### **- 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 in accordance with the requirements of the NBFC Regulations.

Net gains and losses arising from changes in the fair value of financial assets '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 other comprehensive income until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised in other comprehensive income is transferred to income before taxation.

##### **b) Loans and receivable**

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

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

#### **4.4.5 Impairment**

The carrying amounts of the Fund's assets are revalued at each reporting date to determine whether there is any indication of impairment in any asset or group of assets. If such indication exists, the recoverable amount of the assets is estimated and impairment losses are recognised immediately as an expense in the income statement. If any impairment evidence exists for available for sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in other comprehensive income is reclassified from other comprehensive income and recognised in the income before taxation.

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

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

### **4.4.6 Derecognition**

Financial assets are derecognised 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.

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

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

### **4.4.8 Reclassification**

The Fund may choose to reclassify a non-derivative trading financial asset in equity securities out of the 'held for trading' category to the 'available for sale' category if the financial asset is no longer held for the purpose of selling it in the near term. Such reclassifications are made only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. Reclassifications are made at fair value as of the reclassification date which then becomes the new cost and no reversals of fair value gains or losses recorded before the reclassification date are subsequently made.

### **4.5 Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Financial liabilities include payable to management company and other liabilities.

### **4.6 Derivatives**

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

### **4.7 Securities under repurchase / resale agreements**

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

All reverse repo transactions are accounted for on the settlement date.

### **4.8 Proposed distributions**

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

### **4.9 Issue and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. The sales load is payable to the investment facilitators, distributors and the Management Company. Transaction costs are recorded as the income of the Fund.

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

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

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

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

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

#### **4.11 Provisions**

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

#### **4.12 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.

#### **4.13 Earnings per unit**

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

#### **4.14 Taxation**

The Fund's income is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders. The 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 Unrealised, to its unit holders every year.

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

## 4.15 Revenue recognition

- Realised capital gains / losses arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised capital gains / losses arising on marking 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.
- Profit on bank deposits is recognised on an accrual basis.
- Profit on investment is recognised on an accrual basis.
- Income on issue and purchase of units is recognised when the units are issued and redeemed at the transaction date.
- Discount on purchase of Market Treasury Bills is amortised to the income statement using the straight line method.

## 4.16 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 recognised in the income statement.

	Note	2014 (Rupees in '000)	2013
<b>5. BALANCES WITH BANKS</b>			
In current account		1,610	2
In deposit accounts	5.1	<u>684,554</u>	<u>601,896</u>
		<u>686,164</u>	<u>601,898</u>
<b>5.1</b>	These carry a rate of return ranging from 6% to 10.4% (2013: 5% to 11%) per annum.		
<b>5.2 Cash and cash equivalents</b>			
Balances with banks		686,164	601,898
Treasury Bills having maturity of 3 months or less	6.1	<u>2,494,161</u>	<u>1,342,996</u>
		<u>3,180,325</u>	<u>1,944,894</u>
<b>6. INVESTMENTS</b>			
<b>At fair value through profit or loss - held for trading</b>			
Government Securities	6.1	<u>2,494,161</u>	<u>1,977,423</u>

