



Bachat ka Doosra Naam

Annual Report 2014



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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

Board of Directors	Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman Executive Vice Chairman Chief Executive Officer Director Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib	Chairman Member Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Yasir Qadri	Chairman Member Member Member Member
Company Secretary & Chief Operating Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer	Mr. Umair Ahmed	
Share Registrar	Central Depository Company of Pakistan Ltd. CDC House, 99-B, Block 'B' S.M.C.H.S., Main Shahrah-e-Faisal, Karachi. Tel: (92-21) 111-111-500 Fax: (92-21) 34326034 Web: www.cdcpakistan.com	
Bankers	MCB Bank Limited Summit Bank Limited Bank Al Habib Limited	
Auditors	A.F. Ferguson & Co. Chartered Accountants (a member firm of PwC network) State Life Building 1-C I.I. Chundrigar Road Karachi.	
Legal Advisor	Akhund Forbes D-21, Block-4, Scheme-5, Clifton, Karachi. Bawany & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
Registered Office	MCB-Arif Habib Savings & Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Rating	Asset Manager AM2 (PACRA)	

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the fourteenth (14th) Annual General Meeting of MCB-Arif Habib Savings and Investments Limited will be held on Thursday, October 23, 2014 at 3:00 p.m. at Jasmine Hall, Beach Luxury Hotel, Moulvi Tamizuddin Khan Road, Karachi – Pakistan to transact the following business:

Ordinary Business:

1. To confirm the minutes of the last Extraordinary General Meeting held on February 07, 2014.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2014 together with Directors' and Auditors' Reports thereon.
3. To consider and approve final cash dividend of 15% i.e. Rs. 1.50/- per ordinary share of Rs. 10/- each as recommended by the Board of Directors. This is in addition to the interim cash dividend of 12.50% i.e. Rs. 1.25 per ordinary share of Rs. 10/- each already paid to the shareholders during the year, thus making a total cash dividend of 27.50% i.e. Rs. 2.75 per ordinary share of Rs. 10/- each for the year ended June 30, 2014.
4. To appoint external auditors of the Company for the year ending June 30, 2015 and fix their remuneration. The Board of Directors, on the recommendation of Audit Committee of the Company, has proposed the re-appointment of M/s A. F. Ferguson & Co. Chartered Accountants as external auditors, for the year ending June 30, 2015.
5. To transact any other business with the permission of the Chair.

By Order of the Board



Muhammad Saqib Saleem
Company Secretary

September 19, 2014
Karachi

Notes:

1. The Share Transfer Books of the Company will remain closed from Friday, October 17, 2014 to Thursday, October 23, 2014 (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 (5:00 p.m) on Thursday, October 16, 2014, 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 is 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.

NOTICE OF ANNUAL GENERAL MEETING

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.
8. All members of the Company are hereby informed that pursuant to the Finance Act, 2014, effective July 01, 2014, the rates of deduction of income tax under Section 150 of the Income Tax Ordinance, 2001, from payment of dividend to NON-FILER of income tax return is prescribed as 15% and for FILER of Tax Returns it is 10%. List of Filers is available at Federal Board of Revenue's (FBR) website: <http://www.fbr.gov.pk>.

All the members of the Company are therefore advised to update their tax status as below, duly signed, so as to reach latest October 16, 2014 to the Company's shares registrar, M/s. Central Depository Company of Pakistan Limited, CDC House, Block B, SMCHS, Main Shahrah-e-Faisal, Karachi – 74400.

Folio/CDC A/c No.	Name	National Tax Number	CNIC Number for Individuals	Income tax return for the tax year 2013 has been filed (Yes/No)

The information received within the above specified time would enable us to deduct income tax at the applicable rates from the payment of dividend if announced by the Company on October 23, 2014.

9. The financial statements for the year ended June 30, 2014 and reports have been placed on the Company's website: www.mcbah.com.

DIRECTORS' REPORT

The Board of Directors of MCB-Arif Habib Savings and Investments Limited (MCBAH) is pleased to present the Annual Report on the affairs of MCBAH for the year ended June 30, 2014.

Company's Performance Review

Your Company recorded a gross income of Rs. 586 million (June 30, 2013: Rs. 538 million), which includes management/investment advisory fee and other operating income. After accounting of administrative, operating expenses and income sharing of Rs. 347 million (June 30, 2013: Rs. 318 million), the company earned a profit before tax of Rs. 239 million (June 30, 2013: Rs. 220 million). The net profit after tax for the year amounts to Rs. 183 million, as compared to net profit of Rs. 158 million for the previous financial year ended June 30, 2013.

The Earning per share of current financial year ended June 30, 2014 is Rs 2.54 per share as compared to Rs 2.19 per share in previous financial year ended June 30, 2013.

The Company has announced and paid interim dividend @12.50 % to its share holders. The Board has also proposed a final dividend of 15% as on June 30, 2014, making a total of 27.50% for the year 2013-14.

MARKET & ECONOMIC REVIEW

Economy & Money Market Review

Hopes for economic recovery cultivated improved sentiments in various sectors of the economy, as the new government managed to close the performance of their first fiscal year with improving macroeconomic indicators. Single-digit inflation, improvement in reserves, stability in rupee and successful initiation of fiscal reforms and efforts to address power crises managed to dilute the negative impact arising from wide fiscal and current account deficits on the economy. Conversely, progress on the Foreign Direct Investment and LSM growth remained muted.

Despite poor law and order situation and prevailing energy crisis, the real GDP growth remained in the vicinity of 4% in FY14, as opposed to 3.7% during the previous fiscal year. During the year, the country successfully entered into a three-year \$6.6 billion loan program with IMF. The country received four tranches of around \$550 million each during FY14 as against the total \$3 billion repayments to IMF due in FY14. Periodic IMF reviews indicated overall satisfactory progress however stress continued on maintaining tight monetary and fiscal discipline alongwith the need for enhanced efforts to progress on identified restructuring / reforms.

The reserves had remained under pressure during the major part of FY14 on account of significant repayments of foreign debt. However, multilateral agencies and close allies along with fewer repayments towards the latter part of the year helped improve reserve balance to around \$14 billion as on FY14 from the trough of \$7.59 billion touched in February 2014. Local currency also recovered towards the year end to close near 100 mark after witnessing significant erosion as reserves went to record lows during the year.

Despite implementation of fiscal reforms, inflation remained in single digit although on higher side with CPI averaging around 8.62% in FY14. Although SBP had twice announced 50 bps hike in the discount rate in the monetary policies of September 2013 and November 2013, bringing the discount rate to 10%, stable inflation and improvement in foreign reserve convinced policy makers to keep discount rate unchanged in the later three monetary policies, in spite of IMF pressure of maintaining positive real returns.

