

# Annual Report 2013



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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.

## COMPANY INFORMATION

<b>Board of Directors</b>	<p>Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad</p>	<p>Chairman (subject to the approval of SECP) Executive Vice Chairman Chief Executive Officer (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director Director (subject to the approval of SECP)</p>
<b>Audit Committee</b>	<p>Mr. Haroun Rashid Mr. Nasim Beg Mr. Samad A. Habib</p>	<p>Chairman Member Member</p>
<b>Human Resource &amp; Remuneration Committee</b>	<p>Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Yasir Qadri</p>	<p>Chairman Member Member Member Member</p>
<b>Company Secretary &amp; Chief Operating Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Financial Officer</b>	Mr. Umair Ahmed	
<b>Share Registrar</b>	<p><b>Central Depository Company of Pakistan Ltd.</b> CDC House, 99-B, Block B, S.M.C.H.S, Main Shahra-e-Faisal, Karachi. Tel: (021) 111-111-500 Fax: (021) 34326053 Web: www.cdcpakistan.com</p>	
<b>Bankers</b>	<p>MCB Bank Limited Summit Bank Limited Bank Al Habib Limited</p>	
<b>Auditors</b>	<p><b>A.F. Ferguson &amp; Co.</b> Chartered Accountants (a member firm of PwC Network) State Life Building 1-C I.I. Chundrigar Road, Karachi.</p>	
<b>Legal Advisor</b>	<p><b>Akhund Forbes</b> D-21, Block 4, Scheme 5, Clifton, Karachi.</p> <p><b>Bawaney &amp; Partners</b> 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530</p>	
<b>Registered Office</b>	<p><b>MCB-Arif Habib Savings and Investments Limited</b> (Formerly: Arif Habib Investments Limited) 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi</p>	
<b>Rating</b>	Asset Manager AM2 (PACRA)	

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the thirteenth (13th) Annual General Meeting of MCB-Arif Habib Savings and Investments Limited (Formerly, Arif Habib Investments Limited) will be held on Friday, October 25, 2013 at 11:00 a.m. at Carlton Hotel, DC-5, Opp. Zulfiqar Street # 1, DHA Phase-VIII, Karachi - Pakistan to transact the following business:

### Ordinary Business:

1. To confirm the minutes of the last Annual General Meeting held on September 26, 2012.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2013 together with Directors' and Auditors' Reports thereon.
3. To consider and approve final cash dividend of 10% i.e. Rs. 1.00 per ordinary share of Rs. 10/- each as recommended by the Board of Directors. It is in addition to the interim cash dividend of 15.00% i.e. Rs. 1.50 per ordinary share of Rs. 10/- each already paid to the shareholders during the year, thus making a total cash dividend of 25.00% i.e. Rs. 2.50 per ordinary share of Rs. 10/- each for the year ended June 30, 2013.
4. To appoint external auditors of the Company for the year ending June 30, 2014 and fix their remuneration. The Board of Directors, on the recommendation of Audit Committee of the Company, has proposed the appointment of M/s A. F. Ferguson & Co. Chartered Accountants as external auditors, for the year ending June 30, 2014.
5. To transact any other business with the permission of the Chair.

By Order of the Board



Muhammad Saqib Saleem  
Company Secretary

September 18, 2013  
Karachi

### Notes:

1. The share transfer books of the Company will remain closed from Saturday, October 19, 2013 to Friday, October 25, 2013 (both days inclusive). Transfers received in order at the office of our Share Registrar M/s. Central Depository Company of Pakistan Limited, CDC House, Block B, SMCHS, Main Shahrah-e-Faisal, Karachi - 74400, by the close of business at 5:00 pm on Friday, October 18, 2013, will be considered in time for the determination of the entitlement of the shareholders to final cash dividend and to attend and vote at the meeting.
2. A member entitled to attend, speak and vote at the Annual General Meeting shall be entitled to appoint another person as his/her proxy to attend, speak and vote for his/her behalf. A proxy need not be a member of the Company. A proxy shall also have the right to demand and join in demanding a poll and vote on a poll.
3. The instrument appointing proxy, together with the power of attorney or other authority under which it is signed, as the case may be, or a notarially certified copy of the power or authority, must be deposited at the Registered Office of the Company at least 48 hours before the time of the meeting. Form of Proxy is enclosed.
4. Beneficial owners of the physical shares and the shares registered in the name of Central Depository Company of Pakistan Ltd. (CDC) and / or their proxies are required to produce their original Computerized National Identity Card (CNIC) or Passport for identification purpose at the time of attending the meeting.
5. Members are requested to submit copies of their CNICs and notify any change in their addresses immediately to the Share Registrar M/s. Central Depository Company of Pakistan Limited.
6. SECP vide SRO No. 831(1)/2012 dated July 05, 2012 directed the companies to issue dividend warrant only crossed as "A/c Payee only" and should bear the Computerised National Identity Card (CNIC) of the registered member. Members, who have not yet submitted photocopy of their valid CNIC are requested to send the same at the earliest directly to the Company's Share Registrar.
7. Dividend Mandate Forms are available at the Registered Office of the Company. Members are encouraged to provide, duly filled in dividend mandate form, to receive the cash dividend declared by the Company, if any, directly into their bank account through e-dividend payment mechanism, as advised by the Securities and Exchange Commission of Pakistan vide its communication reference No. 8(4)SM/CDC2008 dated April 05, 2013. The members who wish to avail e-Dividend payment facility shall not receive the dividend warrant. Members not providing dividend mandate shall continue to be paid through the dividend warrants.

## DIRECTORS' REPORT

The Board of Directors of MCB-Arif Habib Savings and Investments Limited (formerly Arif Habib Investments Limited) (MCBAH) is pleased to present the Annual Report on the affairs of MCBAH for the year ended June 30, 2013.

### Company's Performance Review

Your Company recorded a gross income of Rs. 538.30 million, which includes management/investment advisory fee and other operating income. After accounting of administrative, operating expenses and income sharing of Rs. 318.15 million, the company earned a profit before tax of Rs. 220.16 million. The net profit after tax for the year amounts to Rs. 157.65 million, as compared to net profit of Rs. 144.58 million for the previous financial year ended June 30, 2012. Accordingly, with the increasing trend of size of Funds under management of the Company, the Company is expected to deliver better results going forward.

The Earning per share of current financial year ended June 30, 2013 is Rs 2.19 per share as compared to Rs 2.01 per share in previous financial year ended June 30, 2012.

The Company has announced and paid interim dividend @15% as on February 04, 2013 to its share holders. The Board has proposed a final dividend of 10% as on June 30, 2013.

### Regulatory Approvals

With the approval of the Securities and Exchange Commission of Pakistan (SECP), MCB Asset Management Company Limited (MCBAMC) was merged into the Company by virtue of the scheme of amalgamation in terms of Section 282L(4) of the Companies Ordinance, 1984. The effective date of the merger was June 27, 2011.

On request of the Management Company the SECP reviewed its earlier Order under section 484(2) of the Companies Ordinance 1984 date June 27, 2011 extending the effective date of merger and through a letter no. SCD/AMCW/Mis/540/2013 dated May 17, 2013 issued revised order under section 484(2) of the Companies Ordinance 1984 to affirm the effective date of merger of MCBAMC with AHIL as June 27, 2011. The latest order also endorsed the steps/actions taken by Company from June 27, 2011 to date.

Pursuant to the approval of merger the name of the Company has been changed from "Arif Habib Investments Limited" to "MCB-Arif Habib Savings and Investments Limited".

### MARKET & ECONOMIC REVIEW

#### Economy & Money Market Review

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

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

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

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

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

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

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



## DIRECTORS' REPORT

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

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

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

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

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

### Equities Market Review

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

Buoyed by stable macroeconomic environment and strengthening fundamentals, the stock market started the year on a strong note. The market touched an all-time high (intraday) of around 22,833.2 on 13th June, 2013.

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

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

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

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

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

On the contrary, banking and fertilizer sector remained out of favour, as a reaction to lowering in discount rate, while gas curtailment issues kept investor at bay from fertilizer sector.

### FUTURE OUTLOOK

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

## DIRECTORS' REPORT

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

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

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

### MUTUAL FUND INDUSTRY REVIEW

The assets under management of open-end funds stood at Rs 334 billion at the end of FY13, down from around Rs 360 billion at the end of FY12.

On the heels of improved equity market performance, equity funds remained an attractive segment during the year achieving a strong 20% YoY growth to reach to a size of Rs 69 billion at the end of FY13. While Shariah-based funds also remained an attractive segment during the year achieving a strong 31% YoY growth to reach to a size of Rs. 66 billion.

Monetary easing in the past few quarters has reduced the appetite for funds having exposure in fixed income securities. As a result, the assets under management of money market fund fell by 17% to around Rs 124 billion. The assets under management of traditional income funds stood at Rs55 billion at the end of FY13, down from around Rs86 at the end of FY12.

### MUTUAL FUND INDUSTRY OUTLOOK

Though announcement of withdrawal of exemption of FED available to asset management companies in FY14 would hurt financial service industry, however low interest rate environment in the presence of robust stock market will continue to attract the investors' interest in equity funds.

In addition, stock fund still appears to be the preferable choice for longer term savings and investments on account of attractive valuation multiples of Pakistan equities market and improving fundamentals.

### Entity Rating and Asset Manager Rating

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of AM2 (positive outlook) dated March 21, 2013 to the Company. Ratings of Collective Investment Schemes under management of the Company are as under:

	--- As at June 30, 2013 ---		--- As at June 30, 2012 ---		
	-----Performance ranking-----				
Funds	Long-term	Short-term	Long-term	Short-term	Rating agency
Pakistan Stock Market Fund	3 - star	3 - star	2 - star	4 - star	PACRA
Pakistan Premier Fund Limited	3 - star	3 - star	3 - star	3 - star	PACRA
Pakistan Capital Market Fund	3 - star	3 - star	-	2 - star	PACRA
Pakistan International Element Islamic Asset Allocation Fund	3 - star	3 - star	-	4 - star	PACRA
Pakistan Strategic Allocation Fund	3 - star	4 - star	3 - star	3 - star	PACRA
MCB Dynamic Stock Fund	4 - star	4 - star	-	5 - star	PACRA
MCB Dynamic Allocation Fund	5 - star	4 - star	-	4 - star	PACRA
	--- As at June 30, 2013 ---		--- As at June 30, 2012 ---		
	-----Stability rating-----				Rating agency
Pakistan Cash Management Fund	AAA (f)		AAA (f)		PACRA
Pakistan Income Fund	A + (f)		AA (f)		PACRA
MetroBank - Pakistan Sovereign Fund	AA (f)		AA (f)		PACRA
Pakistan Income Enhancement Fund	A + (f)		A + (f)		PACRA
MCB Dynamic Cash Fund	A + (f)		A + (f)		PACRA
MCB Cash Management Optimizer	AA (f)		AA+(f)		PACRA
MCB Islamic Income Fund	AA - (f)		AA - (f)		PACRA



## DIRECTORS' REPORT

### Holding Company

MCB Bank Limited, being the parent company of MCB-Arif Habib Savings and Investments Limited, holds 51.33% of the outstanding ordinary shares of the Company.

### Corporate Governance

The Company is committed to implement the highest standards of corporate governance. With three (3) independent Directors on the Board, as governing body of the Company the Board is accountable to the shareholders 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 Company remains committed to conduct business in line with listing regulations of Karachi Stock Exchange, which clearly defined the role and responsibilities of Board of Directors and Management.

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

- a. Financial statements prepared by the management of the Company, present fairly its state of affairs, the results of operations, cash flows and changes in equity.
- b. Proper books of accounts of the Company have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Financial Reporting Standards, as applicable in Pakistan have been followed in the preparation of financial statements and any departures therefrom have been adequately disclosed and explained.
- e. The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further.
- f. There are no doubts what so ever upon the Company'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 operating and financial data of the last 6 years in summarised form is annexed.
- i. Outstanding taxes, duties, levies and charges have been fully disclosed in the annexed audited financial statements.
- j. The Company has planned to conduct orientation courses for its directors, where necessary, in the near future to appraise them with their duties and responsibilities. Two of the Directors (Mr. Yasir Qadri and Mr. Ahmed Jahangir) have attended the Directors' Training Program (Session 1 and 2) organised by the Institute of Chartered Accountants of Pakistan during the year.
- k. Summary of shares acquired or disposed during the year by the Chief Executive, Directors, Chief Financial Officer & Company Secretary and their spouses and minor children is provided below:

	<u>Purchase</u>	<u>Sales</u>
Mr. Nasim Beg	216,049	816,000
Mr. Haroun Rashid	500	-
Mirza Mahmood Ahmed	1,000	-
Mr. Ahmed Jahangir	500	-
Syed Salman Ali Shah	500	-
Mian Mohammad Mansha	500	-

- l. As At June 30, 2013, the value of investments of staff provident funds of MCB-Arif Habib Savings and Investments Limited is Rs. 16,977,369.
- m. The detailed pattern of share holding as on June 30, 2013 is annexed.