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

## 6.1 Investment in government securities - 'at fair value through profit or loss'

Issue Date	Tenor	Face Value				Balance as at June 30, 2014			Market value as a percentage of net assets	Market value as a percentage of total investments
		Balance as at July 1, 2013	Purchases during the year	Sales / matured during the year	Balance as at June 30, 2014	Cost	Market value	Appreciation / (Diminution)		
------(Rupees in '000')-----%										
Market Treasury Bills										
May 2, 2013	3 Months	1,350,000	-	1,350,000	-	-	-	-	-	-
May 16, 2013	3 Months	1,000	-	1,000	-	-	-	-	-	-
July 12, 2013	3 Months	-	200,000	200,000	-	-	-	-	-	-
July 25, 2013	3 Months	-	1,376,300	1,376,300	-	-	-	-	-	-
August 7, 2013	3 Months	-	1,250,000	1,250,000	-	-	-	-	-	-
September 5, 2013	3 Months	-	200,000	200,000	-	-	-	-	-	-
September 19, 2013	3 Months	-	2,350,000	2,350,000	-	-	-	-	-	-
October 3, 2013	3 Months	-	250,000	250,000	-	-	-	-	-	-
October 21, 2013	3 Months	-	500,000	500,000	-	-	-	-	-	-
November 28, 2013	3 Months	-	2,150,500	2,150,500	-	-	-	-	-	-
December 12, 2013	3 Months	-	2,050,000	2,050,000	-	-	-	-	-	-
December 26, 2013	3 Months	-	702,800	702,800	-	-	-	-	-	-
January 9, 2014	3 Months	-	6,500	6,500	-	-	-	-	-	-
January 23, 2014	3 Months	-	1,400,000	1,400,000	-	-	-	-	-	-
February 6, 2014	3 Months	-	71,184	71,184	-	-	-	-	-	-
February 20, 2014	3 Months	-	2,793,000	2,793,000	-	-	-	-	-	-
February 28, 2014	3 Months	-	2,125,000	2,125,000	-	-	-	-	-	-
March 6, 2014	3 Months	-	100,000	100,000	-	-	-	-	-	-
April 3, 2014	3 Months	-	1,000,000	1,000,000	-	-	-	-	-	-
April 17, 2014	3 Months	-	2,488,000	782,500	1,705,500	1,701,400	1,701,528	128	54	68
May 2, 2014	3 Months	-	150,000	-	150,000	149,081	149,079	(2)	5	6
May 15, 2014	3 Months	-	650,000	-	650,000	643,573	643,554	(19)	20	26
June 12, 2014	3 Months	-	125,000	125,000	-	-	-	-	-	-
January 10, 2013	6 Months	5,500	-	5,500	-	-	-	-	-	-
July 26, 2012	12 Months	506,000	-	506,000	-	-	-	-	-	-
August 9, 2012	12 Months	-	1,260,000	1,260,000	-	-	-	-	-	-
September 6, 2012	12 Months	128,000	870,000	998,000	-	-	-	-	-	-
September 20, 2012	12 Months	-	573,900	573,900	-	-	-	-	-	-
October 4, 2012	12 Months	-	450,000	450,000	-	-	-	-	-	-
October 18, 2012	12 Months	-	550,000	550,000	-	-	-	-	-	-
June 13, 2013	12 Months	-	18,000	18,000	-	-	-	-	-	-
Total as at June 30, 2014					2,505,500	2,494,054	2,494,161	107		
Total as at June 30, 2013						1,976,995	1,977,423	428		

## 6.2 Net unrealised diminution on re-measurement of investments at 'fair value through profit or loss'

2014      2013  
(Rupees in '000)

Market value of investments	2,494,161	1,977,423
Carrying value of investments	2,494,054	1,976,995
	107	428

## 7. PROFIT AND OTHER RECEIVABLES

Profit on savings deposits	2,748	58
Bank charges receivable from management company	127	100
	2,875	158

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

	Note	2014 (Rupees in '000)	2013
<b>8. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Provision For workers' welfare fund	8.1	26,086	20,646
Federal Excise Duty payable on performance fee	8.2	6,152	231
Others		166	198
		<u>32,404</u>	<u>21,075</u>

## 8.1 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 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 information which aggregates to Rs. 26.086 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. 0.41 per unit.

## 8.2 Federal Excise Duty payable on management fee

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. 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. In view of uncertainty regarding the applicability of FED on asset management services, the management, as a matter of abundant caution, has decided to retain and continue with the provision of FED and related taxes in this financial information aggregating to Rs. 6.152 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. 0.09 per unit as at June 30, 2014.

## 9. CONTINGENCIES AND COMMITMENTS

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

	Note	2014 (Rupees in '000)	2013
<b>10. PERFORMANCE FEE OF MANAGEMENT COMPANY</b>			
10.1 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 net assets of the Fund. The Management Company has charged a performance fee at the rate of 10% of the gross earnings of the Fund. This fee is subject to a minimum of 0.25% of the average daily Net Assets of the Fund not exceeding the maximum rate of remuneration permitted under the regulation.	10.1	<u>31,902</u>	<u>27,081</u>
10.2 The performance fee charged by the Management Company covers SECP fee, trustee remuneration, bank charges, listing fee, rating fee, auditors remuneration and printing cost on behalf of the Fund.			

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

## 11. 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 recorded in this financial information

## 12. INTERIM DISTRIBUTIONS

The Fund makes distribution on monthly basis and has made the following distributions during the year.