The Current Account balance remained under pressure posting a deficit of \$2.92 billion in FY14 as opposed to deficit of \$2.49 billion reported in FY13. Remittances continued to show strong growth to reach \$15.83 billion from \$13.92 billion reported in FY13 while further support in BOP also came in the form of proceeds under Coalition Support Funds (CSF) where the country received near \$1.2 billion as opposed to inflows of \$1.8 billion received during FY13. The country's import bill nudged up by 3.87% to \$41.78 billion and exports stayed at \$25.16 billion compared with \$24.79 billion in last year.

The country's financial account registered a surplus of \$5.23 billion, as opposed to surplus of \$549 million in the previous year. FDI proceeds amounted to \$ 1.48 billion in FY14, marginally \$225 million higher than the previous fiscal year. A large portion of this increase could be attributed to sale of 3G & 4G licenses and Euro Bond proceeds.

The lower current account deficit along with surplus in financial account and capital account summed to an overall surplus of \$3.84 billion in FY14 as opposed to deficit of \$1.99 billion during the previous year.

On the heels of structural reforms, the country's performance on fiscal side improved, with the government expected to conclude the year by recording a fiscal deficit of 5.8% lower than the year's target of 6.3% and the last year's level of 8.8% (included a one-off adjustment for circular debt). The major improvement in fiscal account came on the back of abnormal increase in Non-Tax revenue and restrained expenditure on PSDP.

DIRECTORS' REPORT

Equities Market Review

KSE-100 index rose by a remarkable 41% in FY14 as against an average annual growth of 46% recorded during the past three fiscal years. Aided by smooth political transition and improving fundamentals, the stock market started the year on a positive note. The market touched an all-time high (intraday) of around 29,789.85 on 2nd June, 2014.

This double-digit growth in performance has helped the local equity market to shine as one of the best performing markets in the world. Pakistan ranked first amongst Asian Frontier markets in FY14 as MSCI Pakistan gained 23% outpacing Bangladesh, 21%; Vietnam, 13%; and Sri Lanka, -1%.

The volumes remained healthy with an average daily market turnover of around 216 million shares during the year, nearly 1.2 times higher than the average volume during the past three fiscal years. Foreign investors remained net buyers given that the market closed its fiscal year recording net foreign inflows of around \$261.8 million as opposed to the net inflow of around \$552.6 million in FY13.

A combination of smooth political transition, entry into IMF program and foreign inflows 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.

Moreover, a combination of improving economic indicators, strong inherent bottom line growth and healthy payouts helped keep the investors' interest alive in the stock market. The rally remained broad based, but interest largely remained in Pharmaceuticals, Banks and Automobile sectors.

Pharmaceutical stocks managed to lead the pack on the heels of upward revision in drugs prices, while rupee appreciation towards the latter half of the fiscal year improved the margins of automobile companies. The successful entry into GSP plus program brought profitable textile companies into limelight however later the narrowing spinning margins and a strong recovery in rupee recouped a major portion of early gains. Cement companies thrived on widening of margins owing to increase in cement prices and lower coal prices. The major sectors including Banking and E&P continued to thrive on inherent growth in deposits and volumes respectively.

FUTURE OUTLOOK

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

Earnings growth is expected to continue in Banks, Oil & Gas, Cement, Autos and Consumer goods sector, amongst others.

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

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

MUTUAL FUND INDUSTRY REVIEW

The assets under management of open-end funds stood at Rs 385 billion at the end of FY14, up from around Rs 334 billion at the end of FY13.

On the heels of improved equity market performance, equity funds remained an attractive segment during the year achieving a strong 29% YoY growth to reach to a size of Rs 89 billion at the end of FY14. Shariah-based funds also remained an attractive segment during the year achieving a strong 9% YoY growth to reach to a size of Rs. 72 billion.

Assets under management of money market fund fell by 8% to around Rs 115 billion. The assets under management of traditional income funds stood at Rs65 billion at the end of FY14, up from around Rs55 at the end of FY13.

MUTUAL FUND INDUSTRY OUTLOOK

Overburdening taxes continue to dilute returns for investors somewhat. However, unusual humps in the yield curve offer opportunities on the fixed income front which were not there in the past. While the ministry has not been very apt with debt management, there seems to be a clear shift in government borrowing from T-Bills to PIBS. Stock market also continues to offer opportunities for investors. Capital protected

DIRECTORS' REPORT

and preserved funds have managed to attract investors such as retail and retirement benefit funds. However, it is important that funds have watertight structures while promising capital preservation or protection.

On the AUMs front the industry may face challenges towards the end of the year. The retail urban sphere will become more and more competitive.

Entity Rating and Asset Manager Rating

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of AM2 (positive outlook) dated April 10, 2014 to the Company. Ratings of Collective Investment Schemes under management of the Company are as under:

	--- As at June 30, 2014 ---		--- As at June 30, 2013 ---		
	-----Performance ranking-----				
Fund	Long-term	Short-term	Long-term	Short-term	Rating agency
Pakistan Stock Market Fund	3 - star	3 - star	3 - star	3 - star	PACRA
Pakistan Premier Fund Limited	3 - star	3 - star	3 - star	3 - star	PACRA
Pakistan Capital Market Fund	3 - star	3 - star	3 - star	3 - star	PACRA
Pakistan International Element Islamic Asset Allocation Fund	3 - star	3 - star	3 - star	3 - star	PACRA
Pakistan Strategic Allocation Fund	2 - star	1 - star	3 - star	4 - star	PACRA
MCB Dynamic Stock Fund	4 - star	4 - star	4 - star	4 - star	PACRA
MCB Dynamic Allocation Fund *	4 - star	4 - star	5 - star	4 - star	PACRA

	--- As at June 30, 2014 ---	--- As at June 30, 2013 ---	
	-----Stability rating-----		Rating agency
Pakistan Cash Management Fund	AAA (f)	AAA (f)	PACRA
Pakistan Income Fund	A + (f)	A + (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

Holding Company

MCB Bank Limited, being the parent company of MCB-Arif 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.

DIRECTORS' REPORT

- d. International Financial Reporting Standards, as applicable in Pakistan have been followed in the preparation of financial statements and any departures there from 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 summarized form is annexed.
- i. Outstanding taxes, duties, levies and charges have been fully disclosed in the annexed audited financial statements.
- j. During the year one Director has attended the Directors' Training Program organized by the Pakistan Institute of Corporate Governance.
- k. Summary of shares acquired or disposed during the year by the Chief Executive, Directors, Chief Financial Officer & Company Secretary and Chief Internal Audit and their spouses and minor children is provided below:

	<u>Purchase</u>	<u>Sales</u>
Mr. Nasim Beg (Eexecutive vice chairman)	-	1,800,000
Mr. Syed Asif Mehdi (Chief Internal Auditor)	185,121	-

- l. The detailed pattern of share holding as on June 30, 2014 is annexed.
- m. **Meeting of the Directors.**

During the year, eight (8) meetings of the Board of Directors were held. The attendance of each Director is as follows:

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

Note: The entire Board of Directors has been re-elected in EOGM held on February 7, 2014.