## DIRECTORS' REPORT

**n Meeting of the Directors.**

During the year, six (6) meetings of the Board of Directors were held. The attendance of each Director is as follows:

Name of Persons	Number of meetings	Number of meetings		
		Attendance required	Attended	Leave granted
1 Mian Muhammad Mansha	6	6	2	4
2 Mr. Nasim Beg	6	6	5	1
3 Syed Salman Ali Shah	6	6	5	1
4 Mr. Haroun Rashid	6	6	4	2
5 Mr. Ahmed Jahangir	6	6	6	-
6 Mr. Samad. A. Habib	6	6	4	2
7 Mr. Mirza Mahmood Ahmed	6	6	3	3
8 Mr. Yasir Qadri	6	6	6	-

**o Meeting of the Audit Committee.**

During the year, four (4) meetings of the Audit Committee were held. The attendance of each participant is as follows

Name of Persons	Number of meetings	Number of meetings		
		Attendance required	Attended	Leave granted
1 Mr. Nasim Beg	4	4	4	-
2 Mr. Haroun Rashid	4	4	3	1
3 Mr. Samad. A. Habib	4	4	4	-
4 Mr. Ali Munir*	2	2	-	2

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

**p. Meeting of the Human Resource and Remuneration Committee.**

During the year, two (2) meetings of the Human Resource and Remuneration Committee were held. The attendance of each participant is as follows:

Name of Persons	Number of meetings	Number of meetings		
		Attendance required	Attended	Leave granted
1 Syed Salman Ali Shah	2	2	2	-
2 Mr. Nasim Beg	2	2	2	-
3 Mr. Ahmed Jahangir	2	2	2	-
4 Mr. Haroun Rashid	2	2	1	1
5 Mr. Yasir Qadri	2	2	2	-

**Auditors**

The present auditors, A.F. Ferguson & Co., Chartered Accountants, have completed their engagement for the year ended June 30, 2013 and shall retire on the conclusion of the 13th Annual General Meeting.

The Audit Committee considered and recommended the re-appointment of A.F. Ferguson & Co., Chartered Accountants as statutory auditors of the Company for the year ending June 30, 2014 and the Board of Directors also endorsed the recommendation of the Audit Committee.

## DIRECTORS' REPORT

### Acknowledgement

The Board of Directors of the Management Company is thankful to the Securities and Exchange Commission of Pakistan, the management of the Karachi Stock Exchange Limited for their continued support and cooperation. The Directors also appreciate the efforts put in by the employees of the Company for their commitment and dedication and shareholders for their confidence in the Company.

For and on behalf of the board



**Yasir Qadri**  
Chief Executive  
Karachi: 05th August, 2013

## COMBINED PATTERN OF SHAREHOLDINGS CDC AND PHYSICAL AS AT 30 JUNE 2013

Categories of Shareholders	Shareholders	Shares Held	Percentage
<b>Directors and their spouse(s) and minor children</b>			
ABDUS SAMAD	1	4	0.00
NASIM BEG	3	1,907,922	2.65
MIRZA MAHMOOD AHMAD	1	1,000	0.00
YASIR QADRI	1	1,200	0.00
HAROUN RASHID	1	500	0.00
SYED SALMAN ALI SHAH	1	500	0.00
MIAN MOHAMMAD MANSHA	1	500	0.00
AHMED JAHANGIR	1	500	0.00
<b>Associated Companies, undertakings and related parties</b>			
TRUSTEES ARIF HABIB INVESTMENT MANAGEMENT LIMITED EMPLOYEE STOCK BENEFICIAL OWNERSHIP TRUST	1	513,618	0.71
ADAMJEE INSURANCE COMPANY LIMITED	1	3,396,340	4.72
MCB BANK LIMITED - TREASURY	1	36,956,768	51.33
ARIF HABIB CORPORATION LIMITED	1	21,664,167	30.09
<b>Executives</b>	-	-	-
<b>Public Sector Companies and Corporations</b>	1	70	0.00
<b>Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds</b>	2	546,470	0.76
<b>Mutual Funds</b>	-	-	-
<b>General Public</b>			
a. Local	1124	3,947,555	5.48
b. Foreign	2	6,004	0.01
<b>Others</b>	21	3,056,882	4.25
<b>Totals</b>	<b>1164</b>	<b>72,000,000</b>	<b>100.00</b>

Share holders holding 5% or more	Shares Held	Percentage
MCB BANK LIMITED - TREASURY	36,956,768	51.33
ARIF HABIB CORPORATION LIMITED	21,664,167	30.09
<b>TOTAL</b>	<b>58,620,935</b>	<b>81.42</b>

## COMBINED PATTERN OF SHAREHOLDINGS CDC AND PHYSICAL AS AT 30 JUNE 2013

Number of Shareholders	Shareholdings'Slab			Total Shares Held
209	1	to	100	3,951
166	101	to	500	50,523
328	501	to	1000	222,776
322	1001	to	5000	688,046
57	5001	to	10000	427,216
33	10001	to	15000	417,266
7	15001	to	20000	129,720
6	20001	to	25000	140,342
3	25001	to	30000	84,200
5	30001	to	35000	166,049
2	35001	to	40000	75,000
2	40001	to	45000	80,792
2	45001	to	50000	99,543
3	50001	to	55000	158,100
2	55001	to	60000	116,800
1	60001	to	65000	65,000
1	70001	to	75000	72,400
1	75001	to	80000	77,880
1	100001	to	105000	103,500
1	110001	to	115000	115,000
1	155001	to	160000	160,000
2	220001	to	225000	445,689
1	245001	to	250000	250,000
1	460001	to	465000	463,719
1	510001	to	515000	513,618
1	530001	to	535000	535,000
1	1880001	to	1885000	1,884,118
1	2435001	to	2440000	2,436,477
1	3395001	to	3400000	3,396,340
1	21660001	to	21665000	21,664,167
1	36955001	to	36960000	36,956,768
<b>1,164</b>				<b>72,000,000</b>

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

This statement is being presented by the Board of Directors of MCB-Arif Habib Savings and Investments Limited to comply with the Code of Corporate Governance contained in Regulation no.35 of the Karachi 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.

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

Category	Names
Independent Directors	<ol style="list-style-type: none"> <li>1. Syed Salman Ali Shah</li> <li>2. Mr. Haroun Rashid</li> <li>3. Mr. Mirza Mahmood Ahmad</li> </ol>
Executive Directors	<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>
Non – Executive Directors	<ol style="list-style-type: none"> <li>1. Mian Mohammad Mansha</li> <li>2. Mr. Ahmed Jahangir</li> <li>3. Mr. Samad A. 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.
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 Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed vision / mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the Board. No new appointment of Chief Executive Officer, other executive and non-executive directors were made during the year.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Currently, two of the directors are exempt from obtaining mandatory training having the requisite qualification and experience. During the period the two of the directors' have attended the Directors' Training Program conducted by the Institute of Chartered Accountants of Pakistan.
10. The Board has approved the appointment of Chief Operating Officer and Company Secretary, Chief Financial Officer and Head of Internal Audit including their remuneration and terms and conditions of employment.
11. The Directors' Report of the Company for the year ended June 30, 2013 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Management Company were duly endorsed by Chief Executive Officer and Chief Financial Officer of the Company before approval of the Board.
13. The Directors, Chief Executive Officer and executives of the Company do not hold any interest in the shares of the Company other than that disclosed in the pattern of share holding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.



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

15. The Board has formed an Audit Committee for the Management Company. It comprises of three members, of which two are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of the interim and final results of the Company 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 Company and its funds under management.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company. 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 market price of 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: August 05, 2013



## A. F. FERGUSON & CO.

### REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

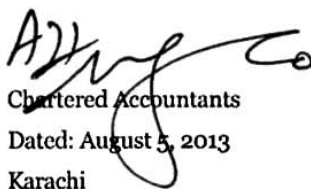
We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of MCB - Arif Habib Savings and Investments Limited (Formerly Arif Habib Investments Limited) to comply with the requirements of Listing Regulation no. 35 (Chapter XI) of the Karachi Stock Exchange Limited where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's 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.

Sub-Regulation (x) of the Listing Regulation no. 35 as notified by the Karachi Stock Exchange Limited on which the Company is listed requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length prices recording proper justification for using such alternate pricing mechanism. All such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of the requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2013.

  
Chartered Accountants  
Dated: August 5, 2013  
Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan  
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Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O. Box 39, Lahore-54660, Pakistan; Tel: +92 (42) 35715864-71; Fax: +92 (42) 35715872  
Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O. Box 3021, Islamabad-44000, Pakistan; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924  
Kabul: House No. 1, Street No. 3, Darulaman Road, Ayoub Khan Meina, Opposite Ayoub Khan Mosque, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (779) 315320

## FINANCIAL AND BUSINESS HIGHLIGHTS

		2008	2009	2010	2011	2012	2013
Pre tax Margin	%	42%	-119%	14%	32%	39%	41%
Net Margin	%	36%	-111%	17%	25%	27%	29%
<i>Performance</i>							
Return on assets	%	24%	-39%	8%	5%	10%	11%
Return on equity	%	35%	-85%	13%	6%	11%	12%
<i>Leverage</i>							
Gearing (Debt:Equity)	times	0.31	0.98	0.68	0.07	N/A	N/A
Interest Coverage Ratio	times	18.77	(3.63)	2.09	N/A	N/A	N/A
<i>Liquidity</i>							
Current Ratio	times	2.59	1.01	1.80	6.32	7.83	7.33
<i>Valuation</i>							
Earnings per share	Rs.	8.30	(10.08)	2.14	1.97	2.01	2.19
No. of ordinary shares		30	30	30	72	72	72
<i>Historical trend</i>							
Management fee (Rs. in million)		446.12	249.30	271.06	237.23	479.61	469.98
Operating profit (Rs. in million)		303.57	25.42	100.39	91.72	205.19	220.16
Profit before tax (Rs. in million)		287.40	(323.82)	52.35	90.72	205.14	220.16
Profit after tax (Rs. in million)		249.04	(302.48)	64.25	71.65	144.58	157.65
Share capital (Rs. in million)		300.00	300.00	300.00	720.00	720.00	720.00
Shareholders equity (Rs. in million)		708.58	354.69	488.07	1,269.62	1,281.93	1,273.03
Total assets (Rs. in million)		1,046.20	768.36	821.89	1,356.63	1,410.02	1,411.54





**A. F. FERGUSON & CO.**

**AUDITORS' REPORT TO THE MEMBERS**


We have audited the annexed balance sheet of **MCB - Arif Habib Savings and Investments Limited (formerly Arif Habib Investments Limited) (the Company)** as at June 30, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984 and Non-Banking Finance Companies and Notified Entities Regulations, 2008;
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and Non-Banking Finance Companies and Notified Entities Regulations, 2008, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984 and Non-Banking Finance Companies and Notified Entities Regulations, 2008, in the manner so required and give a true and fair view of the state of the Company's affairs as at June 30, 2013 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

The financial statements of the Company for the year ended June 30, 2012 were audited by another firm of Chartered Accountants who had expressed an unmodified opinion thereon vide their report dated August 15, 2012. However, their report included an emphasis of matter paragraph regarding the order of the Securities and Exchange Commission of Pakistan (SECP) against the merger of the Company with MCB Asset Management Company Limited which order has been reviewed by the SECP in favour of the Company during the year ended June 30, 2013.

  
Chartered Accountants  
Engagement Partner: **Rashid A. Jafer**  
Dated: September 16, 2013  
Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
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## BALANCE SHEET AS AT JUNE 30, 2013

	Note	2013 ----- Rupees -----	2012
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	4	387,027,596	388,271,445
Long-term investments	5	303,075,000	326,549,333
Long-term loans and receivables	6	5,742,592	6,547,002
Long-term deposits		1,519,736	849,700
		<u>697,364,924</u>	<u>722,217,480</u>
<b>Current assets</b>			
Receivable from related parties	7	69,732,326	120,913,283
Loans and advances	8	874,249	1,282,238
Deposits, prepayments and other receivables	9	10,246,491	10,193,757
Accrued return on bank deposits		156,443	184,225
Short-term investments	10	571,417,927	467,659,528
Taxation - net	11	56,949,201	75,983,220
Cash and bank balances	12	4,794,987	11,590,602
		<u>714,171,624</u>	<u>687,806,853</u>
<b>Total assets</b>		<u><b>1,411,536,548</b></u>	<u><b>1,410,024,333</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised share capital		720,000,000	720,000,000
72,000,000 (2012: 72,000,000) ordinary shares of Rs 10 each		<u>720,000,000</u>	<u>720,000,000</u>
Issued, subscribed and paid-up share capital	13	720,000,000	720,000,000
Reserves		543,201,779	551,591,327
<b>Total equity</b>		<u>1,263,201,779</u>	<u>1,271,591,327</u>
Surplus arising on revaluation of property and equipment - net of deferred tax	15	9,827,150	10,335,783
		<u>1,273,028,929</u>	<u>1,281,927,110</u>
<b>Non-current liabilities</b>			
Deferred taxation	16	41,090,231	40,287,243
<b>Current liabilities</b>			
Trade and other payables	17	97,417,388	87,809,980
<b>Total liabilities</b>		<u>138,507,619</u>	<u>128,097,223</u>
<b>Total equity and liabilities</b>		<u><b>1,411,536,548</b></u>	<u><b>1,410,024,333</b></u>

### CONTINGENCIES AND COMMITMENTS

18

The annexed notes 1 to 34 form an integral part of these financial statements.