Date	Rate Per Unit	Bonus	
		Units	Amount Rupees in '000
July 25, 2013	Re. 0.2743	278,067	13,903
August 25, 2013	Re. 0.3047	379,469	18,973
September 25, 2013	Re. 0.3238	390,906	19,545
October 25, 2013	Re. 0.3250	427,153	21,358
November 25, 2013	Re. 0.3172	430,204	21,510
December 25, 2013	Re. 0.3449	508,776	25,447
January 25, 2014	Re. 0.377	538,923	26,946
February 25, 2014	Re. 0.3671	500,074	25,004
March 25, 2014	Re. 0.3012	385,150	19,258
April 25, 2014	Re. 0.3714	491,367	24,568
May 25, 2014	Re. 0.3439	427,649	21,383
		<b>4,757,738</b>	<b>237,895</b>

As per Clause 12 of the Trust Deed and Clause 6 of Part VI of the Offering Document, the Management Company, on behalf of the Fund, on a monthly basis (except June) distributes cash dividend, bonus, partially cash / bonus or in any other form acceptable to the Commission that may qualify under the tax laws. Net income (after deducting all the expenses of the Fund) earned upto 25th of each month may be distributed by the Management Company. The Board of Directors on September 22, 2008 have passed a resolution providing standing authorisation to the Chief Executive Officer to approve and declare interim dividends out of profit earned by the Fund upto the 25th of each month. The SECP vide letter no. NBFC - II.DD / AHIL / Misc-734 / 2009 has approved the above arrangement.

## 13. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons of the Fund include the Management Company (AMC), other collective investment schemes being managed by the Management company, the Trustee, Directors, Key management personnel, other associated undertakings and unit holders holding more than 10% units of the Fund.

Performance fee payable to the Management Company is determined in accordance with the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and constitutive documents of the Fund.

Other transactions with connected persons are in the normal course of business and are carried out on agreed terms.

	Year ended June 30, 2014	Year ended June 30, 2013
	(Rupees in '000)	
<b>13.1 Details of transactions with connected persons are as follows:</b>		
<b>MCB- Arif Habib Savings and Investments Limited</b>		
Performance fee for the year including indirect taxes	42,927	31,645
<b>Associated Companies</b>		
<b>MCB Bank Limited</b>		
Profit on bank deposits	2,000	1,611
<b>Habib Metropolitan Bank Limited - Trustee</b>		
Profit on bank deposits	733	2,005
<b>Directors and executives of the management company</b>		
Issue of 50,550 units (2013: 181,246 units)	2,536	9,109
Issue of 2,617 bonus units (2013: 6,175 bonus units)	131	309
Redemption of 128,611 units (2013: 260,300 units)	6,844	13,070

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

	Year ended June 30, 2014	Year ended June 30, 2013
	(Rupees in '000)	
<b>Arif Habib Reit Management Limited</b>		
Issue of NIL units (2013: 49,867 units)	-	2,500
Issue of 127 bonus units (2013: 449 bonus units)	6,361	22
Redemption of NIL units (2013: 48,968 units)	-	2,460
<b>Adamjee Life Assurance Company Limited-Non-Unitised Investment Linked Fund</b>		
Issue of 1,918,084 units (2013: NIL units)	96,370	-
Issue of 13,025 bonus units (2013: NIL bonus units)	651	-
Redemption 1,910,992 of units (2013: NIL units)	96,000	-
<b>Adamjee Life Assurance Company Limited-Investment Multiply Fund</b>		
Issue of 150,178 units (2013: NIL units)	7,545	-
Issue of 1,751 bonus units (2013: NIL bonus units)	88	-
Redemption 139,343 of units (2013: NIL units)	7,000	-
<b>Adamjee Life Assurance Company Limited- Investment Secure Fund</b>		
Issue of 2,426,546 units (2013: NIL units)	121,921	-
Issue of 111,808 bonus units (2013: NIL bonus units)	5,590	-
Redemption 2,538,354 of units (2013: NIL units)	126,918	-
<b>Adamjee Life Assurance Company Limited- Investment Secure Fund-II</b>		
Issue of 522,934 units (2013: NIL units)	26,274	-
Issue of 3,793 bonus units (2013: NIL bonus units)	190	-
Redemption 517,596 of units (2013: NIL units)	26,000	-
<b>Cyan Limited</b>		
Issue of 6,923,014 units (2013: 10,868,624 units)	346,800	546,000
Issue of 167,942 units (2013: 162,577 bonus units)	8,397	8,142
Redemption of 14,120,805 units (2013: 4,001,352 units)	709,129	201,205
<b>Central Depository Company Of Pakistan Limited</b>		
Issue of 16,027,357 units (2013: 6,911,870 units)	802,665	348,400
Issue of 837,204 bonus units (2013: 239,631 bonus units)	41,860	12,001
Redemption of 16,729,221 Units (2013: 3,937,933 units)	838,165	198,400
<b>MCB Arif Habib Savings &amp; Investments Limited</b>		
Issue of NIL units (2013: 1,422,834 units)	-	71,821
Issue of NIL bonus units (2013: 22,656 bonus units)	-	1,135
Redemption of NIL Units (2013: 1,707,499 Units)	-	85,869
<b>Mandate Under Discretionary Portfolio Services</b>		
Issue of 164,308 units (2013: NIL units)	8,256	-
Issue of 1,457 bonus units (2013: 19 bonus units)	73	1
Redemption of 159,249 Units (2013: NIL Units)	8,000	-