- n. **Meeting of the Audit Committee.**

During the year, five (5) meetings of the Audit Committee were held. The attendance of each participant is as follows:

Name of Persons	Number of meetings held	Number of meetings		
		Attendance required	Attended	Leave granted
1 Mr. Nasim Beg *	5	4	4	-
2 Mr. Haroun Rashid	5	5	4	1
3 Mr. Samad A. Habib	5	5	3	2
4 Mr. Ahmed Jahangir *	5	1	1	-

* Mr. Ahmed Jahangir was appointed in place of Mr. Nasim Beg at the Audit Committee of the Board constituted on March 7, 2014.

DIRECTORS' REPORT

- * Mr. Ahmed Jahangir was appointed in place of Mr. Nasim Beg at the Audit Committee of the Board constituted on March 7, 2014.

o. Meeting of the Human Recourse and Remuneration Committee.

During the year, one (1) meetings of the Human Resource and Remuneration Committee was held. The attendance of each participant is as follows:

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

Auditors

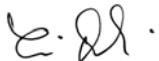
The present auditors, A.F. Ferguson & Co., Chartered Accountants, have completed their engagement for the year ended June 30, 2014 and shall retire on the conclusion of the 14th Annual General Meeting.

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, 2015 and the Board of Directors also endorsed the recommendation of the Audit Committee.

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 Board



Yasir Qadri

Chief Executive

Karachi: July 28, 2014

**PATTERN OF SHAREHOLDING
AS OF JUNE 30, 2014**

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
ABDUS SAMAD	1	4	0.00
MR. NASIM BEG	3	107,322	0.15
MIRZA MAHMOOD AHMAD (00028)	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
Associated Companies, undertakings and related parties			
MCB BANK LIMITED - TREASURY	1	36,956,768	51.33
ARIF HABIB CORPORATION LIMITED	1	21,664,167	30.09
ADAMJEE INSURANCE COMPANY LIMITED	1	3,396,340	4.72
Executives	1	185,121	0.26
Public Sector Companies and Corporations	1	70	0.00
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	2	546,470	0.76
Mutual Funds			
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	900,000	1.25
General Public			
a. Local	1053	3,905,316	5.42
b. Foreign	1	4	0.00
Others	16	4,334,218	6.02
Totals	1088	72,000,000	100.00

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

**COMBINED PATTERN OF SHAREHOLDINGS CDC AND PHYSICAL
AS AT JUNE 30, 2014**

# Of Shareholders	Shareholdings'Slab			Total Shares Held
226	1	to	100	4,069
152	101	to	500	47,728
294	501	to	1000	198,154
276	1001	to	5000	588,765
56	5001	to	10000	434,314
32	10001	to	15000	402,181
9	15001	to	20000	164,484
7	20001	to	25000	164,742
4	25001	to	30000	117,500
3	30001	to	35000	99,549
2	35001	to	40000	71,700
2	40001	to	45000	83,200
5	45001	to	50000	247,543
1	50001	to	55000	52,900
2	55001	to	60000	116,800
2	75001	to	80000	154,880
1	80001	to	85000	84,118
1	90001	to	95000	92,500
1	110001	to	115000	114,500
1	170001	to	175000	170,500
1	185001	to	190000	185,121
1	220001	to	225000	225,000
1	245001	to	250000	250,000
1	295001	to	300000	300,000
1	530001	to	535000	535,000
1	670001	to	675000	675,000
1	895001	to	900000	900,000
1	3395001	to	3400000	3,396,340
1	3500001	to	3505000	3,502,477
1	21660001	to	21665000	21,664,167
1	36955001	to	36960000	36,956,768
1088				72,000,000

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

This statement is being presented by the Board of Directors of MCB Arif Habib Savings and Investments Limited to comply with the Code of Corporate Governance contained in Regulation no.35 of 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"> 1. Dr. Syed Salman Ali Shah 2. Mr. Haroun Rashid 3. Mr. Mirza Mehmood Ahmad
Executive Directors	<ol style="list-style-type: none"> 1. Mr. Nasim Beg – Executive Vice Chairman 2. Mr. Yasir Qadri – Chief Executive Officer
Non – Executive Directors	<ol style="list-style-type: none"> 1. Mian Mohammad Mansha 2. Mr. Ahmed Jahangir 3. Mr. Samad A. Habib

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

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including the Management Company.
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 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. During the year Chief Executive Officer, other executive and non-executive directors have been reappointed subsequent to election of directors held on February 07, 2014.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. During the period one of the director has attended Directors' Training Program conducted by Pakistan Institute of Corporate Governance. Further the directors have been briefed regarding the changes in laws and regulations impacting the company.
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, 2014 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the 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.
15. The Board has formed an Audit Committee for the Management Company. It comprises of three members, which are non-executive directors and the chairman of the committee is an independent director.

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

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 an Human Resource and Remuneration Committee. It comprises of five members, of whom three are non-executive directors and the chairman of the committee is an independent director.
18. The Board has set up an effective internal audit function. The Head of Internal Audit is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the fund and the Company.
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: July 28, 2014



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 (the Code) prepared by the Board of Directors of **MCB - Arif Habib Savings and Investments Limited** for the year ended June 30, 2014 to comply with the 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 and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As 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.

The Code of Corporate Governance requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board Of Directors for their review and approval of the Company's related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of the requirement to the extent of approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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


Chartered Accountants
Dated: July 25, 2014
Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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FINANCIAL AND BUSINESS HIGHLIGHTS

Financial highlights for the last 6 years

		2009	2010	2011	2012	2013	2014
Pre tax Margin	%	-119%	14%	32%	39%	41%	41%
Net Margin	%	-111%	17%	25%	27%	29%	31%
Performance							
Return on assets	%	-39%	8%	5%	10%	11%	11%
Return on equity	%	-85%	13%	6%	11%	12%	12%
Leverage							
Gearing (Debt:Equity)	times	0.98	0.68	0.07	0.10	0.11	0.19
Interest Coverage Ratio	times	-3.63	2.09	N/A	N/A	N/A	N/A
Liquidity							
Current Ratio	times	1.01	1.80	6.32	7.83	7.33	4.17
Valuation							
Earnings per share	Rs.	-10.08	2.14	1.97	2.01	2.19	2.54
No. of ordinary shares (million)		30	30	72	72	72	72
Historical trend							
Management fee (Rs. in million)		249.30	271.06	237.23	479.61	469.98	510.67
Operating profit (Rs. in million)		25.42	100.39	91.72	205.19	220.16	239.35
Profit before tax (Rs. in million)		-323.82	52.35	90.72	205.14	220.16	239.11
Profit after tax (Rs. in million)		-302.48	64.25	71.65	144.58	157.65	182.64
Share capital (Rs. in million)		300	300	720.00	720.00	720.00	720.00
Shareholders equity (Rs. in million)		354.69	488.07	1269.62	1281.93	1273.03	1353.85
Total assets (Rs. in million)		768.36	821.89	1356.63	1410.02	1411.54	1607.73



A. F. FERGUSON & CO.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **MCB - Arif Habib Savings and Investments Limited (the Company)** as at June 30, 2014 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 purpose 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 the 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 the 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 the 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, 2014 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.

Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: September 24, 2014

Karachi

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BALANCE SHEET AS AT JUNE 30, 2014

	Note	2014	2013
		----- Rupees -----	
ASSETS			
Non-current assets			
Fixed assets	4	384,746,339	387,027,596
Long-term investments	5	356,922,294	303,075,000
Long-term loans and receivables	6	5,082,907	5,742,592
Long-term deposits		1,511,236	1,519,736
		748,262,776	697,364,924
Current assets			
Receivable from related parties	7	181,401,477	69,732,326
Loans and advances	8	656,206	874,249
Deposits, prepayments and other receivables	9	13,533,790	10,246,491
Accrued return on bank deposits		-	156,443
Short-term investments	10	600,560,776	571,417,927
Taxation - net	11	52,764,616	56,949,201
Cash and bank balances	12	10,554,360	4,794,987
		859,471,225	714,171,624
Total assets		1,607,734,001	1,411,536,548
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital			
72,000,000 (2013: 72,000,000) ordinary shares of Rs 10 each		720,000,000	720,000,000
Issued, subscribed and paid-up share capital	13	720,000,000	720,000,000
Reserves		622,095,830	543,201,779
Total equity		1,342,095,830	1,263,201,779
Surplus arising on revaluation of property and equipment - net of deferred tax	15	11,750,176	9,827,150
		1,353,846,006	1,273,028,929
Non-current liabilities			
Deferred taxation	16	47,931,810	41,090,231
Current liabilities			
Trade and other payables	17	205,956,185	97,417,388
Total liabilities		253,887,995	138,507,619
Total equity and liabilities		1,607,734,001	1,411,536,548

CONTINGENCIES AND COMMITMENTS

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


Chief Executive Officer


Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 ----- Rupees -----	2013 -----
REVENUE			
Management fee / investment advisory fee	19	510,665,922	469,977,494
Processing and other related income		1,123,677	845,089
Profit on bank deposits		1,818,718	1,682,805
Income from Government Securities		2,983,571	-
Capital gain on sale of investments - net		26,379,259	21,705,054
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	10.1	39,669,838	42,148,377
Other income		3,852,333	1,943,803
Total income		586,493,318	538,302,622
EXPENSES			
Administrative and operating expenses	20	(282,344,345)	(246,526,286)
Management fee / processing fee and other related income sharing		(64,803,573)	(71,612,984)
Financial charges		(234,388)	(7,163)
Total expenses		(347,382,306)	(318,146,433)
Profit for the year before taxation		239,111,012	220,156,189
Taxation	21	(56,469,960)	(62,506,491)
Profit for the year after taxation		182,641,052	157,649,698
Earnings per share - basic and diluted	22	2.54	2.19

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


Chief Executive Officer


Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2014

	2014 ----- Rupees -----	2013 -----
Profit for the year after taxation	182,641,052	157,649,698
Other comprehensive income for the year		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Unrealised appreciation on re-measurement of 'available-for-sale' financial assets	61,476,159	50,967,000
Unrealised (gain) / loss transferred to profit and loss account on disposal of available-for-sale investments	(3,775,560)	(1,514,879)
	57,700,599	49,452,121
<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	552,400	508,633
	58,252,999	49,960,754
Total comprehensive income for the year	240,894,051	207,610,452

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



Chief Executive Officer



Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013
		----- Rupees -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before taxation		239,111,012	220,156,189
Adjustments for non-cash and other items:			
Capital gain on sale of investments - net		(26,379,259)	(21,705,054)
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net		(39,669,838)	(42,148,377)
Depreciation		13,663,977	12,121,709
Amortisation		3,545,884	2,137,946
Financial charges		234,388	7,163
Loss / (gain) on disposal of fixed assets - net		70,398	50,154
		(48,534,450)	(49,536,459)
Operating cash flows before working capital changes		190,576,562	170,619,730
Movement in working capital			
(Increase) / decrease in current assets			
Receivable from related parties		(111,669,151)	51,180,957
Loans and advances		218,043	407,989
Deposits, prepayments and other receivables		(3,287,299)	(52,734)
Accrued return on bank deposits		156,443	27,782
		(114,581,964)	51,563,994
Increase / (decrease) in current liabilities			
Trade and other payables		108,538,797	9,607,408
Cash generated from operations		184,533,395	231,791,132
Taxes paid		(46,663,035)	(42,669,484)
Financial charges paid		(234,388)	(7,163)
Dividends paid		(162,000,000)	(216,000,000)
		(208,897,423)	(258,676,647)
Net cash used in operating activities		(24,364,028)	(26,885,515)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(11,488,812)	(13,834,307)
Proceeds against redemption of investments		40,759,553	33,021,486
Repayment of long-term loan		659,685	804,410
Long-term deposits - net		8,500	(670,036)
Proceeds from disposal of fixed assets		184,475	768,347
Net cash generated from investing activities		30,123,401	20,089,900
Net increase / (decrease) in cash and cash equivalents		5,759,373	(6,795,615)
Cash and cash equivalents at the beginning of the period		4,794,987	11,590,602
Cash and cash equivalents at the end of the period	3.7	10,554,360	4,794,987

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


Chief Executive Officer


Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2014

	Reserves							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	
Balance as at July 1, 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	-	-	-	-	157,649,698	49,452,121	207,101,819	207,101,819
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	508,633	-	508,633	508,633
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
Total comprehensive income for the year ended June 30, 2014	-	-	-	-	183,193,452	57,700,599	240,894,051	240,894,051
Final dividend for the year ended June 30, 2013 at Rs 1.00 per share	-	-	-	-	(72,000,000)	-	(72,000,000)	(72,000,000)
Interim dividend for the year ended June 30, 2014 at Rs 1.25 per share	-	-	-	-	(90,000,000)	-	(90,000,000)	(90,000,000)
Balance as at June 30, 2014	720,000,000	396,000,000	(60,000,000)	336,000,000	150,182,231	135,913,599	286,095,830	1,342,095,830

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


Chief Executive Officer


Director

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

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, the Company 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". Pursuant to the merger of MCB Asset Management Company Limited with and into Arif Habib Investments Limited (AHIL), the name of AHIL has been changed to MCB-Arif Habib Savings and Investments Limited effective from May 23, 2013.
- 1.2** 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.
- 1.3** 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:

	Note	Net asset value as at	
		June 30,	June 30,
		2014	2013
		----- Rupees in millions -----	
Open-end Collective Investment Schemes (CISs)			
Pakistan Income Fund		1,008	1,092
Pakistan Stock Market Fund	1.3.1	3,730	1,179
Metro Bank - Pakistan Sovereign Fund		2,496	1,270
Pakistan International Element Islamic Asset Allocation Fund		411	204
Pakistan Capital Market Fund		365	401
Pakistan Cash Management Fund		3,148	2,557
Pakistan Income Enhancement Fund		1,677	1,319
Pakistan Premier Fund	1.3.1	-	552
Pakistan Strategic Allocation Fund		358	306
MCB Islamic Income Fund		2,055	2,946
MCB Dynamic Allocation Fund		779	433
MCB Dynamic Stock Fund	1.3.1	-	887
MCB Dynamic Cash Fund		11,102	11,320
MCB Cash Management Optimizer		10,181	11,075