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

  
Chief Executive Officer


  
Director

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2013

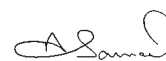
	Note	2013 ----- Rupees -----	2012
<b>REVENUE</b>			
Management fee / investment advisory fee	19	469,977,494	479,611,311
Processing and other related income		845,089	2,591,370
Profit on bank deposits		1,682,805	2,104,025
Capital gain on sale of investments - net		21,705,054	9,862,788
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net		42,148,377	34,998,448
Other income		1,943,803	7,976,270
<b>Total income</b>		<b>538,302,622</b>	<b>537,144,212</b>
<b>EXPENSES</b>			
Administrative and operating expenses	20	(246,526,286)	(243,055,116)
Management fee / processing fee and other related income sharing		(71,612,984)	(88,902,768)
Financial charges		(7,163)	(47,030)
<b>Total expenses</b>		<b>(318,146,433)</b>	<b>(332,004,914)</b>
<b>Profit for the year before taxation</b>		<b>220,156,189</b>	<b>205,139,298</b>
Taxation	21	(62,506,491)	(60,559,631)
<b>Profit for the year after taxation</b>		<b>157,649,698</b>	<b>144,579,667</b>
Earnings per share - basic and diluted	22	<b>2.19</b>	<b>2.01</b>

The annexed notes 1 to 34 form an integral part of these financial statements.

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



Chief Executive Officer



Director



## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2013

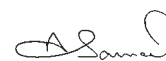
	2013 ----- Rupees -----	2012 -----
Profit for the year after taxation	157,649,698	144,579,667
<b>Other comprehensive income for the year</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Unrealised appreciation on re-measurement of 'available-for-sale' financial assets - net of deferred taxation	50,967,000	29,604,120
Unrealised (gain) / loss transferred to profit and loss account on disposal of available-for-sale investments	(1,514,879) 49,452,121	143,021 29,747,141
<i>Items that will not be reclassified to profit or loss</i>		
Transferred from surplus arising on revaluation of property and equipment on account of incremental depreciation - net of deferred taxation	508,633 49,960,754	534,525 30,281,666
<b>Total comprehensive income for the year</b>	207,610,452	174,861,333

The annexed notes 1 to 34 form an integral part of these financial statements.

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



Chief Executive Officer



Director

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

	Note	2013 ----- Rupees -----	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the year before taxation		220,156,189	205,139,298
<b>Adjustments for non-cash and other items:</b>			
Capital gain on sale of investments - net		(21,705,054)	(9,862,788)
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net		(42,148,377)	(34,998,488)
Depreciation		12,121,709	12,780,102
Amortisation		2,137,946	2,012,314
Financial charges		7,163	47,030
Loss / (gain) on disposal of fixed assets - net		50,154	(227,581)
		(49,536,459)	(30,249,411)
<b>Operating cash flows before working capital changes</b>		170,619,730	174,889,887
<b>Movement in working capital</b>			
<b>(Increase) / decrease in current assets</b>			
Receivable from related parties		51,180,957	58,657,635
Loans and advances		407,989	1,747,661
Deposits, prepayments and other receivables		(52,734)	(895,585)
Accrued return on bank deposits		27,782	823,768
		51,563,994	60,333,479
<b>Increase / (decrease) in current liabilities</b>			
Trade and other payables		9,607,408	796,814
<b>Cash generated from operations</b>		231,791,132	236,020,180
Taxes paid		(42,669,484)	(14,582,114)
Financial charges paid		(7,163)	(47,030)
Dividends paid		(216,000,000)	(162,000,000)
		(258,676,647)	(176,629,144)
<b>Net cash (used in) / generated from operating activities</b>		(26,885,515)	59,391,036
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(13,834,307)	(3,921,942)
Proceeds against redemption of investments		33,021,486	(102,540,429)
Repayment of long-term loan		804,410	378,068
Long-term deposits kept		(670,036)	(225,000)
Proceeds from disposal of fixed assets		768,347	729,099
<b>Net cash generated from / (used in) investing activities</b>		20,089,900	(105,580,204)
<b>Net decrease in cash and cash equivalents</b>		(6,795,615)	(46,189,168)
Cash and cash equivalents at the beginning of the period		11,590,602	57,779,770
<b>Cash and cash equivalents at the end of the period</b>	3.7	4,794,987	11,590,602

The annexed notes 1 to 34 form an integral part of these financial statements.

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

  
Chief Executive Officer

  
Director

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2013

	-----Rupees-----							Total
	-----Capital-----			-----Revenue-----				
	Issued, subscribed and paid-up capital	Share premium	Deficit arising on amalgamation	Sub-total	Unappropriated profit	Unrealised appreciation on re-measurement of 'available-for- sale' financial assets	Sub-total	
-----Rupees-----								
Balance as at July 1, 2011	720,000,000	396,000,000	(60,000,000)	336,000,000	203,716,256	(986,262)	202,729,994	1,258,729,994
Total comprehensive income for the year ended June 30, 2012	-	-	-	-	145,114,192	29,747,141	174,861,333	174,861,333
Final dividend for the year ended June 30, 2011 at Rs 1.50 per share	-	-	-	-	(108,000,000)	-	(108,000,000)	(108,000,000)
Interim dividend for the year ended June 30, 2012 at Re 0.75 per share	-	-	-	-	(54,000,000)	-	(54,000,000)	(54,000,000)
Balance as at June 30, 2012	720,000,000	396,000,000	(60,000,000)	336,000,000	186,830,448	28,760,879	215,591,327	1,271,591,327
Total comprehensive income for the year ended June 30, 2013	-	-	-	-	158,158,331	49,452,121	207,610,452	207,610,452
Final dividend for the year ended June 30, 2012 at Rs 1.50 per share	-	-	-	-	(108,000,000)	-	(108,000,000)	(108,000,000)
Interim dividend for the year ended June 30, 2013 at Rs 1.50 per share	-	-	-	-	(108,000,000)	-	(108,000,000)	(108,000,000)
Balance as at June 30, 2013	720,000,000	396,000,000	(60,000,000)	336,000,000	128,988,779	78,213,000	207,201,779	1,263,201,779

The annexed notes 1 to 34 form an integral part of these financial statements.

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

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

  
\_\_\_\_\_  
Director

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

### 1. STATUS AND NATURE OF BUSINESS

**1.1** MCB-Arif Habib Savings and Investments Limited ("the Company") was incorporated in the name of Arif Habib Investment Management Limited (AHIML) on August 30, 2000 as an unquoted public limited company under the Companies Ordinance, 1984. During 2008, AHIML was listed on the Karachi Stock Exchange by way of offer for sale of shares by a few of its existing shareholders to the general public. In the same financial year, the name of the Company was changed from "Arif Habib Investment Management Limited" to "Arif Habib Investments Limited" (AHIL).

**1.2** On January 19, 2011, a transfer agreement was signed between Arif Habib Corporation Limited (AHCL) [the then parent of AHIL] and MCB Bank Limited (MCB Bank) [the then parent of MCB Asset Management Company Limited (MCB AMC)] for the transfer of the entire business of MCB AMC to AHIL to achieve synergies in business and to access a wider distribution network. The scheme of amalgamation ("the Scheme") was approved by the shareholders of the Company and MCB AMC in their respective extraordinary general meetings held on May 21, 2011. The Securities and Exchange Commission of Pakistan (SECP) vide its order (through letter no. SCD/NBFC-II/MCBAMCL and AHIL/271/2011 dated June 10, 2011) under Section 282(L) of the Companies Ordinance, 1984 (the Sanction Order) approved the Scheme. As per the Sanction Order, the effective date of amalgamation was June 27, 2011 (the effective date). In accordance with the terms contained in the scheme of amalgamation (as more fully disclosed in note 14.1), the Company became a subsidiary of MCB Bank Limited from the end of the year ended June 30, 2011 which continues to own 51.33% ordinary shares in the Company till date.

Subsequent to the completion of the merger, the SECP issued an order postponing the effective date of the merger to July 30, 2011 (through letter no. SCD/PR and DD/AMCW/MCB-AMCL and AHI/348/2011 dated June 27, 2011). However, on the request of the Company, the SECP reviewed its aforementioned order and through letter no. SCD/AMCW/Mis/540/2013 dated May 17, 2013 issued a revised order under section 484(2) of the Companies Ordinance, 1984 to affirm the effective date of merger of MCB-AMC with AHIL as June 27, 2011. The latest order also endorsed the steps/actions taken by Company from June 27, 2011 to date.

Pursuant to the approval of merger, the name of the Company has been changed from Arif Habib Investments Limited to MCB-Arif Habib Savings and Investments Limited with effect from May 23, 2013.

**1.3** The Company is registered as a Pension Fund Manager under the Voluntary Pension System Rules, 2005 and as an Asset Management Company and an Investment Advisor under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. The registered office of the Company is situated at 8th Floor, Techno City, Corporate Tower, Molana Hasrat Mohani Road, Karachi, Pakistan.

**1.4** The Company has been assigned an asset manager rating of AM2 by the Pakistan Credit Rating Agency Limited (PACRA) and, currently, has the following funds under management:

		Net asset value as at	
	Note	June 30, 2013	June 30, 2012
----- Rupees in millions -----			
<b>Open-end Collective Investment Schemes (CISs)</b>			
Pakistan Income Fund		1,092	1,301
Pakistan Stock Market Fund		1,179	921
Metro Bank - Pakistan Sovereign Fund		1,270	6,369
Pakistan International Element Islamic Asset Allocation Fund		204	294
Pakistan Capital Market Fund		401	354
Pakistan Cash Management Fund		2,557	3,836
Pakistan Income Enhancement Fund		1,319	991
AH Dow Jones SAFE Pakistan Titans 15 Index Fund	10.2.2	-	101
Pakistan Capital Protected Fund - Fixed Income Securities	10.2.3	-	240
Pakistan Premier Fund		552	468
Pakistan Strategic Allocation Fund		306	352
MCB Islamic Income Fund		2,946	1,507
MCB Dynamic Allocation Fund		433	100
MCB Dynamic Stock Fund		887	726
MCB Dynamic Cash Fund		11,320	6,696
MCB Cash Management Optimizer		11,075	18,971

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

	Net asset value as at	
	June 30, 2013	June 30, 2012
	----- Rupees in millions -----	
<b>Pension Funds</b>		
Pakistan Pension Fund	218	260
Pakistan Islamic Pension Fund	411	157
<b>Discretionary portfolio</b>	<b>3,991</b>	<b>1,604</b>
The Company is also managing investors under discretionary portfolio management agreements, the details of which are given below:		
No of clients	15	12
Total portfolio at cost (Rs in millions)	3,800	1,534
Total portfolio at market value (Rs in millions)	3,886	1,583
Fee earned (Rs in millions)	11	3

## 2 BASIS OF PRESENTATION

### 2.1 Statement of compliance

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

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

The following amendments to existing standards have been published and are mandatory for the Company's accounting period beginning on or after July 1, 2012:

- Amendments to IAS 1, 'Presentation of financial statements' (effective July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI and do not have any significant impact on these financial statements other than a change in presentation of items reported under 'other comprehensive income'.

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2012 but are considered not to be relevant or do not have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

### 2.3 Amendments to published approved accounting standards that are not yet effective

The following are some amendments that have been published and are mandatory for the Company's accounting period beginning on or after July 1, 2013:

- Amendments to IFRS 7, 'Financial Instruments: Disclosures', (effective January 1, 2013). These contain new disclosure requirement for financial assets and liabilities that are offset in the balance sheet or are subject to master netting or similar arrangement. The amendments will not have any impact on the Company's financial statements.

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

- Amendment to IAS 19, 'Employee benefits', (effective January 1, 2013). It eliminates the corridor approach and recognises all actuarial gains and losses in other comprehensive income as they occur, immediately recognises all past service costs and replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. The amendment will not have any impact on the Company's financial statements.

There are certain other new and amended standards and interpretations that are mandatory for the Company's accounting periods beginning on or after July 1, 2013 but are considered not to be relevant or do not have any material effect on the Company's operations and are, therefore, not detailed in these financial statements.

### 2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, income and expenses. It also requires the management to exercise its judgment in the application of the Company's accounting policies. The estimates, judgments and associated assumptions are based on 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 the current and future periods. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in the application of accounting policies are as follows:

- estimates of residual values, useful lives and depreciation methods of property and equipment (note 3.1.1 and note 4.1);
- estimates of useful life and amortisation method of intangible asset with finite useful life (note 3.1.3 and note 4.3);
- classification and valuation of financial assets (note 3.2.1.1);
- impairment of financial assets (note 3.2.1.4);
- provision for doubtful debts and receivables (note 3.6 and note 8);
- provision for taxation (note 3.3 and note 21);
- assessment of impairment on intangible assets with indefinite useful life (note 3.1.3.2); and
- impairment of non-financial assets (note 3.4).

### 2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except that investments have been marked to market and are carried at their respective fair values and building has been stated at revalued amount.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented unless otherwise stated.

### 3.1 FIXED ASSETS

#### 3.1.1 Property and equipment

Items of property and equipment, except for building, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Building is carried under the revaluation model at a revalued amount being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent impairment losses, if any. Surplus arising on revaluation is credited to surplus on revaluation of building and is transferred to unappropriated profit to the extent of incremental depreciation charged net



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

of related deferred tax. Such incremental depreciation is computed as a difference between depreciation based on the revalued carrying amount of the building and depreciation based on the building's original cost. Revaluation is made with sufficient regularity to ensure that the carrying amount does not materially differ from that which would be determined using fair value at the end of the reporting period.

Subsequent costs are recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the items can be measured reliably. All other repairs and maintenance costs are charged to profit and loss account as and when incurred.

Depreciation is charged at the rates specified in note 4.1 using the straight line method on all items of property and equipment other than building for which depreciation is charged using the reducing balance method. Depreciation begins when the asset is available for use and ceases on the date the asset is disposed off.

The residual values, useful lives and depreciation methods are reviewed at each financial year-end and adjusted, if appropriate, to reflect the current best estimate.

Gains or losses on disposal of assets are included in the profit and loss account in the year in which disposal is made.

### **3.1.2 Capital work-in-progress**

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to the relevant category of property and equipment as and when these become available for use.