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

## Units holders holding 10% or more

### Attock Cement Pakistan Limited

Issue of 3,987,909 units (2013:NIL units)	200,000	-
Issue of 105,459 bonus units (2013:NIL bonus units)	5,273	-
Redemption of 4,093,368 Units (2013:NIL Units)	205,752	-

### Pakistan Petroleum Limited

Issue of 5,483,438 units (2013:NIL units)	275,000	-
Issue of 417,509 bonus units (2013:NIL units)	20,875	-
Redemption of 536,558 Units (2013:NIL Units)	27,000	-

### Gul Ahmed Energy Limited

Issue of 2,000,000 units (2013:NIL units)	100,000	-
Issue of 87,030 bonus units (2013:NIL units)	4,352	-

### Sunray Textiles Mills Limited

Issue of 7,503,608 units (2013:NIL units)	376,100	-
Issue of 80,842 bonus units (2013:NIL units)	4,042	-

**June 30,      June 30,**  
**2014          2013**  
**(Rupees in '000)**

## 13.2 Amounts outstanding as at the year end

### MCB- Arif Habib Savings and Investments Limited

Payable to the Management Company	2,783	2,029
Sales tax payable on performance fee	445	324
Receivable From Management Company	127	100

### Associated Companies

#### Habib Metropolitan Bank Limited - Trustee

Bank balance	1,736	3,564
Profit receivable on bank deposits	41	42

#### MCB Bank Limited

Bank balance	7,367	6,448
Profit receivable on bank deposits	173	16

#### Adamjee Life Assurance Company Limited-Non-Unitised Investment Linked Fund

20,117 units held (2013: NIL units)	1,006	-
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#### Adamjee Life Assurance Company Limited-Investment Multiply Fund

12,586 units held (2013: NIL units)	629	-
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#### Adamjee Life Assurance Company Limited- Investment Secure Fund-II

9,131 units held (2013: NIL units)	457	-
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#### Directors / executives and employees of the management company

425 units held (2013: 75,869 units)	21	3,831
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#### Central Depository Company Of Pakistan Limited

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

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7,681,995 units held (2013: 7,546,655 units)	<b>384,196</b>	381,105
<b>Arif Habib Reit Management Limited</b>		
1,474 units held (2013: 1,347 Units)	<b>74</b>	68
<b>Cyan Limited</b>		
NIL units held (2013: 7,029,849 Units)	-	355,007
<b>Mandate Under Discretionary Portfolio Services</b>		
Units held 6,771 (2013: 255 bonus units)	<b>332</b>	13
<b>Units holders holding 10% or more</b>		
<b>Pakistan Petroleum Limited</b>		
6,388,314 units held (2013: 1,023,925 units)	<b>319,496</b>	51,708
<b>Gul Ahmed Energy Limited</b>		
2,087,030 units held (2013: NIL units)	<b>104,378</b>	-
<b>Sunray Textiles Mills Limited</b>		
7,584,450 units held (2013: NIL units)	<b>379,318</b>	-