	Net asset value as at	
	June 30, 2014	June 30, 2013
	----- Rupees in millions -----	----- Rupees in millions -----
Pension Funds		
Pakistan Pension Fund	595	218
Pakistan Islamic Pension Fund	321	411
Discretionary portfolio	7,207	3,991

The Company is also managing investments under discretionary portfolio management agreements, the details of which are given below:

Number of clients	28	15
Total portfolio at cost (Rs in millions)	6,560	3,800
Total portfolio at market value (Rs in millions)	6,598	3,886
Fee earned (Rs in millions)	14	11

- 1.3.1** Pakistan Premier Fund & MCB Dynamic Stock Fund were merged into Pakistan Stock Market Fund on May 2, 2014.

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

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:

- IAS 1, 'Financial statement presentation' has been amended effective January 1, 2013. 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 the profit or loss subsequently (reclassification adjustments). The specified change has been made in the statement of comprehensive income for the year.

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2013 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 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

There are certain new and amended standards and interpretations to published approved accounting standards that are mandatory for accounting periods beginning on or after July 1, 2014 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.

Further, the following new standards have been issued by the IASB which are yet to be notified by SECP for the purpose of applicability in Pakistan.

IFRS 9 – Financial Instruments: Classification and Measurement', (effective January 01, 2015)

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 4.1);
- estimates of useful life and amortisation method of intangible asset with finite useful life (note 3.1.3 and 4.2);
- 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, 7 and 8);
- provision for taxation (note 3.3 and 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).

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

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 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 of.

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 4.2 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 a 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.

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

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.

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.

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.

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

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 is 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.

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.

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

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 wound up and contributions ceased.

Subsequently, from April 2013 the Company has been contributing to an approved Pension fund for all its permanent employees.

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.

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.

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

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

Open-end Collective Investment Schemes	Basis	2014 Percentage per annum	2013 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 subject to Maximum limit of 3% of NAV	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	2
PIEIAAF – B	Net asset value	2	2
PIEIAAF – C	Net asset value	1.33	1.33
PIEIAAF – D	Net asset value	1.33	1.33
PIEIAAF – E	Net asset value	1	1
Pakistan Premier Fund	Net asset value	-	2
Pakistan Strategic Allocation Fund	Net asset value	2	2
MCB Islamic Income Fund	10% of gross earnings or 0.25% of net assets whichever is higher subject to Maximum limit of 3% of NAV	10 / 0.25	10 / 0.25
MCB Dynamic Allocation Fund	Net asset value	2	1.5
MCB Dynamic Stock Fund	Net asset value	-	2
MCB Cash Management Optimizer	10% of gross earnings or 0.25% of net assets whichever is higher subject to Maximum limit of 3% of NAV	10 / 0.25	10 / 0.25
MCB Dynamic Cash Fund	Net asset value	1.5	1.5
Pension Funds			
Pakistan Pension Fund	Net asset value	1.5	1.5
Pakistan Islamic Pension Fund	Net asset value	1.5	1.5
Discretionary portfolios	Net asset value / Performance	0.0-1.5	0.0-1.5

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.

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.

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

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.

	Note	2014	2013
		Rupees	
4 FIXED ASSETS			
Property and equipment	4.1	96,943,764	96,853,564
Capital work-in-progress		-	11,326,199
Intangible assets	4.2	287,802,575	278,847,833
		<u>384,746,339</u>	<u>387,027,596</u>

4.1 Property and equipment

Following is a statement of property and equipment:

	Computers	Building	Office equipment	Furniture and fixtures	Leasehold improvements	Vehicles	Total
	Rupees						
As at July 1, 2013							
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	<u>7,269,753</u>	<u>70,794,885</u>	<u>6,429,037</u>	<u>8,808,756</u>	<u>-</u>	<u>3,551,133</u>	<u>96,853,564</u>
Year ended June 30, 2014							
Opening net book value	7,269,753	70,794,885	6,429,037	8,808,756	-	3,551,133	96,853,564
Revaluation during the period	-	3,694,665	-	-	-	-	3,694,665
Additions during the year	5,829,048	-	1,670,143	120,207	2,725,000	-	10,344,398
Disposals / transfers							
Cost	(322,766)	-	(696,180)	(30,120)	-	-	(1,049,066)
Accumulated depreciation	187,160	-	577,020	-	-	-	764,180
	(135,606)	-	(119,160)	(30,120)	-	-	(284,886)
Depreciation for the year	(4,217,276)	(3,632,228)	(2,173,829)	(1,550,284)	(315,323)	(1,775,037)	(13,663,977)
Closing net book value	<u>8,745,919</u>	<u>70,857,322</u>	<u>5,806,191</u>	<u>7,348,559</u>	<u>-</u>	<u>1,776,096</u>	<u>96,943,764</u>
As at June 30, 2014							
Cost / revaluation	29,871,094	84,494,665	13,064,852	15,602,037	2,725,000	7,662,267	153,419,915
Accumulated depreciation	(21,125,175)	(13,637,343)	(7,258,661)	(8,253,478)	(315,323)	(5,886,171)	(56,476,151)
Net book value	<u>8,745,919</u>	<u>70,857,322</u>	<u>5,806,191</u>	<u>7,348,559</u>	<u>2,409,677</u>	<u>1,776,096</u>	<u>96,943,764</u>
Depreciation rates (% per annum)	<u>25%</u>	<u>5%</u>	<u>20%</u>	<u>10%</u>	<u>20%</u>	<u>25%</u>	
As at July 1, 2012							
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	<u>9,524,474</u>	<u>74,521,167</u>	<u>4,629,311</u>	<u>9,313,446</u>	<u>-</u>	<u>6,042,045</u>	<u>104,030,443</u>
Year ended June 30, 2013							
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	(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)
Closing net book value	<u>7,269,753</u>	<u>70,794,885</u>	<u>6,429,037</u>	<u>8,808,756</u>	<u>-</u>	<u>3,551,133</u>	<u>96,853,564</u>
As at June 30, 2013							
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	<u>7,269,753</u>	<u>70,794,885</u>	<u>6,429,037</u>	<u>8,808,756</u>	<u>-</u>	<u>3,551,133</u>	<u>96,853,564</u>
Depreciation rates (% per annum)	<u>25%</u>	<u>5%</u>	<u>20%</u>	<u>10%</u>	<u>20%</u>	<u>25%</u>	

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

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.

During the year, office premises of the Company was again revalued on December 31, 2013 by an independent / professional valuer Sardar Enterprises on the basis of professional assessments of the market values. The revaluation resulted in a further surplus of Rs. 3.695 million. Had there been no revaluation, the carrying amount of the said office premises as at June 30, 2014 would have been Rs. 53.345 million (June 30, 2013: Rs. 56.15 million).