### **3.1.3 Intangible assets**

Intangible assets acquired separately are initially recognised at cost. Intangible assets acquired in a business combination are recognised at fair values as at the acquisition date.

The useful lives of intangible assets are assessed as either finite or indefinite.

#### **3.1.3.1 Intangible asset with finite useful life**

After initial recognition, an intangible asset with finite useful life is carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged at the rates specified in note 4.3 using the straight line method. Amortisation begins from the month the asset is available for use and ceases in the month of disposal. The amortisation period and amortisation method are reviewed at each financial year-end and are adjusted, if appropriate, to reflect the current best estimate.

#### **3.1.3.2 Intangible assets with indefinite useful lives**

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level.

### **Goodwill**

Goodwill acquired in business combination is recognised as of the acquisition date as the excess of consideration transferred being the acquisition date fair value of acquiree's equity interest over the net acquisition date amount of identifiable assets acquired and liabilities assumed. It represents future economic benefits arising from other assets acquired in the business combination that are not individually identified and separately recognised.

For the purpose of impairment testing, goodwill is allocated from the acquisition date to each of the entity's cash-generating units or group of cash-generating units that is expected to benefit from the synergies of the combination. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

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

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is higher of value in use and the fair value less cost to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

### **Management rights**

This intangible asset represents the present value of future cash flows relating to the management fee that would be earned by the Company assuming growth factors, based on the necessary market assumptions, on Assets Under Management (AUMs) of Arif Habib Investments Limited. This benefit also considers the fact that the economic life time of these AUMs are unlimited. Based on this assumption, this intangible asset has been valued using certain valuation techniques.

At the time of initial recognition, the fair value of management rights had been determined by the management using the Multiple-period Excess Earnings Method. Under this method the value of a specific intangible asset is estimated from the residual earnings after fair returns on all other assets (if any) employed have been deducted from the asset's after-tax operating earnings.

After initial recognition, management rights are stated at cost less accumulated impairment losses. Impairment is tested at the operating segment level at the end of each reporting period.

### **3.2 Financial instruments**

#### **3.2.1 Financial assets**

##### **3.2.1.1 Classification**

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39), "Financial Instruments: Recognition and Measurement" at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired. The financial assets of the Company are categorised as follows:

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

These are acquired principally for the purpose of generating profit from short-term fluctuations in prices.

##### **(b) Held-to-maturity investments**

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity.

##### **(c) Loans and receivables**

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

##### **(d) Available-for-sale financial assets**

These are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss.

##### **3.2.1.2 Initial recognition and measurement**

Financial assets are recognised at the time the Company becomes a party to the contractual provisions of the instruments. These 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 associated with these financial assets are taken directly to the profit and loss account.

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

### 3.2.1.3 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:

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

Financial assets at fair value through profit or loss' and 'available-for-sale financial assets' are marked to market using the closing market rates and are carried on the balance sheet at fair values.

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

Net gains and losses arising on changes in fair value of 'available-for-sale financial assets' are taken to other comprehensive income until these are derecognised. At this time, the cumulative gain or loss previously shown under other comprehensive income is transferred to profit and loss account as capital gain / (loss).

#### b) 'Loans and receivables' and 'held-to-maturity investments'

Loans and receivables and held-to-maturity investments are carried at amortised cost.

### 3.2.1.4 Impairment

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. When there is an objective evidence that an impairment loss has been incurred, the amount of loss is measured as follows:

#### a) Assets carried at amortised cost

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit and loss account.

#### b) Available-for-sale financial assets

If any evidence for impairment exists, the cumulative loss (measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss account) that had been recognised in other comprehensive income shall be reclassified from equity to the profit and loss account as a reclassification adjustment even though the financial asset has not been derecognised.

### 3.2.2 Financial liabilities

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

### 3.2.3 Derecognition

Financial assets are derecognised at the time when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised at the time when these are extinguished i.e. when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of financial assets and financial liabilities is taken to the profit and loss account.

### 3.2.4 Offsetting of financial assets and liabilities

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

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

### 3.2.5 Provisions

Provisions are recognised when the Company 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 obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

### 3.2.6 Derivatives

Derivative instruments are initially recognised at fair value and are subsequently re-measured to their fair values with the resultant gain or loss recognised in the profit and loss account.

### 3.3 Taxation

#### Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, and taxes paid under the final tax regime. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

#### Deferred

Deferred taxation is recognised using the balance sheet liability method on all major temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognised for all taxable temporary differences. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The Company also recognises deferred tax asset / liability on deficit / surplus on revaluation of property and equipment which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standard 12 (IAS 12), "Income Taxes". Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantially enacted by the end of the reporting period.

### 3.4 Impairment of non-financial assets

The carrying amounts of the Company's assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment loss. If such an indication exists, the asset's recoverable amount is estimated in order to determine the extent of impairment loss, if any. The resulting impairment loss is taken to the profit and loss account except for the impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus arising on revaluation of that asset.

### 3.5 Employee benefits - defined contributory plan

The Company had been contributing to an approved funded provident fund for all its permanent employees until March 2013 after which the provident fund was proposed to be wound up and contributions ceased. Equal monthly contributions were made both by the Company and the employees at the rate of 8.33% per annum of the basic salary.

### 3.6 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice value less an estimate made for doubtful receivables which is determined based on management's review of outstanding amounts and previous repayment pattern. Balances considered bad and irrecoverable are written off.

### 3.7 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. These include cash and cheques in hand, balances with banks in current and savings accounts and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

### 3.8 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost, which is the fair value of consideration to be paid in the future for goods and services whether or not billed to the Company.

### 3.9 Revenue recognition

#### 3.9.1 Management fee / investment advisory fee

Management fee from open-end Collective Investment Schemes is calculated by charging the specified rates to the net asset value / income of such schemes as at the close of business of each calendar day. In accordance with Regulation 61 of the NBFC Regulations, 2008, the fee so charged does not exceed three percent of the average annual net assets of the Collective Investment Scheme during the first five years of existence of the scheme and, thereafter, of an amount equal to two percent of such assets. In accordance with Rule 11 of the Voluntary Pension System Rules, 2005 management fee from pension funds is charged at the rate of 1.5% of the average of values of the net assets of the pension fund calculated during the year for determining the prices of the units of the sub-funds.

Investment advisory fee from the discretionary portfolios is calculated on a daily / monthly basis by charging specified rates to the net asset value of the portfolios as stated in the respective agreements with the clients.

Specified rates of management fee and investment advisory fee are as follows:

	Basis	2013	2012
Open-end Collective Investment Schemes		Percentage per annum	
Pakistan Income Fund	Net asset value	1.5	1.5
Pakistan Stock Market Fund	Net asset value	2	2
MetroBank - Pakistan Sovereign Fund	10% of gross income or 1.5% of net assets whichever is lower subject to a minimum of 0.5% of net assets	10 / 1.5 / 0.5	10 / 1.5 / 0.5
Pakistan Capital Market Fund	Net asset value	2	2
Pakistan Cash Management Fund	10% of gross earnings or 0.25% of net assets whichever is higher	10 / 0.25	10 / 0.25
Pakistan Income Enhancement Fund	Net asset value	1.5	1.5
Pakistan International Element Islamic Asset Allocation Fund (PIEIAAF)			
PIEIAAF – A	Net asset value	2	3
PIEIAAF – B	Net asset value	2	3
PIEIAAF – C	Net asset value	1.33	2
PIEIAAF – D	Net asset value	1.33	2
PIEIAAF – E	Net asset value	1	1.5
Pakistan Premier Fund	Net asset value	2	2
Pakistan Strategic Allocation Fund	Net asset value	2	2
AH Dow Jones SAFE Pakistan Titans 15 Index Fund	Net asset value	1	1
Pakistan Capital Protected Fund - Fixed Income Securities	Net asset value	1.5	1.5
MCB Islamic Income Fund	10% of gross earnings or 0.25% of net assets whichever is higher	10 / 0.25	10 / 0.25
MCB Dynamic Allocation Fund	Net asset value	1.5	1.5
MCB Dynamic Stock Fund	Net asset value	2	2
MCB Cash Management Optimizer	10% of gross earnings or 0.25% of net assets whichever is higher	10 / 0.25	10 / 0.25
MCB Dynamic Cash Fund	Net asset value	1.5	1.5
<b>Pension Funds</b>			
Pakistan Pension Fund	Net asset value	1.5	1.5
Pakistan Islamic Pension Fund	Net asset value	1.5	1.5
<b>Discretionary portfolios</b>	Net asset value / Performance	0.0-1.5	0.0-2.0

#### 3.9.2 Processing and other related income

This is recognised once the services are provided to the unit holders in connection with their investments in open-end schemes managed by the Company.

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

### 3.9.3 Profit on bank deposits

Profit on bank deposits is recognised on an accrual basis.

### 3.9.4 Capital gain on sale of investments - net

Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.

### 3.10 Basic and diluted earnings per share

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of dilutive potential ordinary shares, if any.

### 3.11 Proposed dividends and transfers between reserves

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

### 3.12 Functional and presentation currency

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

### 3.13 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on 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 profit and loss account.

### 3.14 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses that relates to transactions with any of the other components of the Company.

The Board of Director and Chief Executive Officer have been identified as the chief operating decision-makers, who are responsible for allocating resources and assessing the performance of the operating segments. Currently, the Company is functioning as a single operating segment.

4	FIXED ASSETS	Note	2013 ----- Rupees -----	2012 -----
	Property and equipment	4.1	96,853,564	104,030,443
	Capital work-in-progress	4.2	11,326,199	5,000,000
	Intangible assets	4.3	278,847,833	279,241,002
			<u>387,027,596</u>	<u>388,271,445</u>

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

### 4.1 Property and equipment

Following is a statement of property and equipment:

	Computers	Building	Office equipment	Furniture and fixtures	Vehicles	Total
----- Rupees -----						
<b>As at July 1, 2012</b>						
Cost / revaluation	23,869,121	80,800,000	8,687,177	14,551,268	8,616,063	136,523,629
Accumulated depreciation	(14,344,647)	(6,278,833)	(4,057,866)	(5,237,822)	(2,574,018)	(32,493,186)
Net book value	9,524,474	74,521,167	4,629,311	9,313,446	6,042,045	104,030,443
<b>Year ended June 30, 2013</b>						
Opening net book value	9,524,474	74,521,167	4,629,311	9,313,446	6,042,045	104,030,443
Additions during the year	1,176,906	-	3,579,923	1,006,502	-	5,763,331
Disposals / transfers						
Cost / revaluation	(681,215)	-	(176,211)	(45,820)	(953,796)	(1,857,042)
Accumulated depreciation	636,515	-	150,976	12,601	238,449	1,038,541
	(44,700)	-	(25,235)	(33,219)	(715,347)	(818,501)
Depreciation for the year	(3,386,927)	(3,726,282)	(1,754,962)	(1,477,973)	(1,775,565)	(12,121,709)
<b>Closing net book value</b>	<b>7,269,753</b>	<b>70,794,885</b>	<b>6,429,037</b>	<b>8,808,756</b>	<b>3,551,133</b>	<b>96,853,564</b>
<b>As at June 30, 2013</b>						
Cost / revaluation	24,364,812	80,800,000	12,090,889	15,511,950	7,662,267	140,429,918
Accumulated depreciation	(17,095,059)	(10,005,115)	(5,661,852)	(6,703,194)	(4,111,134)	(43,576,354)
Net book value	7,269,753	70,794,885	6,429,037	8,808,756	3,551,133	96,853,564
<b>Depreciation rates (% per annum)</b>	<b>25%</b>	<b>5%</b>	<b>20%</b>	<b>10%</b>	<b>25%</b>	
<b>As at July 1, 2011</b>						
Cost / revaluation	23,349,010	80,800,000	8,208,600	12,662,491	9,952,063	134,972,164
Accumulated depreciation	(10,342,711)	(2,356,669)	(2,695,891)	(3,857,637)	(1,814,135)	(21,067,043)
Net book value	13,006,299	78,443,331	5,512,709	8,804,854	8,137,928	113,905,121
<b>Year ended June 30, 2012</b>						
Opening net book value	13,006,299	78,443,331	5,512,709	8,804,854	8,137,928	113,905,121
Additions during the year	642,648	-	582,487	2,181,807	-	3,406,942
Disposals / transfers						
Cost / revaluation	(122,537)	-	(103,910)	(293,030)	(1,336,000)	(1,855,477)
Accumulated depreciation	6,766	-	6,719	4,474	1,336,000	1,353,959
	(115,771)	-	(97,191)	(288,556)	-	(501,518)
Depreciation for the year	(4,008,702)	(3,922,164)	(1,368,694)	(1,384,659)	(2,095,883)	(12,780,102)
<b>Closing net book value</b>	<b>9,524,474</b>	<b>74,521,167</b>	<b>4,629,311</b>	<b>9,313,446</b>	<b>6,042,045</b>	<b>104,030,443</b>
<b>As at June 30, 2012</b>						
Cost / revaluation	23,869,121	80,800,000	8,687,177	14,551,268	8,616,063	136,523,629
Accumulated depreciation	(14,344,647)	(6,278,833)	(4,057,866)	(5,237,822)	(2,574,018)	(32,493,186)
Net book value	9,524,474	74,521,167	4,629,311	9,313,446	6,042,045	104,030,443
<b>Depreciation rates (% per annum)</b>	<b>25%</b>	<b>5%</b>	<b>20%</b>	<b>10%</b>	<b>25%</b>	

**4.1.1** The office premises of the Company was originally revalued by an independent professional valuer on November 20, 2007. The revaluation was carried out by M/s Pee Dee and Associates on the basis of professional assessment of present market values and resulted in a surplus of Rs 1.623 million. The Company revalued its office premises using the same independent professional valuer as on October 1, 2010. The said revaluation was based on market values prevailing at that time and resulted in a further surplus of Rs 15.260 million. Had there been no revaluation, the carrying amount of the said office premises as at June 30, 2013 would have been Rs 56.15 million (2012: Rs 59.11 million).