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

## 14. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

14.1 Detail of members of the investment committee of the Fund are as follows:

	Name	Designation	Qualification	Experience in years
1	Mr. Yasir Qadri	Chief Executive Officer	MBA	19
2	Mr. Kashif Rafi	Senior Vice President-Head of Fixed Income Investments	MBA and CFA Level 1	13
3	Mr. Muhammad Asim	Senior Vice President-Head of Equities	MBA & CFA	11
4	Mrs. Uzma Khan	Senior Assistant Vice President - Senior Research Analyst	MBA, CFA, FRM	5
5	Mr. Mohsin Pervez	Vice President-Investments	MBA, CFA (Level I)	13
6	Syed Sheeraz Ali	Manager Fixed Income Investments	BS (Actuarial Science)	5

14.1 Syed Sheeraz Ali is the fund manager.

## 15. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

	2014 %
1 Optimus Markets Private Limited	28.55
2 Invest & Finance Securities Limited	18.35
3 Summit Capital Private Limited	9.49
4 Invest One Markets Private Limited	9.20
5 Vector Capital Private Limited	8.03
6 Invest Capital Markets Limited	5.37
7 Icon Securities Private Limited	5.12
8 JS Global Capital Limited	5.03
9 KASB Securities Limited	4.92
10 C & M Management Private Limited	2.00
	2013 %
1 Invest and Finance securities Corporation Limited	17.66
2 Optimus Markets Private Limited	16.00
3 Invest Capital Markets Limited	13.49
4 KASB Securities Limited	10.33
5 Summit Capital Private Limited	10.32
6 Icon Securities Private Limited	7.28
7 C & M Management Private Limited	6.55
8 Global Securities Pakistan Limited	5.74
9 BMA Capital Management Limited	4.80
10 Elixer Securities Private Limited	2.90

## 16. PATTERN OF UNIT HOLDINGS

Category	Number of unit holders	Number of units held	As at June 30, 2014 Net asset value of the amount invested (Rupees in '000)	Percentage investment %
Individuals	361	7,864,535	393,325	12.50
Associated companies / Directors	5	7,725,304	386,362	12.27
Insurance companies	11	6,222,963	311,226	9.89
Retirement funds	18	3,802,665	190,181	6.04
Listed Company	7	2,335,569	116,808	3.71
Others	46	34,984,530	1,749,666	55.59
	448	62,935,566	3,147,568	100.00

Category	Number of unit holders	Number of units held	As at June 30, 2013 Net asset value of the amount invested (Rupees in '000)	Percentage investment %
Individuals	463	8,405,460	424,476	16.40
Associated companies / Directors	4	7,966,055	402,286	16.00
Insurance companies	10	6,608,695	333,739	13.00
Banks / DFIs	1	208,100	10,509	0.40
NBFCs	4	1,139,255	57,533	2.25
Retirement funds	21	3,377,090	170,542	6.67
Listed Company	6	1,472,850	74,379	2.91
Others	42	21,454,455	1,083,447	42.37
	551	50,631,960	2,556,911	100.00

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

## 17. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

During the year, eight board meetings were held on 4th July 2013, 5th August 2013, 23rd October 2013, 31st December 2013, 6th February 2014, 7th March 2014, 21st April 2014, 27th June 2014. Information in respect of attendance by Directors in the meetings is given below :

Name of Directors	Number of meetings held	Number of Meetings			Meetings not attended
		Attendance required	Attended	Leave granted	
Mian Muhammad Mansha	8	8	1	7	104th, 105th, 106th, 107th, 108th, 109th and 111th meetings
Mr. Nasim Beg	8	8	7	1	106th meetings
Mr. Yasir Qadri (Chief Executive Officer)	8	8	8	-	-
Dr. Syed Salman Ali Shah	8	8	7	1	107th meeting
Mr. Haroun Rashid	8	8	6	2	104th and 106th meetings
Mr. Ahmed Jahangir	8	8	8	0	-
Mr. Samad A. Habib	8	8	6	2	105th and 109th meetings
Mr. Mirza Mahmood Ahmad	8	8	7	1	106th meetings
Mr. Saqib Saleem (Chief Operating Officer & Company Secretary)	8	8	8	-	-
Mr. Umair Ahmed (Chief Financial Officer)	8	8	8	-	-

## 18. FINANCIAL RISK MANAGEMENT

The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize 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 mentioned 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 government securities.