4.1.2 Included in cost of property and equipment are fully depreciated items which are still in use aggregating to Rs 15.525 million (2013: Rs 12.690 million).

4.2 Intangible assets

Following is a statement of intangible assets:

	Computer software	Goodwill	Management rights	Total
	----- Rupees -----			
As at July 1, 2013				
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
Year ended June 30, 2014				
Opening net book value	4,720,900	82,126,933	192,000,000	278,847,833
Additions during the year	12,500,626	-	-	12,500,626
Disposals / transfers				
Cost	-	-	-	-
Accumulated amortisation	-	-	-	-
Amortisation for the year	(3,545,884)	-	-	(3,545,884)
Closing net book value	13,675,642	82,126,933	192,000,000	287,802,575
As at June 30, 2014				
Cost	27,486,381	82,126,933	192,000,000	301,613,314
Accumulated amortisation	(13,810,739)	-	-	(13,810,739)
Net book value	13,675,642	82,126,933	192,000,000	287,802,575
Amortisation rates (% per annum)	25%			
As at July 1, 2012				
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
Year ended June 30, 2013				
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)
Closing net book value	4,720,900	82,126,933	192,000,000	278,847,833
As at June 30, 2013				
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
Amortisation rates (% per annum)	25%			

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

4.2.1 In accordance with the requirement of IFRS 3: 'Business combinations', an acquirer 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, they shall be tested for impairment annually, or more frequently if events or changes in circumstances indicate that they 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 or group of cash-generating units if they can be attributed directly, or allocated on a reasonable and consistent basis.

4.2.2 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.

4.2.3 The recoverable amount of the cash-generating unit ('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 five year plan for its business unit. This five year plan 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	21.00%
- Terminal growth rate	5.00%

4.2.4 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 participant's 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 takes into account past trends.

	Note	2014 ----- Rupees -----	2013 -----
5 LONG-TERM INVESTMENTS			
Investments in units of mutual funds			
Available-for-sale investments	5.1	<u>356,922,294</u>	<u>303,075,000</u>

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

5.1 Available-for-sale

						As at June 30, 2014			As at June 30, 2013		
Name of the Investee fund	As at July 01, 2013	Purchases during the year	Bonus units issued during the year	Redemptions/ reclassification s during the year*	As at June 30, 2014	Cost	Market value	Unrealised appreciation on re-measurement of investments	Cost	Market value	Unrealised appreciation on re-measurement of investments
----- Number of units -----						----- Rupees -----					
Pakistan Pension Fund	900,000	-	-	47,804	852,196	108,396,061	175,418,882	67,022,821	113,328,000	154,218,000	40,890,000
Pakistan Islamic Pension Fund	900,000	5,160	-	-	905,160	112,534,000	181,503,412	68,969,412	111,534,000	148,857,000	37,323,000
						220,930,061	356,922,294	135,992,233	224,862,000	303,075,000	78,213,000

Note 2014 2013
----- Rupees -----

5.1.1 Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'available-for-sale'

Market value of investments	356,922,294	303,075,000
Less: Cost of investments	(220,930,061)	(224,862,000)
	135,992,233	78,213,000
Less: Net unrealised appreciation in fair value of investments at the beginning of the year	78,213,000	28,522,666
Less: Amount realised on redemption	(3,775,560)	(1,276,666)
	61,554,793	50,967,000

6 LONG-TERM LOANS AND RECEIVABLES

Loans to related parties (secured and considered good)

Loan to Chief Executive Officer	5,590	141,550
Loans to employees	1,863,670	1,590,332
	6.1 & 6.2 1,869,260	1,731,882
Less: Current portion of loans	8 (464,337)	(396,020)
	1,404,923	1,335,862

Other receivables from related parties

Pakistan Strategic Allocation Fund	3,237,748	4,143,150
Pakistan Premier Fund	2,580,088	3,288,747
	6.3 5,817,836	7,431,897
Less: Current portion	7.1 (2,139,852)	(3,025,167)
	5,082,907	5,742,592

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 5.676 million (2013: Rs 3.808 million).

2014 2013
----- Rupees -----

6.2 Reconciliation of loans to related parties is as follows:

Opening balance	1,731,882	2,787,685
Disbursed during the year	818,868	-
Recovered during the year	(681,490)	(1,055,803)
	1,869,260	1,731,882

6.3 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 the 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.

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

	Note	2014	2013
		----- Rupees -----	
7 RECEIVABLE FROM RELATED PARTIES			
Unsecured - considered good			
Pakistan Income Fund		5,989,318	2,845,093
Pakistan Stock Market Fund	1.3.1	20,091,989	2,936,043
Metro Bank - Pakistan Sovereign Fund		5,752,361	2,826,812
Pakistan Premier Fund	1.3.1	-	2,509,361
Pakistan Capital Market Fund		2,161,976	856,094
Pakistan Strategic Allocation Fund		3,969,349	2,373,938
Pakistan International Element Islamic Asset Allocation Fund		2,309,315	613,670
Pakistan Pension Fund		2,216,016	666,148
Pakistan Islamic Pension Fund		1,285,157	389,353
Pakistan Cash Management Fund		9,372,032	2,619,493
Pakistan Income Enhancement Fund		7,664,100	7,405,363
Pakistan Capital Protected Fund - Fixed Income Securities		-	840,478
MCB Islamic Income Fund		7,684,849	7,401,537
MCB Dynamic Allocation Fund		6,258,081	1,254,852
MCB Dynamic Stock Fund	1.3.1	-	2,380,308
MCB Cash Management Optimizer		37,060,909	12,169,964
MCB Dynamic Cash Fund		58,244,769	18,116,029
	7.1	170,060,221	68,204,536
MCB Bank Limited		206,162	206,162
Adamjee Insurance Company Limited		2,000,000	-
Advisory fee receivable on account of Discretionary Portfolio management		9,135,094	1,321,628
		<u>181,401,477</u>	<u>69,732,326</u>

7.1 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.