**4.1.2** Included in cost of property and equipment are fully depreciated items which are still in use aggregating to Rs 12.690 million (2012: Rs 12.785 million).

**4.1.3** Particulars of items of property and equipment having a net book value exceeding Rs 50,000 disposed off during the year are as follows:

Description	Cost	Accumulated depreciation	Net book value	Sales proceeds	Mode of disposal	Particulars of purchaser
Vehicle	953,796	238,449	715,347	715,347	Staff Policy	Mr. Nasim Beg - Executive Vice Chairman



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

### 4.2 Capital work-in-progress

This includes amount paid for upgradation of computer software to a consultant.

### 4.3 Intangible assets

Following is a statement of intangible assets:

	Computer software	Goodwill	Management rights	Total
	----- Rupees -----			
<b>As at July 1, 2012</b>				
Cost	13,240,978	82,126,933	192,000,000	287,367,911
Accumulated amortisation	(8,126,909)	-	-	(8,126,909)
Net book value	5,114,069	82,126,933	192,000,000	279,241,002
<b>Year ended June 30, 2013</b>				
Opening net book value	5,114,069	82,126,933	192,000,000	279,241,002
Additions during the year	1,744,777	-	-	1,744,777
Disposals / transfers				
Cost	-	-	-	-
Accumulated amortisation	-	-	-	-
Amortisation for the year	(2,137,946)	-	-	(2,137,946)
<b>Closing net book value</b>	<b>4,720,900</b>	<b>82,126,933</b>	<b>192,000,000</b>	<b>278,847,833</b>
<b>As at June 30, 2013</b>				
Cost	14,985,755	82,126,933	192,000,000	289,112,688
Accumulated amortisation	(10,264,855)	-	-	(10,264,855)
Net book value	4,720,900	82,126,933	192,000,000	278,847,833
<b>Amortisation rates (% per annum)</b>	<b>25%</b>			
<b>As at July 1, 2011</b>				
Cost	13,056,056	82,126,933	192,000,000	287,182,989
Accumulated amortisation	(6,342,173)	-	-	(6,342,173)
Net book value	6,713,883	82,126,933	192,000,000	280,840,816
<b>Year ended June 30, 2012</b>				
Opening net book value	6,713,883	82,126,933	192,000,000	280,840,816
Additions during the year	515,000	-	-	515,000
Disposals / transfers				
Cost	330,078	-	-	330,078
Accumulated amortisation	(227,579)	-	-	(227,579)
Amortisation for the year	(102,499)	-	-	(102,499)
Amortisation for the year	(2,012,315)	-	-	(2,012,315)
<b>Closing net book value</b>	<b>5,114,069</b>	<b>82,126,933</b>	<b>192,000,000</b>	<b>279,241,002</b>
<b>As at June 30, 2012</b>				
Cost	13,240,978	82,126,933	192,000,000	287,367,911
Accumulated amortisation	(8,126,909)	-	-	(8,126,909)
Net book value	5,114,069	82,126,933	192,000,000	279,241,002
<b>Amortisation rates (% per annum)</b>	<b>25%</b>			

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

- 4.3.1** In accordance with the requirement of IFRS 3: 'Business combinations', an acquiree shall measure goodwill acquired in a business combination, subsequent to initial recognition at cost less accumulated impairment losses, if any. Goodwill acquired in a business combination and intangible assets having indefinite useful life shall not be amortised, instead, it shall be tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, in accordance with International Accounting Standard (IAS) 36, 'Impairment of Assets'. In addition, goodwill acquired in a business combination and intangible assets having indefinite useful lives shall be allocated to each of the acquirer's cash-generating unit ("CGU") or group of cash-generating units if it can be attributed directly, or allocated on a reasonable and consistent basis, to the cash-generating unit and will generate future cash flows used in determining the cash-generating unit's fair value less cost to sell.
- 4.3.2** Goodwill is monitored by the management at the operating segment level. During the period, the management has carried out impairment testing of the operating segment. Based on this exercise and as per the management's assessment no impairment has been recognised in the profit and loss account. The carrying value of the cash-generating-unit includes the amounts as stated above.
- 4.3.3** The recoverable amount of the CGU is based on the fair value less cost to sell calculations. In assessing fair value less cost to sell, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessment of the time value of money and the risk specific to the asset. The management prepares a formal five year plan for its business unit. This five year plan of the CGU has been used as the basis for fair value less cost to sell calculations. The management believes this to be a suitable time scale over which to review and consider annual performance before applying a fixed terminal value multiple to the final year cash flow of the detailed projections.

The following post-tax rates have been applied by the Company to the post tax cash flows of the CGU:

- Discount rate	19.00%
- Terminal growth rate	7.00%

### **4.3.4 Key assumptions used to determine the recoverable amounts**

The growth rates used to estimate future performance of the business unit are based on a market participants perspective and also taking into account past performance. The calculation of fair value less cost to sell is most sensitive to the following assumptions:

**- Discount rate**

The discount rate for the CGU is the cost of equity.

**- Terminal growth rate used to extrapolate the cash flows beyond the budgeted period**

It is based on the growth rate of cash flows during the explicit forecast period.

**- Growth rate of assets under management**

Growth forecast is based on management's best estimates and also take into account past trends.

	Note	2013	2012
		----- Rupees -----	
<b>5 LONG-TERM INVESTMENTS</b>			
<b>Investments in units of mutual funds</b>			
Available-for-sale investments	5.1	<u><u>303,075,000</u></u>	<u><u>326,549,333</u></u>

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

### 5.1 Available-for-sale

Name of the Investee fund	As at July 01, 2012	Purchases during the year	Bonus units issued during the year	Redemptions/reclassifications during the year*	As at June 30, 2013	As at June 30, 2013			As at June 30, 2012		
						Cost	Market value	Unrealised appreciation on re-measurement of investments	Cost	Market value	Unrealised appreciation on re-measurement of investments
						Rupees			Rupees		
Pakistan Pension Fund	900,000	-	-	-	900,000	113,328,000	154,218,000	40,890,000	113,328,000	126,426,000	13,098,000
Pakistan Islamic Pension Fund	900,000	-	-	-	900,000	111,534,000	148,857,000	37,323,000	111,534,000	125,682,000	14,148,000
AH Dow Jones SAFE Pakistan Titans 15 Index Fund* (note 10.2.2)	423,942	-	-	423,942	-	-	-	-	23,164,667	24,376,683	1,212,016
MCB Islamic Income Fund	500,000	-	-	500,000	-	-	-	-	50,000,000	50,064,650	64,650
						<u>224,862,000</u>	<u>303,075,000</u>	<u>78,213,000</u>	<u>298,026,667</u>	<u>326,549,333</u>	<u>28,522,666</u>

	Note	2013	2012
		Rupees	Rupees
<b>5.1.1 Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'available-for-sale'</b>			
Market value of investments		303,075,000	326,549,333
Less: Cost of investments		<u>(224,862,000)</u>	<u>(298,026,667)</u>
		<u>78,213,000</u>	<u>28,522,666</u>
Less: Net unrealised appreciation in fair value of investments at the beginning of the year		28,522,666	(1,097,475)
Less: Amount realised on redemption		<u>(1,276,666)</u>	<u>-</u>
		<u>50,967,000</u>	<u>29,620,141</u>

### 6 LONG-TERM LOANS AND RECEIVABLES

#### Loans to related parties (secured and considered good)

Loan to Chief Executive Officer		141,550	277,510
Loans to employees		<u>1,590,332</u>	<u>2,510,175</u>
	6.1 & 6.2	<u>1,731,882</u>	<u>2,787,685</u>
Less: Current portion of loans	8	<u>(396,020)</u>	<u>(795,275)</u>
		<u>1,335,862</u>	<u>1,992,410</u>

#### Other receivables from related parties

Pakistan Strategic Allocation Fund		4,143,150	5,585,109
Pakistan Premier Fund		<u>3,288,747</u>	<u>4,281,370</u>
	6.3	<u>7,431,897</u>	<u>9,866,479</u>
Less: Current portion	7.1	<u>(3,025,167)</u>	<u>(5,311,887)</u>
		<u>5,742,592</u>	<u>6,547,002</u>

**6.1** This includes interest-free loans given to employees for the purchase of motor vehicles. These loans are secured against provident fund balances maintained with the Company and are adjustable at the time of final settlement to the employees on leaving the Company. The maximum aggregate balance of loans to related parties outstanding at any time during the year was Rs 3.808 million (2012: Rs 3.573 million).

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

		2013	2012
		----- Rupees -----	
<b>6.2</b>	<b>Reconciliation of loans to related parties is as follows:</b>		
	Opening balance	2,787,685	2,311,429
	Disbursed during the year	-	1,488,686
	Recovered during the year	(1,055,803)	(1,012,430)
		<u>1,731,882</u>	<u>2,787,685</u>
<b>6.3</b>	This includes expenses incurred in connection with the incorporation, registration, establishment and offering for sale and distribution of the securities of the Funds borne by the Company and reimbursable by Funds in equal amounts, payable annually over a period of five years or period till maturity, whichever is earlier. The fair values of amounts receivable from related parties are based on discounted cash flows.		
<b>7</b>	<b>RECEIVABLE FROM RELATED PARTIES</b>	Note	2013 2012
			----- Rupees -----
	<b>Unsecured - considered good</b>		
	Pakistan Income Fund	2,845,093	2,003,378
	Pakistan Stock Market Fund	2,936,043	2,052,906
	Metro Bank - Pakistan Sovereign Fund	2,826,812	6,636,515
	Pakistan Premier Fund	2,509,361	3,161,088
	Pakistan Capital Market Fund	856,094	672,963
	Pakistan Strategic Allocation Fund	2,373,938	3,707,972
	Pakistan International Element Islamic Asset Allocation Fund	613,670	531,657
	Pakistan Pension Fund	666,148	360,530
	Pakistan Islamic Pension Fund	389,353	221,353
	Pakistan Cash Management Fund	2,619,493	4,683,759
	Pakistan Income Enhancement Fund	7,405,363	1,612,335
	Pakistan Capital Protected Fund - Fixed Income Securities	840,478	341,426
	AH Dow Jones SAFE Pakistan Titans 15 Index Fund	-	93,320
	MCB Islamic Income Fund	7,401,537	2,242,749
	MCB Dynamic Allocation Fund	1,254,852	161,502
	MCB Dynamic Stock Fund	2,380,308	1,684,462
	MCB Cash Management Optimizer	12,169,964	21,715,351
	MCB Dynamic Cash Fund	18,116,029	9,980,785
	MCB Sarmaya Mehfooz Fund I	-	721,399
		7.1 <u>68,204,536</u>	<u>62,585,450</u>
	MCB Bank Limited	206,162	-
	Advisory fee receivable on account of Discretionary Portfolio management	1,321,628	357,407
	Rotocast Engineering (Private) Limited	-	57,970,426
		<u>69,732,326</u>	<u>120,913,283</u>
<b>7.1</b>	The above amounts represent receivable on account of management fee, current portion of long-term receivables and other expenses paid on behalf of related parties.		

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

8	LOANS AND ADVANCES	Note	2013	2012
			----- Rupees -----	-----
	<b>Considered good - unsecured</b>			
	Current portion of loans to employees		396,020	795,275
	Advances to employees		95,159	32,023
	Advances to suppliers and contractors		383,070	454,940
			<u>874,249</u>	<u>1,282,238</u>
<b>9</b>	<b>DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
	Deposits		418,198	449,614
	<b>Prepayments</b>			
	Registration fee		434,547	3,047,021
	Maintenance		163,587	1,283,335
	Insurance		2,323,537	2,434,913
	Others		1,896,850	1,705,013
			4,818,521	8,470,282
	<b>Other receivables</b>			
	Advisory fee receivable on account of Discretionary Portfolio management		4,697,819	1,186,256
	Others		311,953	87,605
			5,009,772	1,273,861
			<u>10,246,491</u>	<u>10,193,757</u>
<b>10</b>	<b>SHORT-TERM INVESTMENTS</b>			
	<b>Investments in units of mutual funds</b>			
	At fair value through profit or loss	10.1	571,417,927	465,242,143
	Available-for-sale	10.2	-	2,417,385
			<u>571,417,927</u>	<u>467,659,528</u>

### 10.1 At fair value through profit or loss

Name of the Investee Fund						As at June 30, 2013			As at June 30, 2012		
	As at July 01, 2012	Purchases during the year	Bonus units issued during the year	Redemptions during the year	As at June 30, 2013	Carrying value	Market value	Unrealised appreciation on re-measurement of investments	Carrying value	Market value	Unrealised appreciation on re-measurement of investments
	Number of units					Rupees					
MCB Dynamic Cash Fund	3,716,139	1,963,420	314,996	1,823,076	4,171,479	400,722,214	432,384,581	31,662,367	354,019,834	376,907,202	22,887,368
MCB Cash Management Optimizer	145,512	-	-	145,512	-	-	-	-	13,097,261	14,567,804	1,470,543
MCB Islamic Income Fund	605,733	-	-	605,733	-	-	-	-	50,126,600	60,651,585	10,524,985
MCB Dynamic Allocation Fund	-	1,820,071	-	653,153	1,166,918	88,547,336	98,348,399	9,801,063	-	-	-
Pakistan Cash Management Fund	262,009	1,422,834	22,656	1,707,499	-	-	-	-	13,000,000	13,115,552	115,552
Metrobank Pakistan Sovereign Fund - Perpetual Scheme	-	1,433,848	27,806	669,810	791,844	40,000,000	40,684,947	684,947	-	-	-
						529,269,550	571,417,927	42,148,377	430,243,695	465,242,143	34,998,448