### 18.1 Market risk

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

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

#### 18.1.1 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.

#### 18.1.2 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 fixed rate instruments

Presently, the Fund only holds Treasury Bills which are classified 'as at fair value through profit or loss' exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by Financial Markets Association on June 30, 2014 with all other variables held constant, the net income for the year and net assets would be lowered by Rs. 1.045 million (2013: Rs 1.003 million). In case of 100 basis points decrease in rates announced by Financial Market Association on June 30, 2014, with all other variables held constant, the net income for the year and net assets would be higher by Rs. 1.27 million (2013: Rs 1.86 million).

##### b) Sensitivity of variable rate instruments

Presently the Fund does not hold any variable rate instrument and is not exposed to cash flow interest rate risk.

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

The composition of the Fund's investment portfolio and rates announced by Financial Market Association 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.

As at June 30, 2014					
	Exposed to Yield / Interest risk			Not exposed to Yield / Interest rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		
------(Rupees in '000)-----					
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Balances with banks	684,554	-	-	1,610	686,164
Investments	2,494,161	-	-	-	2,494,161
Profit and other receivables	-	-	-	2,875	2,875
	<u>3,178,715</u>	<u>-</u>	<u>-</u>	<u>4,485</u>	<u>3,183,200</u>
<b>Financial liabilities</b>					
Payable to the Management Company	-	-	-	3,228	3,228
Accrued expenses and other liabilities	-	-	-	6,318	6,318
	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,546</u>	<u>9,546</u>
<b>On-balance sheet gap</b>	<u><u>3,178,715</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>(5,061)</u></u>	<u><u>3,173,654</u></u>
<b>Off-balance sheet financial instruments</b>	-	-	-	-	-
<b>Off-balance sheet gap</b>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

As at June 30, 2013					
	Exposed to Yield / Interest risk			Not exposed to Yield / Interest rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		
------(Rupees in '000)-----					
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Balances with banks	601,896	-	-	2	601,898
Receivable against sale of investments	-	-	-	860	860
Investments	1,342,996	634,426	-	-	1,977,423
Profit and other receivables	-	-	-	158	158
	<u>1,944,892</u>	<u>634,426</u>	<u>-</u>	<u>1,020</u>	<u>2,580,339</u>
<b>Financial liabilities</b>					
Payable to the Management Company	-	-	-	2,353	2,353
Accrued expenses and other liabilities	-	-	-	429	429
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,782</u>	<u>2,782</u>
<b>On-balance sheet gap</b>	<u><u>1,944,892</u></u>	<u><u>634,426</u></u>	<u><u>-</u></u>	<u><u>(1,762)</u></u>	<u><u>2,577,557</u></u>
<b>Off-balance sheet financial instruments</b>	-	-	-	-	-
<b>Off-balance sheet gap</b>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

## 18.1.3 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.

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

### 18.2 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 balances with bank. Investment in t-bills is backed by the government of Pakistan and hence considered secured. The credit risk on the fund is limited because the counterparties are financial institutions with reasonably high credit ratings.

The fund maximum exposure to credit risk related to receivables at June 30, 2014 and June 30, 2013 is the carrying amount of following financial assets.

	2014	2013
	(Rupees in '000)	
Balances with banks	686,164	601,898
Profit and other receivables	2,875	158

The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30, 2014:

Bank Balances by rating category	2014	2013
AA+	65%	99%
AAA	35%	1%

The maximum exposure to credit risk before any credit enhancement as at June 30, 2014 is the carrying amount of the financial assets. None of these assets are impaired nor past due.

#### 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.

#### Concentration of credit risk

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

#### 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.

### 18.3 Liquidity risk

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

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

The Fund has the ability to borrow in the short term to ensure settlement. During the current year, the Fund did not avail 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.

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

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.

	As at June 30, 2014			
	Total	Upto three months	More than three months and upto one year	More than one year
	-----Rupees in '000-----			
<b>Liabilities</b>				
Payable to the Management Company	3,228	3,228	-	-
Accrued expenses and other liabilities	6,318	6,318	-	-
	<u>9,546</u>	<u>9,546</u>	<u>-</u>	<u>-</u>

	As at June 30, 2013			
	Total	Upto three months	More than three months and upto one year	More than one year
	-----Rupees in '000-----			
<b>Liabilities</b>				
Payable to the Management Company	2,353	2,353	-	-
Accrued expenses and other liabilities	429	429	-	-
	<u>2,782</u>	<u>2,782</u>	<u>-</u>	<u>-</u>