	Note	2014	2013
		----- Rupees -----	
8 LOANS AND ADVANCES			
Considered good - unsecured			
Current portion of loans to employees		464,337	396,020
Advances to employees		27,734	95,159
Advances to suppliers and contractors		164,135	383,070
		<u>656,206</u>	<u>874,249</u>

9 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Deposits	304,698	418,198
----------	---------	---------

Prepayments

Registration fee	1,470,848	434,547
Maintenance	-	163,587
Insurance	2,198,957	2,323,537
Others	1,290,710	1,896,850
	<u>4,960,515</u>	<u>4,818,521</u>

Other receivables

Advisory fee receivable on account of Discretionary Portfolio management	3,818,806	4,697,819
Others	4,449,771	311,953
	<u>8,268,577</u>	<u>5,009,772</u>
	<u>13,533,790</u>	<u>10,246,491</u>

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

	Note	2014	2013
		----- Rupees -----	
10 SHORT-TERM INVESTMENTS			
Investments in units of mutual funds			
At fair value through profit or loss	10.1	515,915,923	571,417,927
Available-for-sale	10.2	84,644,853	-
		<u>600,560,776</u>	<u>571,417,927</u>

10.1 At fair value through profit or loss

Name of the Investee Fund	As at July 01, 2013	Purchases during the year	Bonus units issued during the year	Redemptions during the year	As at June 30, 2014	As at June 30, 2014			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
						----- Rupees -----			----- Rupees -----		
MCB Dynamic Cash Fund	4,171,479	1,239,340	443,224	3,269,246	2,584,797	239,621,793	261,330,685	21,708,892	400,722,214	432,384,581	31,662,367
MCB Dynamic Allocation Fund	1,166,918	1,299,132	448,402	550,040	2,364,412	153,624,292	169,933,421	16,309,129	88,547,336	98,348,399	9,801,063
Metrobank Pakistan Sovereign Fund - Perpetual Scheme	791,844	1,520,877	79,683	823,262	1,569,142	77,000,000	78,519,864	1,519,864	40,000,000	40,684,947	684,947
Pakistan Stock Market Fund	-	77,214	20,804	-	98,018	6,000,000	6,131,953	131,953	-	-	-
MCB Dynamic Stock Fund	-	264,676	-	264,676	-	-	-	-	-	-	-
MCB Cash Management Optimizer	-	49,887	1,035	50,921	-	-	-	-	-	-	-
						<u>476,246,085</u>	<u>515,915,923</u>	<u>39,669,838</u>	<u>529,269,550</u>	<u>571,417,927</u>	<u>42,148,377</u>

10.2 Available-for-sale investments

Particulars	Face Value				As at June 30, 2014			As at June 30, 2013		
	As at July 01, 2013	Purchased during the year	Disposed during the year	As at June 30, 2014	Carrying Value	Market value	Unrealised appreciation/(diminution) on re-measurement of investments	Carrying Value	Market value	Unrealised appreciation/(diminution) on re-measurement of investments
	----- Rupees -----				----- Rupees -----			----- Rupees -----		
Pakistan Investment Bonds	-	107,000,000	21,200,000	85,800,000	84,723,487	84,644,853	(78,634)	-	-	-
					<u>84,723,487</u>	<u>84,644,853</u>	<u>(78,634)</u>	<u>-</u>	<u>-</u>	<u>-</u>

10.2.1 These Pakistan Investment Bonds have a cost of Rs.84,585,395 million (30 June 2013: Nil) and carry interest at the rate of 11.25% (30 June 2013 : Nil) per annum.

	Note	2014	2013
		----- Rupees -----	
11 TAXATION - NET			
Advance tax		49,092,191	43,668,854
Income tax refundable	11.1	<u>56,938,463</u>	<u>64,584,173</u>
		106,030,654	108,253,027
Provision for taxation		<u>(53,266,038)</u>	<u>(51,303,826)</u>
		<u>52,764,616</u>	<u>56,949,201</u>

11.1 This includes assessed refunds for the tax years 2008, 2009, 2010 and 2011. The income tax returns upto the tax year 2013 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, 2014

	Note	2014	2013
		----- Rupees -----	
12 CASH AND BANK BALANCES			
Balances with bank in			
- savings accounts	12.1	8,761,774	3,222,489
- current accounts	12.2	1,767,586	1,547,498
		10,529,360	4,769,987
Cash in hand		25,000	25,000
		<u>10,554,360</u>	<u>4,794,987</u>

12.1 These pertain to balances in accounts maintained with Summit Bank Limited and MCB Bank Limited (related parties) amounting to Rs 2.824 million and Rs 1.359 million respectively (2013: Rs 2.613 million and Rs 0.609 million respectively) and carry mark-up at the rate of 7.75% and 9.00% (2013: 8.00% and 8.25%) per annum respectively.

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 1.601 million respectively (2013: Rs 0.179 million and Rs 1.366 million respectively).

13 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2014	2013		2014	2013
Number of shares			----- Rupees -----	
		Ordinary shares of Rs 10 each		
5,000,000	5,000,000	- Fully paid in cash	50,000,000	50,000,000
31,000,000	31,000,000	- Issued as fully paid bonus shares	310,000,000	310,000,000
		- Shares issued for consideration other than cash (note 14.1)		
<u>36,000,000</u>	<u>36,000,000</u>		<u>360,000,000</u>	<u>360,000,000</u>
<u>72,000,000</u>	<u>72,000,000</u>		<u>720,000,000</u>	<u>720,000,000</u>

	2014	2013
	---- Number of shares ----	
13.1 Shares held by the related parties of the Company		
Particulars of the shareholders		
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	3,396,340
Directors, spouses and their minor children	111,526	1,912,126
Arif Habib Investment Management Limited Employee Stock Beneficial Ownership Trust	-	513,618
Others	1,200	1,200

	2014	2013
	----- Rupees -----	
14 DEFICIT ARISING ON AMALGAMATION		
Deficit arising on amalgamation	14.1	<u>60,000,000</u> <u>60,000,000</u>

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, 2014

	Note	2014 ----- Rupees -----	2013
15 SURPLUS ARISING ON REVALUATION OF PROPERTY AND EQUIPMENT - NET OF DEFERRED TAX			
Surplus on revaluation of building as at the beginning of the year		14,635,019	15,405,675
Surplus on revaluation during the year		3,694,665	-
Transferred to unappropriated profit in respect of:			
Incremental depreciation charged during the year - net of deferred tax		(552,400)	(508,633)
Related deferred tax liability		(272,078)	(262,023)
		(824,478)	(770,656)
Surplus on revaluation of building as at the end of the year		17,505,206	14,635,019
Less: Related deferred tax liability			
Opening balance		4,807,869	5,069,892
Surplus on revaluation during the year		1,219,239	-
Incremental depreciation charged during the year transferred to unappropriated profit		(272,078)	(262,023)
		5,755,030	4,807,869
		11,750,176	9,827,150
16 DEFERRED TAXATION			
Deferred tax assets arising on deductible temporary differences			
- Deferred tax on revaluation and others adjustments		5,755,030	4,807,869
Deferred tax liabilities arising on taxable temporary differences			
- Property and equipment		11,916,934	13,566,323
- Intangible assets		30,259,846	22,716,039
		42,176,780	36,282,362
	16.1	47,931,810	41,090,231
16.1 Reconciliation of deferred tax liability			
Deferred tax liability as at July 1		41,090,231	40,287,243
Deferred tax liability on surplus on revaluation during the year		1,219,239	-
Charged / (reversed) during the year		5,622,340	802,988
Deferred tax liability as at June 30		47,931,810	41,090,231
17 TRADE AND OTHER PAYABLES			
Accrued expenses		65,572,749	57,317,829
Withholding tax payable		115,218	702,155
Indirect taxes and duties payable	17.1	108,366,838	12,927,125
Payable to facilitators / distributors		29,804,252	24,822,171
Unclaimed dividend		1,762,196	1,544,690
Others		334,932	103,418
		205,956,185	97,417,388
17.1 FEDERAL EXCISE DUTY PAYABLE ON REMUNERATION OF MANAGEMENT COMPANY			
As per the requirements of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of law.			
The matter has been collectively taken up by the Management Company jointly with other Asset Management Companies together with their respective Collective Investment Schemes through their trustees, through a Constitutional Petition filed in the SHC on September 4, 2013 challenging the levy of FED. In this respect, the SHC has issued a stay order against the recovery of FED and the hearing of the petition is still pending.			
Pending decision of the SHC, the Funds have stopped making payments for FED to their respective management companies. However, full provision in respect of FED effective June 13, 2013 is being made in the books of accounts.			
18 CONTINGENCIES AND COMMITMENTS			
There were no contingencies and commitments outstanding as at June 30, 2014 and June 30, 2013.			