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

### 10.2 Available-for-sale investments

Name of the Investee Fund	As at July 01, 2012	Reclassifications during the year*	Bonus units issued during the year	Redemptions during the year	As at June 30, 2013	As at June 30, 2013			As at June 30, 2012		
						Cost	Market value	Unrealised appreciation on re-measurement of investments	Cost	Market value	Unrealised appreciation on re-measurement of investments
						Number of units			Rupees		
AH Dow Jones SAFE Pakistan Titans 15 Index Fund (note 10.2.2)*	-	423,942	-	423,942	-	-	-	-	-	-	
Metrobank Pakistan Sovereign Fund - Perpetual Scheme	19,536	-	478	20,014	-	-	-	-	839,515	942,002	102,487
Pakistan Capital Protected Fund - Fixed Income Securities (note 10.2.3)	144,363	-	-	144,363	-	-	-	-	1,339,657	1,475,383	135,726
						-	-	-	2,179,172	2,417,385	238,213

#### 10.2.1 Net unrealised appreciation / (diminution) in value of investments classified as 'available-for-sale'

2013                      2012  
----- Rupees -----

##### Investment in related parties

Market value of investments	-	2,417,385
Less: Cost of investments	-	(2,179,172)
	-	238,213
Less: Net unrealised appreciation in fair value of investments at the beginning of the year	238,213	1,628
Less: Amount realised on redemption net of related deferred tax	(238,213)	252,606
	-	(16,021)

**10.2.2** AH Dow Jones SAFE Pakistan Titans 15 Index Fund (the Scheme) was wound up with effect from January 24, 2013 due to a decline in its net assets below the minimum statutory requirement of Rs 100 million as contained in Regulation 54(3)(a) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 coupled with the management's view that the continuity of the scheme was no more commercially viable.

**10.2.3** The Pakistan Capital Protected Fund - Fixed Income Securities was launched in 2010 with a fixed term of 2.5 years which expired on August 15, 2012.

	Note	2013	2012
<b>11 TAXATION - NET</b>		----- Rupees -----	
Advance tax		43,668,854	14,436,677
Income tax refundable	11.1	64,584,173	76,668,264
		108,253,027	91,104,941
Provision for taxation		(51,303,826)	(15,121,721)
		56,949,201	75,983,220

**11.1** This includes assessed refunds for the tax years 2008, 2009, 2010, 2011 and 2012. The income tax return upto the tax year 2012 have been filed under the self assessment scheme and are deemed to be finalised under section 120 of the Income Tax Ordinance, 2001.

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

12	CASH AND BANK BALANCES	Note	2013 ----- Rupees -----	2012 ----- Rupees -----
	Balances with bank in			
	- savings accounts	12.1	3,222,489	7,948,251
	- current accounts	12.2	1,547,498	3,617,351
			4,769,987	11,565,602
	Cash in hand		25,000	25,000
			4,794,987	11,590,602
12.1	These pertain to balances in accounts maintained with Summit Bank Limited and MCB Bank Limited (related parties) amounting to Rs 2.613 million and Rs 0.609 million respectively (2012: Rs 2.907 million and Rs 4.108 million respectively) and carry mark-up at the rate of 8.00% and 8.25% (2012: 11.00%) per annum.			
12.2	These include balances in accounts maintained with Summit Bank Limited and MCB Bank Limited (related parties) amounting to Rs 0.179 million and Rs 1.366 million respectively (2012: Rs 0.494 million and Rs 3.074 million respectively).			
13	ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
	2013      2012 Number of shares		2013 ----- Rupees -----	2012 ----- Rupees -----
		Ordinary shares of Rs 10 each		
	5,000,000	5,000,000	50,000,000	50,000,000
	31,000,000	31,000,000	310,000,000	310,000,000
		- Fully paid in cash		
		- Issued as fully paid bonus shares		
		- Shares issued for consideration other than cash (note 14.1)		
	36,000,000	36,000,000	360,000,000	360,000,000
	72,000,000	72,000,000	720,000,000	720,000,000
13.1	Shares held by the related parties of the Company			
	Particulars of the shareholders		2013 ---- Number of shares ----	2012 ---- Number of shares ----
	MCB Bank Limited		36,956,768	36,956,768
	Arif Habib Corporation Limited		21,664,167	21,664,167
	Adamjee Insurance Company Limited		3,396,340	2,310,840
	Directors, spouses and their minor children		1,912,126	2,485,277
	Arif Habib Investment Management Limited Employee Stock Beneficial Ownership Trust		513,618	540,457
	Others		1,200	1,233,483
14	DEFICIT ARISING ON AMALGAMATION	Note	2013 ----- Rupees -----	2012 ----- Rupees -----
	Deficit arising on amalgamation	14.1	60,000,000	60,000,000
14.1	In accordance with the scheme of amalgamation of MCB AMC and AHIL, the entire undertaking of MCB AMC including all properties, assets, liabilities, receivables, payables and all other rights and obligations were transferred into and vested in the Company as on the effective date. As part of the Scheme, the Company issued and allotted 36 million ordinary shares of Rs 10 each, as fully paid shares, to the registered ordinary shareholders of MCB AMC in the ratio of 1.2 ordinary shares of the Company for each share of Rs 10 of MCB AMC as consideration. Deficit arising on amalgamation represents difference in share capital of AHIL and MCB AMC at the time of merger.			



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

	Note	2013 ----- Rupees -----	2012
<b>15 SURPLUS ARISING ON REVALUATION OF PROPERTY AND EQUIPMENT - NET OF DEFERRED TAX</b>			
Surplus on revaluation of building as at the beginning of the year		15,405,675	16,206,923
Transferred to unappropriated profit in respect of:			
Incremental depreciation charged during the year - net of deferred tax		(508,633)	(534,525)
Related deferred tax liability		(262,023)	(266,723)
		(770,656)	(801,248)
Surplus on revaluation of building as at the end of the year		14,635,019	15,405,675
Less: Related deferred tax liability			
Opening balance		5,069,892	5,336,615
Incremental depreciation charged during the year transferred to unappropriated profit		(262,023)	(266,723)
		4,807,869	5,069,892
		9,827,150	10,335,783
<b>16 DEFERRED TAXATION</b>			
<b>Deferred tax assets arising on deductible temporary differences</b>			
- Deferred tax on revaluation and others adjustments		4,807,869	5,069,892
<b>Deferred tax liabilities arising on taxable temporary differences</b>			
- Property and equipment		13,566,323	15,161,980
- Intangible assets		22,716,039	20,055,371
		36,282,362	35,217,351
	16.1	41,090,231	40,287,243
<b>16.1 Reconciliation of deferred tax liability</b>			
Deferred tax liability as at July 1		40,287,243	(5,327,523)
Deferred tax arising on components of other comprehensive income		(262,023)	(376,290)
Charged / (reversed) during the year		1,065,011	45,991,056
Deferred tax liability as at June 30		41,090,231	40,287,243
<b>17 TRADE AND OTHER PAYABLES</b>			
Accrued expenses	17.1	57,317,829	45,604,023
Withholding tax payable		702,155	38,424
Indirect taxes and duties payable		12,927,125	7,823,129
Payable to facilitators / distributors		24,822,171	33,107,248
Unclaimed dividend		1,544,690	1,213,760
Others		103,418	23,396
		97,417,388	87,809,980
<b>17.1</b> It includes Rs nil (2012: Rs 5.185 million) payable to Rotocast Engineering (Private) Limited, a related party.			

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

### 18 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2013 and June 30, 2012.

	Note	2013	2012
		----- Rupees -----	
<b>19 MANAGEMENT FEE / INVESTMENT ADVISORY FEE</b>			
<b>Open-end Collective Investment Schemes - related parties</b>			
Pakistan Income Fund		22,339,211	27,679,659
Pakistan Stock Market Fund		24,921,672	23,416,092
Metrobank Pakistan Sovereign Fund		60,398,328	72,153,447
Pakistan Premier Fund		11,898,002	12,637,448
Pakistan Capital Market Fund		8,850,155	8,326,723
Pakistan Strategic Allocation Fund		7,642,094	11,615,548
Pakistan International Element Islamic Asset Allocation Fund		5,287,615	6,113,939
Pakistan Cash Management Fund		31,645,295	35,537,012
Pakistan Income Enhancement Fund		14,293,391	23,039,228
Pakistan Capital Protected Fund - Fixed Income Securities		523,164	4,143,157
AH Dow Jones SAFE Pakistan Titans 15 Index Fund		542,257	1,327,427
MCB Dynamic Cash Fund		164,194,454	101,777,575
MCB Dynamic Stock Fund		17,703,095	21,161,852
MCB Dynamic Allocation Fund		4,317,115	4,581,753
MCB Cash Management Optimizer		125,486,597	184,780,977
MCB Islamic Income Fund		29,599,835	9,010,297
		<b>529,642,280</b>	<b>547,302,134</b>
<b>Pension schemes - related parties</b>			
Pakistan Pension Fund		5,765,772	3,837,402
Pakistan Islamic Pension Fund		3,215,631	2,367,531
		<b>8,981,403</b>	<b>6,204,933</b>
Investment advisory fee from discretionary portfolio management		<b>11,065,710</b>	<b>2,842,334</b>
		<b>549,689,393</b>	<b>556,349,401</b>
Less: Indirect taxes and duties on management fee	19.1	<b>(79,711,899)</b>	<b>(76,738,090)</b>
		<b>469,977,494</b>	<b>479,611,311</b>

- 19.1** These pertain to Sindh Sales Tax levied with effect from July 01, 2011 by the Provincial Government of Sindh at the rate of 16% through the Sindh Sales Tax on Services Act, 2011 and Federal Excise Duty (FED) levied at the rate of 16% with effect from June 13, 2013 on remuneration of the Management Company.

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

20	ADMINISTRATIVE AND OPERATING EXPENSES	Note	2013 ----- Rupees -----	2012
	Salaries, allowances and other benefits	20.1	157,717,438	142,212,804
	Marketing and advertising expenses		4,785,201	2,214,427
	Legal and professional charges		11,356,201	17,748,114
	Travelling and conveyance charges		3,149,833	3,558,268
	Repairs and maintenance		22,450,388	25,791,111
	Office supplies		431,652	437,370
	Auditors' remuneration	20.2	1,868,000	880,000
	Directors' meeting fee		825,000	1,175,002
	Insurance		568,956	1,031,632
	Depreciation	4.1	12,121,709	12,780,102
	Amortisation	4.3	2,137,946	2,012,315
	Stamp duty and taxes		279,257	490,845
	Printing and stationery		4,437,794	6,763,453
	Utilities		5,841,541	8,171,924
	Telephone expenses		3,199,852	3,228,643
	Entertainment expenses		1,968,641	1,604,457
	Books, periodicals and subscription		8,093,885	7,516,395
	Registrar fee		695,388	2,866,024
	Miscellaneous expenses		4,597,604	2,602,230
			<b>246,526,286</b>	<b>243,085,116</b>

**20.1** This amount includes contributions to provident fund amounting to Rs 4.39 million (2012: Rs 4.35 million) the particulars of which are as follows:

	2013 ----- (Rupees) -----	2012
Size of the provident fund - Total assets *	17,818,252	17,877,544
Fair value of investments *	16,977,369	17,913,571

	----- (Percentage) -----	
Percentage of investments made *	95.28%	100.20%

The cost of above investments amounted to Rs 16.372 million (2012: Rs 17.384 million).

The investments of the provident fund have been made in accordance with the provisions contained in Section 227 of the Companies Ordinance, 1984 and the rules formulated thereunder. Details of such investments are as follows:

	2013 ----- Percentage -----	2012	2013 ----- (Rupees) -----	2012
Government securities	63%	64%	10,757,219	11,519,639
Debt securities - listed	4%	8%	634,793	1,406,816
Equity securities - listed	33%	28%	5,585,357	4,987,116
	100%	100%	<b>16,977,369</b>	<b>17,913,571</b>

\* The aforementioned information is based on un-audited financial statements of the Fund as at June 30, 2013 and 2012.

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

20.2 Auditors' remuneration	Note	2013 ----- Rupees -----	2012
Audit fee	20.2.1	1,600,000	650,000
Half yearly review fee		170,000	140,000
Review of compliance with the best practices of the Code of Corporate Governance		50,000	30,000
Other certification		15,000	30,000
Out of pocket expenses		33,000	30,000
		<u>1,868,000</u>	<u>880,000</u>

20.2.1 This includes Rs 800,000 charged for the review of impairment model of Goodwill.

21 TAXATION	Note	2013 ----- Rupees -----	2012
Current		51,303,826	15,121,721
Prior		10,137,654	(553,146)
Deferred	16.1	1,065,011	45,991,056
		<u>62,506,491</u>	<u>60,559,631</u>

### 21.1 Relationship between income tax expense and accounting profit:

Accounting profit before tax		<u>220,156,189</u>	<u>205,139,298</u>
Tax on accounting profit at 35% (2012: 35%)		77,054,666	71,798,754
Effect of:			
Change in rate		(2,782,056)	-
Inadmissible expense		3,791,534	-
Exempt income and income chargeable to tax at reduced rates		(6,635,699)	-
Income not chargeable to income tax		(15,395,093)	-
Prior year adjustments		10,137,654	(553,146)
Others		(3,664,515)	(10,685,978)
		<u>62,506,491</u>	<u>60,559,630</u>

## 22 EARNINGS PER SHARE

### 22.1 Basic

Earnings per share has been computed by dividing profit after taxation for the year by the weighted average number of shares outstanding during the year as follows:

	2013 ----- Rupees -----	2012
Profit for the year after taxation	<u>157,649,698</u>	<u>144,579,667</u>

----- Number of shares -----

Weighted average number of ordinary shares outstanding during the year	<u>72,000,000</u>	<u>72,000,000</u>
--	-------------------	-------------------

----- Rupees -----

Basic earnings per share	2.19	2.01
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### 22.2 Diluted

Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2013 and 2012 which would have any effect on the earnings per share if the option to convert is exercised.