## 18.4 Financial instruments by category

	As at June 30, 2014		
	Loans and receivables	Assets at fair value through profit or loss	Total
	-----Rupees in '000-----		
<b>Assets</b>			
Balances with banks	686,164	-	686,164
Investments	-	2,494,161	2,494,161
Profit and other receivables	2,875	-	2,875
	<u>689,039</u>	<u>2,494,161</u>	<u>3,183,200</u>

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

As at June 30, 2014

	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	-----Rupees in '000-----		
<b>Liabilities</b>			
Payable to the Management Company	-	3,228	3,228
Accrued expenses and other liabilities	-	6,318	6,318
	-	9,546	9,546

As at June 30, 2013

	Loans and receivables	Assets at fair value through profit or loss	Total
	-----Rupees in '000-----		
<b>Assets</b>			
Balances with banks	601,898	-	601,898
Investments	-	1,977,423	1,977,423
Receivable against sale of units	860	-	860
Profit and other receivables	158	-	158
	602,916	1,977,423	2,580,339

As at June 30, 2013

	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	-----Rupees in '000-----		
<b>Liabilities</b>			
Payable to the Management Company	-	2,353	2,353
Accrued expenses and other liabilities	-	429	429
	-	2,782	2,782

## 18.5 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).



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

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

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

	As at June 30, 2013			
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
<b>ASSETS</b>				
Investment in government securities- 'at fair value through profit or loss'	-	2,494,161	-	2,494,161

	As at June 30, 2013			
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
<b>ASSETS</b>				
Investments	-	1,977,423	-	1,977,423

## 19 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 19, 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.

## 20 GENERAL

Figures have been rounded off to the nearest thousand Rupees.

## 21 RECLASSIFICATION

Following reclassification have been made in this financial information in order to give better and more appropriate presentation:

	From	To	June 30, 2013 (Rupees in '000)
Federal Excise Duty payable on performance fee	Payable to Management Company	Accrued expenses and other liabilities	231

## 22 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 28th July, 2014 by the Board of Directors of the Management Company.

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

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

  
\_\_\_\_\_  
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
<b>Associated Companies, undertakings and related Parties</b>		
ARIF HABIB REIT MANAGEMENT LIMITED	1	1,475
ADAMJEE LIFE ASSURANCE CO.LTD.ISF-II	1	9,131
ADAMJEE LIFE ASSURANCE CO. LTD. (IMF)	1	12,586
ADAMJEE LIFE ASSURANCE CO. LTD.-NUIL FUND	1	20,117
<b>Directors</b>		
Nasim Beg		
<b>Public Sector Companies and Corporations</b>	7	2,335,569
<b>Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance, Insurance Companies, Modarbas and Mutual Funds.</b>	11	6,222,963
<b>Individuals</b>	361	7,864,535
<b>Trust</b>	18	3,802,665
<b>Others</b>	43	17,865,513
<b>Unitholders holding 5 percent or more Voting interest in the listed company</b>		
CHERAT CEMENT CO.LTD.	1	3,146,252
PAKISTAN PETROLEUM LIMITED	1	6,388,314
SUNRAYS TEXTILE MILLS LTD	1	7,584,451
CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED	1	7,681,994
	<b>448</b>	<b>62,935,566</b>

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

No of Unit Holders	Unit Holdings	Total Units Held
238	1-10000	622,384
142	10001-100000	3,891,035
55	100001-1000000	17,411,198
13	1000001-Onwards	41,010,949
448		62,935,566

## 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			
<b>Date</b>	<b>Rate per Unit</b>	<b>Rate per Unit</b>	<b>Rate per Unit</b>	<b>Rate per Unit</b>			
25th July 2013	0.27	0.36	0.36	0.35			
25th August 2013	0.30	0.50	0.46	0.42			
25th September 2013	0.32	0.38	0.44	0.42			
25th October 2013	0.32	0.40	0.44	0.42			
25th November 2013	0.32	0.32	0.44	0.42			
25th December 2013	0.34	0.33	0.44	0.42			
25th January 2014	0.37	0.34	0.44	0.42			
25th February 2014	0.37	0.33	0.44	0.42			
25th March 2014	0.30	0.31	0.44	0.42			
25th April 2014	0.37	0.34	0.44	0.42			
25th May 2014	0.34	0.33	0.43	0.42			
29th 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**

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