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

### 23 REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for remuneration including all benefits to the Chief Executive Officer, Directors and Executives of the Company was as follows:

	Year ended June 30, 2013			Year ended June 30, 2012		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
----- Rupees -----						
Managerial remuneration	5,556,000	12,109,200	26,200,216	4,836,000	10,909,200	26,404,784
Bonus	3,000,000	-	11,494,602	2,500,000	-	11,501,699
Retirement benefits	467,796	1,215,720	2,148,540	407,316	1,195,704	2,253,723
Rent and house maintenance	2,500,200	5,449,140	11,790,098	2,176,200	4,909,080	11,882,156
Utilities	555,600	1,210,920	2,617,622	483,600	1,090,920	2,640,478
Medical	550,404	1,210,740	2,539,217	471,336	1,090,800	2,577,605
Meeting fee	-	825,000	-	-	1,175,000	-
Others	2,656,764	3,809,292	8,093,518	2,692,464	300,000	8,606,209
	<b>15,286,764</b>	<b>25,830,012</b>	<b>64,883,813</b>	<b>13,566,916</b>	<b>20,670,704</b>	<b>65,866,654</b>
Number of persons	<b>1</b>	<b>7</b>	<b>24</b>	<b>1</b>	<b>7</b>	<b>24</b>

### 24 OPERATING SEGMENTS

The Company functions as a single operating segment, investment management. Income derived from the management fee of open-end collective investment schemes and pension funds and that derived from the management of discretionary portfolios account for 85.25% and 2.06% (2012: 88.76% and 0.53%) respectively of the total income earned during the year.

### 25 FINANCIAL INSTRUMENTS BY CATEGORY

	As at June 30, 2013			
	Loans and receivables	Available for sale	At fair value through profit or loss	Total
	Rupees			
<b>Assets</b>				
<b>Non-current assets</b>				
Long-term investments	-	303,075,000	-	303,075,000
Long-term loans and receivables	5,742,592	-	-	5,742,592
Long-term deposits	1,519,736	-	-	1,519,736
	7,262,328	303,075,000	-	310,337,328
<b>Current assets</b>				
Receivable from related parties	69,732,326	-	-	69,732,326
Loans and advances	874,249	-	-	874,249
Deposits and other receivables	5,427,970	-	-	5,427,970
Accrued return on bank deposits	156,443	-	-	156,443
Short-term investments	-	-	571,417,927	571,417,927
Cash and bank balances	4,794,987	-	-	4,794,987
	80,985,975	-	571,417,927	652,403,902
	88,248,303	303,075,000	571,417,927	962,741,230

	----- As at June 30, 2013 -----		
	At amortised cost	At fair value through profit or loss	Total
	----- Rupees -----		
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	72,671,518	-	72,671,518

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

	As at June 30, 2012			
	Loans and receivables	Available for sale	At fair value through profit or loss	Total
	Rupees			
<b>Assets</b>				
<b>Non-current assets</b>				
Long-term investments	-	326,549,333	-	326,549,333
Long-term loans and receivables	6,547,002	-	-	6,547,002
Long-term deposits	849,700	-	-	849,700
	7,396,702	326,549,333	-	333,946,035
<b>Current assets</b>				
Receivable from related parties	120,913,283	-	-	120,913,283
Loans and advances	1,282,238	-	-	1,282,238
Deposits and other receivables	1,723,475	-	-	1,723,475
Accrued return on bank deposits	184,225	-	-	184,225
Short-term investments	-	2,417,385	465,242,143	467,659,528
Cash and bank balances	11,590,602	-	-	11,590,602
	135,693,823	2,417,385	465,242,143	603,353,351
	143,090,525	328,966,718	465,242,143	937,299,386

----- As at June 30, 2012 -----			
	At amortised cost	At fair value through profit or loss	Total
	-----Rupees-----		
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	74,974,023	-	74,974,023

## 26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### 26.1 Financial risk factors

The Company's activities expose it to certain financial risks which the management monitors and manages through internal risk management on an ongoing basis. In connection with the Company's financing of operations, the finance function ensures adequate and flexible liquidity. This is guaranteed by placing deposits in cash and extremely liquid negotiable instruments and/or using binding credit facilities.

Financial risks pertain to market risk, credit risk and liquidity risk. The Company seeks to minimise the effects of these risks by managing financial assets and liabilities to minimise the risk exposures. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis.

### 26.2 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 (e.g. foreign exchange rates, interest rates, equity prices, etc.). The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the returns to shareholders.

The Company's policy is to manage market risk through diversification and selection of securities within specified limits set by the Board of Directors.

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

#### 26.2.1 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. Presently, the Company is not exposed to currency risk as all transactions are carried out in Pak Rupees.

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

### 26.2.2 Interest rate risk

Yield / interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

#### a) Sensitivity analysis for variable rate instruments.

Presently, the Company does not hold any variable rate financial instrument.

#### b) Sensitivity analysis of fixed rate instruments

Fixed rate instruments comprise of balances with banks in savings accounts. The income from these financial assets are substantially independent of changes in market interest rates except for changes, if any, as a result of fluctuation in respective fair values.

The Company's exposure to interest rate risk is as follows:

As on June 30, 2013							
Effective rate of interest / mark-up	Interest / mark-up bearing			Non-interest / mark up bearing			Total
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	
%							
							Rupees
<b>On balance sheet financial instruments</b>							
<b>Financial assets</b>							
Long-term investments	-	-	-	303,075,000	-	303,075,000	303,075,000
Loans and advances	-	-	-	874,249	5,742,592	6,616,841	6,616,841
Long-term deposits	-	-	-	-	1,519,736	1,519,736	1,519,736
Receivable from related parties	-	-	-	69,732,326	-	69,732,326	69,732,326
Deposits and other receivables	-	-	-	5,427,970	-	5,427,970	5,427,970
Accrued return on bank deposits	-	-	-	156,443	-	156,443	156,443
Short-term investments	-	-	-	571,417,927	-	571,417,927	571,417,927
Cash and bank balances	8% to 8.25%	3,222,489	-	3,222,489	1,572,498	-	4,794,987
		3,222,489	-	3,222,489	952,256,413	7,262,328	959,518,741
<b>Financial liabilities</b>							
Trade and other payables	-	-	-	72,671,518	-	72,671,518	72,671,518
	-	-	-	72,671,518	-	72,671,518	72,671,518
<b>On balance sheet gap *</b>		3,222,489	-	3,222,489	879,584,895	7,262,328	886,847,223
							890,069,712

As on June 30, 2012							
Effective rate of interest / mark-up	Interest / mark-up bearing			Non interest / mark up bearing			Total
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	
							Rupees
<b>On balance sheet financial instruments</b>							
<b>Financial assets</b>							
Long-term investments	-	-	-	326,549,333	-	326,549,333	326,549,333
Loans and advances	-	-	-	1,282,238	6,547,002	7,829,240	7,829,240
Long-term deposits	-	-	-	-	849,700	849,700	849,700
Receivable from related parties	-	-	-	120,913,283	-	120,913,283	120,913,283
Deposits and other receivables	-	-	-	1,723,475	-	1,723,475	1,723,475
Accrued return on bank deposits	-	-	-	184,225	-	184,225	184,225
Short-term investments	-	-	-	467,659,528	-	467,659,528	467,659,528
Cash and bank balances	11%	7,948,251	-	7,948,251	3,642,351	-	11,590,602
		7,948,251	-	7,948,251	921,954,433	7,396,702	929,351,135
<b>Financial liabilities</b>							
Trade and other payables	-	-	-	74,974,023	-	74,974,023	74,974,023
	-	-	-	74,974,023	-	74,974,023	74,974,023
<b>On balance sheet gap *</b>		7,948,251	-	7,948,251	846,980,410	7,396,702	854,377,112
							862,325,363

\* The on balance sheet gap represents the net amounts of on-balance sheet items.



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

### 26.2.3 Price risk

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

The Company is exposed to price risk because of investments held by the Company in units of open-end collective investment schemes and pension funds managed by the Company itself. The investments are marked to market based on the net assets value which are declared for each fund on a daily basis. Senior management of the Company reviews these investments on a regular basis. Furthermore, the Board of Directors of the Company also reviews and approves all significant equity investment decisions.

In case of 1% increase/decrease in the net asset values of the funds, the profit for the year after taxation of the Company would be higher/lower by Rs 5.714 million (2012: Rs 4.652 million), other comprehensive income for the year would be higher/lower by Rs 3.031 million (2012: Rs 3.290 million) and total comprehensive income for the year would be higher/lower by Rs 8.745 million (2012: Rs 7.942 million).

### 26.3 Credit risk

Credit risk is the risk that a counterparty will fail to discharge an obligation and cause the other party to incur a financial loss. The entire financial assets are subject to the credit risk. Management believes that the Company's credit risk is minimal as major portion of financial assets comprise of investments in or receivables from its Funds under Management which are financially sound.

The Company's financial assets are neither past due nor impaired as at the reporting date.

Ratings of Funds from which amounts are receivable are as follows:

Fund	--- As at June 30, 2013 ---		--- As at June 30, 2012 ---		Rating agency
	-----Performance ranking-----				
	Long-term	Short-term	Long-term	Short-term	
Pakistan Stock Market Fund	3 - star	3 - star	2 - star	4 - star	PACRA
Pakistan Premier Fund	3 - star	3 - star	3 - star	3 - star	PACRA
Pakistan Capital Market Fund	3 - star	3 - star	-	2 - star	PACRA
Pakistan International Element Islamic Asset Allocation Fund	3 - star	3 - star	-	4 - star	PACRA
Pakistan Strategic Allocation Fund	3 - star	4 - star	3 - star	3 - star	PACRA
MCB Dynamic Stock Fund	4 - star	4 - star	-	5 - star	PACRA
MCB Dynamic Allocation Fund	5 - star	4 - star	-	4 - star	PACRA

	--- As at June 30, 2013 ---	--- As at June 30, 2012 ---	
	-----Stability rating-----		Rating agency
Pakistan Cash Management Fund	AAA (f)	AAA (f)	PACRA
Pakistan Income Fund	A + (f)	AA (f)	PACRA
MetroBank - Pakistan Sovereign Fund	AA (f)	AA (f)	PACRA
Pakistan Income Enhancement Fund	A + (f)	A + (f)	PACRA
MCB Dynamic Cash Fund	A + (f)	A + (f)	PACRA
MCB Cash Management Optimizer	AA (f)	AA+(f)	PACRA
MCB Islamic Income Fund	AA - (f)	AA-1	PACRA

Ratings of banks with which deposits are kept are as follows:

BANK	--- As at June 30, 2013 ---		--- As at June 30, 2012 ---		Agency
	Rating				
	Short-term	Long-term	Short-term	Long-term	
MCB Bank Limited	A1+	AAA	A1+	AA+	PACRA
Summit Bank Limited	A-3	A-	A-2	A	JCR-VIS
Bank Al Habib Limited	A1+	AA+	A1+	AA+	PACRA

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

### 26.4 Liquidity risk

Liquidity risk is the risk that the Company 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 management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios and rational investment decisions after taking into consideration the current availability of liquid resources. As at June 30, 2013, the Company's cash and bank balances amounted to Rs 4.795 million.

The management believes that the Company is not exposed to any significant level of liquidity risk because its liabilities are supported by other operating revenues generated by the Company and balances maintained with banks and are further supported by investments of the Company in its own funds under management which are readily convertible into cash.

The maturity profile of the Company's liability based on contractual maturities is disclosed in note 26.2.2 to these financial statements.

### 27 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 fair value estimates.

Underlying the definition of fair value is the presumption that the Company 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.

The fair value of investments in units of open-end collective investment schemes and pension funds are based on the net assets value announced by the Company at each reporting date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from carrying values as the items are either short-term in nature or are periodically repriced.

International Financial Reporting Standard 7, 'Financial Instruments: Disclosures' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

----- As at June 30, 2013 -----				
	Level 1	Level 2	Level 3	Total
	----- Rupees -----			
<b>Assets</b>				
<i>Investment in units of open-end collective investment schemes and pension funds</i>				
Available-for-sale investments	303,075,000	-	-	303,075,000
Investments at fair value through profit or loss	571,417,927	-	-	571,417,927
	<b>874,492,927</b>	-	-	<b>874,492,927</b>
----- As at June 30, 2012 -----				
	Level 1	Level 2	Level 3	Total
	----- Rupees -----			
<b>Assets</b>				
<i>Investment in units of open-end collective investment schemes and pension funds</i>				
Available-for-sale investments	328,966,718	-	-	328,966,718
Investments at fair value through profit or loss	465,242,143	-	-	465,242,143
<b>Total</b>	<b>794,208,861</b>	-	-	<b>794,208,861</b>

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

### 28 CAPITAL MANAGEMENT

The Company's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services that commensurate with the level of risk.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. Currently, the Company is financing its operations through equity and working capital.

### 29 TRANSACTIONS WITH RELATED PARTIES

MCB Bank Limited (MCB) holds 51.33% ordinary shares of the Company as at the year end. Therefore, all subsidiaries and associated undertakings of MCB are related parties of the Company. Other related parties comprise of collective investment schemes managed by the Company, directors, key management personnel and their close family members and the defined contribution plan. Transactions with related parties are in the normal course of business and carried out at contracted rates and terms. Details of such transaction are as follows:

	2013	2012
	----- Rupees -----	
<b>Transactions with related parties during the year</b>		
<b>CONTRIBUTION TO PROVIDENT FUND</b>	<b>4,391,723</b>	4,359,841
<b>MCB BANK LIMITED</b>		
Commission and other expenses	32,722,276	29,914,771
Profit in bank deposits	1,427,051	1,057,453
Bank charges	4,274	19,676
Reimbursement of expenses	10,996,000	9,154,325
Branch sharing expenses	2,460,016	2,190,218
Dividend paid	110,870,304	83,152,728
<b>ADAMJEE LIFE ASSURANCE COMPANY LIMITED</b>		
Investment advisory fee	4,329,654	962,118
Amount paid against life assurance	4,482,029	4,691,745
<b>ADAMJEE INSURANCE COMPANY LIMITED</b>		
Amount paid against vehicles' insurance	101,865	60,000
<b>ROTOCAST ENGINEERING (PRIVATE) LIMITED</b>		
Disposal of non current assets	-	77,970,426
Amount received against disposal of non current assets	57,970,426	-
<b>MCB FINANCIAL SERVICES LIMITED</b>		
Reimbursement of expenses	1,570,053	1,144,650
<b>ARIF HABIB CORPORATION LIMITED</b>		
Sale of fixed assets	-	89,749
Dividend paid	64,992,501	48,744,376
<b>SUMMIT BANK LIMITED</b>		
Expense against differential of guaranteed return	2,151,059	3,063,000
Profit on bank deposits	255,754	1,021,133
Bank charges	2,200	17,872

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

	2013	2012
	----- Rupees -----	-----
<b>MCB DYNAMIC CASH FUND</b>		
Management fee	140,198,887	87,739,289
Share of sale load	221,512	949,280
Investments in units	201,000,000	319,000,000
Redemption of units	187,023,727	165,000,000
Issue of bonus units	31,955,401	28,851,933
<b>MCB DYNAMIC STOCK FUND</b>		
Management fee	15,120,973	18,242,976
Share of sale load	133,817	323,062
<b>MCB DYNAMIC ALLOCATION FUND</b>		
Management fee	3,671,892	3,949,787
Share of sale load	88,660	323,062
Investments in units	135,000,000	-
Redemption of units	50,000,000	-
<b>MCB CASH MANAGEMENT OPTIMIZER</b>		
Management fee	107,221,063	159,293,946
Share of sale load	14,737	-
Redemption of units	14,697,769	51,459,571
Issue of bonus units	-	4,835,838
<b>MCB ISLAMIC INCOME FUND</b>		
Management fee	25,291,598	7,767,497
Share of sale load	110,459	517,530
Redemption of units	111,841,127	-
Issue of bonus units	-	10,576,512
<b>PAKISTAN STOCK MARKET FUND</b>		
Management fee	21,295,130	20,186,286
Share of sale load	45,635	23,544
<b>PAKISTAN INCOME FUND</b>		
Management fee	19,118,570	23,861,775
Share of sale load	29,586	7,981
<b>PAKISTAN PREMIER FUND</b>		
Management fee	10,168,318	10,894,352
Amount received against conversion cost	1,726,885	-
<b>METRO BANK-PAKISTAN SOVEREIGN FUND</b>		
Management fee	51,869,497	62,201,247
Share of sale load	38,512	21,328
Redemption of units	34,778,997	-
Issue of bonus units	1,415,277	146,217
Investments in units	72,427,037	-
<b>PAKISTAN CAPITAL MARKET FUND</b>		
Management fee	7,565,549	7,178,209
Share of sale load	1,421	554
<b>PAKISTAN STRATEGIC ALLOCATION FUND</b>		
Management fee	6,538,541	10,013,403
Amount received against conversion cost	2,477,331	-

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

	2013	2012
	----- Rupees -----	
<b>PAKISTAN PENSION FUND</b>		
Management fee	4,922,616	3,308,105
Share of sale load	18,153	291,498
<b>PAKISTAN INTERNATIONAL ELEMENT ISLAMIC ASSET ALLOCATION FUND</b>		
Management fee	4,527,672	5,270,637
Share of sale load	24,605	13,275
<b>PAKISTAN ISLAMIC PENSION FUND</b>		
Management fee	2,746,793	2,040,975
Share of sale load	50,512	46,550
<b>PAKISTAN CAPITAL PROTECTED FUND - FIXED INCOME SECURITIES</b>		
Management fee	451,003	3,571,687
Redemption of units	1,468,989	-
Investments in units	-	1,339,657
Issue of bonus units	-	182,037
<b>PAKISTAN CASH MANAGEMENT FUND</b>		
Management fee	27,081,366	30,635,355
Issue of bonus units	1,134,610	224,271
Investments in units	71,821,346	-
Redemption of units	85,869,567	-
<b>PAKISTAN INCOME ENHANCEMENT FUND</b>		
Management fee	12,175,935	19,861,403
Share of sale load	67,445	705,232
<b>AH DOW JONES SAFE PAKISTAN TITANS 15 INDEX FUND</b>		
Management fee	467,463	1,144,334
Redemption of units	27,587,576	-
Share of sale load	35	5,114
Issue of bonus units	-	2,104,261
<b>Amount outstanding as at period end</b>		
<b>MCB BANK LIMITED</b>		
Bank balance	1,975,281	7,182,164
Receivable as share of expense	206,162	206,162
Other payable	6,853,105	5,986,500
Commission payable	13,014,516	7,284,308
Mark up receivable	156,429	156,429
<b>ADAMJEE LIFE ASSURANCE COMPANY LIMITED</b>		
Advisory fee receivable	1,321,628	357,407
<b>MCB FINANCIAL SERVICES LIMITED</b>		
Payable against monthly reimbursement	151,632	100,500
<b>SUMMIT BANK LIMITED</b>		
Bank balance	2,791,898	3,401,460
Payable against differential of guaranteed return	-	6,679,017

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

	2013	2012
	----- Rupees -----	
<b>MCB DYNAMIC CASH FUND</b>		
Remuneration receivable	17,918,046	9,529,989
Sale load receivable	197,983	450,789
Closing balance of investment in units	432,384,581	376,907,202
<b>MCB DYNAMIC STOCK FUND</b>		
Remuneration receivable	1,855,602	1,361,400
Sale load receivable	524,706	323,062
<b>MCB DYNAMIC ALLOCATION FUND</b>		
Remuneration receivable	638,057	143,502
Sale load receivable	616,795	18,000
Closing balance of investment in units	98,348,399	-
<b>MCB CASH MANAGEMENT OPTIMIZER</b>		
Remuneration receivable	12,073,240	21,715,351
Closing balance of investment in units	-	14,567,804
Sale load receivable	96,724	
<b>MCB SARMAYA MEHFOOZ FUND 1</b>		
Remuneration receivable	-	721,399
<b>MCB ISLAMIC INCOME FUND</b>		
Remuneration receivable	2,819,564	1,455,141
Sale load receivable	4,581,973	787,608
Closing balance of investment in units	-	110,716,235
<b>PAKISTAN STOCK MARKET FUND</b>		
Remuneration receivable	2,522,056	1,754,585
Share of load receivable	405,132	298,321
Other receivable	8,855	-
<b>PAKISTAN INCOME FUND</b>		
Remuneration receivable	1,898,723	1,856,277
Share of load receivable	946,370	147,101
<b>PAKISTAN PREMIER FUND</b>		
Remuneration receivable	1,184,745	889,264
Share of load receivable	4,308	-
Other receivable	2,750	-
Conversion cost receivable	3,952,675	5,679,560
<b>METRO BANK-PAKISTAN SOVEREIGN FUND</b>		
Remuneration receivable	2,702,281	6,636,069
Share of load receivable	124,531	446
Closing balance of investment in units	40,684,947	942,002
<b>PAKISTAN CAPITAL MARKET FUND</b>		
Remuneration receivable	850,897	672,963
Share of load receivable	5,197	-
<b>PAKISTAN STRATEGIC ALLOCATION FUND</b>		
Remuneration receivable	665,929	667,909
Share of load receivable	400	-
Conversion cost receivable	5,122,826	7,600,157

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

	2013	2012
	----- Rupees -----	
<b>PAKISTAN PENSION FUND</b>		
Remuneration receivable	629,710	357,743
Closing balance of investment in units	154,218,000	126,426,000
Share of load receivable	36,438	2,787
<b>PAKISTAN INTERNATIONAL ELEMENT ISLAMIC ASSET ALLOCATION FUND</b>		
Remuneration receivable	412,539	492,829
Share of load receivable	201,131	38,828
<b>PAKISTAN ISLAMIC PENSION FUND</b>		
Remuneration receivable	329,489	221,353
Closing balance of investment in units	148,857,000	125,682,000
Share of load receivable	59,864	-
<b>PAKISTAN CAPITAL PROTECTED FUND - FIXED INCOME SECURITIES</b>		
Others receivable	840,478	-
Remuneration receivable	-	341,426
Closing balance of investment in units	-	1,475,383
<b>PAKISTAN CASH MANAGEMENT FUND</b>		
Remuneration receivable	2,584,464	4,633,730
Closing balance of investment in units	-	13,115,552
Other payable	985	24,642
Others receivable	35,029	50,029
<b>PAKISTAN INCOME ENHANCEMENT FUND</b>		
Remuneration receivable	1,799,004	1,469,726
Share of load receivable	5,602,829	135,034
Others receivable	3,530	7,575
<b>AH DOW JONES SAFE PAKISTAN TITANS 15 INDEX FUND</b>		
Remuneration receivable	-	93,320
Closing balance of investment	-	24,376,683
<b>ROTOCAST ENGINEERING (PRIVATE) LIMITED</b>		
Receivable against sale of non-current assets	-	57,970,426
Payable against utilities expenses of Arif Habib Centre	-	5,184,592
<b>30 NUMBER OF EMPLOYEES</b>	<b>2013</b>	<b>2012</b>
Number of employees at June 30		
- Permanent	72	71
- Contractual	53	52
Average number of employees during the year		
- Permanent	72	71
- Contractual	53	46

### 31 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors in its meeting held on August 05, 2013 has proposed a cash dividend of Rs 1.00 per share (2012: Rs 1.50 per share). This appropriation will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended June 30, 2013 do not include the effect of this appropriation which will be accounted for in the financial statements of the Company for the year ending June 30, 2014.



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

### 32 DATE OF AUTHORISATION FOR ISSUE

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

### 33 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison and better presentation. No significant rearrangements or reclassifications have been made in these financial statements during the current year.


### 34 GENERAL

Amounts have been rounded off to the nearest Rupee unless otherwise stated.

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



Chief Executive Officer



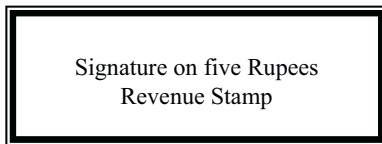
Director

**FORM OF PROXY**  
**13<sup>th</sup> ANNUAL GENERAL MEETING**  
**On October 25, 2013.**

The Company Secretary  
**MCB-Arif Habib Savings and Investments Limited**  
(Formerly, Arif Habib Investments Limited)  
8<sup>th</sup> Floor, Techno City Corporate Tower  
Hasrat Mohani Road,  
Karachi-Pakistan

I/We \_\_\_\_\_ of  
\_\_\_\_\_ in the district of  
\_\_\_\_\_ being a member of MCB-Arif Habib Savings and Investments  
Limited (Formerly, Arif Habib Investments Limited), hereby appoint \_\_\_\_\_  
of \_\_\_\_\_ as my/our proxy to vote for me/us and on my/our  
behalf at the 13<sup>th</sup> Annual General Meeting of the Company to be held on Friday, October 25, 2013  
and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2013



(The signature should agree with the specimen registered with the Company)

**1. WITNESS:**

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

CNIC/ Passport No. \_\_\_\_\_

**2. WITNESS:**

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

CNIC/ Passport No. \_\_\_\_\_

**Shareholder Folio No.**

**CDC Participant ID No & Sub Account No.**

**Note:**

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company at 8<sup>th</sup> Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi-Pakistan not less than 48 hours before the time of holding the meeting. A proxy need not be a member of the Company.
2. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of the proxy shall be rendered invalid.
3. CDC share holders and their proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.
4. The proxy shall produce his original CNIC or original passport at the time of the meeting.
5. In case of a corporate entity, the Board of Directors resolution / power of attorney with specimen signature of the nominee shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

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**MCB-Arif Habib Savings and Investments Limited**  
(Formerly, Arif Habib Investments Limited)  
8th Floor, Techno City, Corporate Tower,  
Hasrat Mohani Road, Karachi

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Please find us on



by typing: **Bachat Ka Doosra Naam**

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

8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.  
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Bachat Center: 0800-622-24 (0800-MCB-AH), Fax: (+92-21)32276898, 32276908  
URL: [www.mcbah.com](http://www.mcbah.com), Email: [info@mcbah.com](mailto:info@mcbah.com)