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

19	MANAGEMENT FEE / INVESTMENT ADVISORY FEE	Note	2014	2013
			Rupees	
	Open-end Collective Investment Schemes - related parties			
	Pakistan Income Fund		20,378,038	22,339,211
	Pakistan Stock Market Fund		43,729,415	24,921,672
	Metrobank Pakistan Sovereign Fund		16,278,275	60,398,328
	Pakistan Premier Fund	1.3.1	14,643,955	11,898,002
	Pakistan Capital Market Fund		9,635,251	8,850,155
	Pakistan Strategic Allocation Fund		9,348,047	7,642,094
	Pakistan International Element Islamic Asset Allocation Fund		7,101,117	5,287,615
	Pakistan Cash Management Fund		42,919,163	31,645,295
	Pakistan Income Enhancement Fund		23,328,617	14,293,391
	Pakistan Capital Protected Fund - Fixed Income Securities		-	523,164
	AH Dow Jones SAFE Pakistan Titans 15 Index Fund		-	542,257
	MCB Dynamic Cash Fund		219,789,779	164,194,454
	MCB Dynamic Stock Fund	1.3.1	22,455,829	17,703,095
	MCB Dynamic Allocation Fund		17,239,208	4,317,115
	MCB Cash Management Optimizer		174,040,585	125,486,597
	MCB Islamic Income Fund		32,258,528	29,599,835
			653,145,807	529,642,280
	Pension schemes - related parties			
	Pakistan Pension Fund		9,588,244	5,765,772
	Pakistan Islamic Pension Fund		5,168,879	3,215,631
			14,757,123	8,981,403
	Investment advisory fee from discretionary portfolio management		19,249,134	11,065,710
			687,152,064	549,689,393
	Less: Indirect taxes and duties on management fee	19.1	(176,486,142)	(79,711,899)
			510,665,922	469,977,494
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.			
19.2	The Punjab Revenue Authority issued Show Cause Notice No.PRA/AM.70/14/18 Dated June 20, 2014 to MCB- Arif Habib Savings and Investment Limited requiring the Company to pay Sales Tax under the Punjab Sales Tax on Services Act, 2012 with effect from May 22, 2013 on management fee earned in Punjab.			
	The Company filed a petition on July 8, 2014 in the SHC challenging the above notice. The SHC has ordered suspension of the show cause notice till the next hearing of appeal in their Order dated July 10, 2014. The management is expecting no outflow of economic resources as the payment relating to sales tax is already made to Sindh Revenue Board and in case the decision is made against the Company the same is required to be settled between the two authorities.			
20	ADMINISTRATIVE AND OPERATING EXPENSES	Note	2014	2013
			Rupees	
	Salaries, allowances and other benefits	20.1	175,011,718	157,717,438
	Marketing and advertising expenses		3,326,385	4,616,019
	Legal and professional charges		15,281,623	11,233,114
	Travelling and conveyance charges		2,780,146	3,149,833
	Repairs and maintenance		30,459,067	22,450,388
	Office supplies		539,975	431,652
	Auditors' remuneration	20.2	1,690,000	1,868,000
	Directors' meeting fee		1,125,000	825,000
	Insurance		1,364,192	568,956
	Depreciation	4.1	13,663,977	12,121,709
	Amortisation	4.2	3,545,884	2,137,946
	Stamp duty and taxes		1,742,222	279,257
	Printing and stationery		4,758,901	4,437,794
	Utilities		6,999,121	5,841,541
	Telephone expenses		3,633,360	3,199,852
	Entertainment expenses		2,514,058	2,260,910
	Books, periodicals and subscription		8,272,564	8,093,885
	Registrar fee		715,451	695,388
	Miscellaneous expenses		4,920,701	4,597,604
			282,344,345	246,526,286

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

20.1 This amount includes contributions to pension fund amounting to Rs 4.82 million (2013: provident fund Rs 4.39 million).

	Note	2014	2013
		----- Rupees -----	
20.2 Auditors' remuneration			
Audit fee	20.2.1	1,300,000	1,600,000
Half yearly review fee		250,000	170,000
Review of compliance with the best practices of the Code of Corporate Governance		75,000	50,000
Other certifications		20,000	15,000
Out of pocket expenses		45,000	33,000
		<u>1,690,000</u>	<u>1,868,000</u>

20.2.1 This includes Rs 300,000 (2013: Rs 800,000) charged for the review of impairment model of Goodwill.

	Note	2014	2013
		----- Rupees -----	
21 TAXATION			
Current		53,266,038	51,303,826
Prior		(2,418,418)	10,137,654
Deferred	16.1	<u>5,622,340</u>	<u>1,065,011</u>
		<u>56,469,960</u>	<u>62,506,491</u>
21.1 Relationship between income tax expense and accounting profit:			
Accounting profit before tax		<u>239,111,012</u>	<u>220,156,189</u>
Tax on accounting profit at 34% (2013: 35%)		81,297,744	77,054,666
Effect of:			
Change in rate		(3,363,845)	(2,782,056)
Inadmissible expenses		1,949,672	3,791,534
Exempt income and income chargeable to tax at reduced rates		(8,454,773)	(6,635,699)
Income not chargeable to income tax		(13,933,193)	(15,395,093)
Prior year adjustments		(2,418,418)	10,137,654
Others		1,392,773	(3,664,515)
		<u>56,469,960</u>	<u>62,506,491</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:

	2014	2013
	----- Rupees -----	
Profit for the year after taxation	<u>182,641,052</u>	<u>157,649,698</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	<u>2.54</u>	<u>2.19</u>

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, 2014 and 2013 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, 2014

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, 2014			Year ended June 30, 2013		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
	-----Rupees-----					
Managerial remuneration	7,272,732	12,109,200	27,121,479	5,556,000	12,109,200	26,200,216
Bonus	3,000,000	-	14,022,633	3,000,000	-	11,494,602
Retirement benefits	610,620	1,215,720	2,320,801	467,796	1,215,720	2,148,540
Rent and house maintenance	3,808,341	5,449,140	13,041,590	2,500,200	5,449,140	11,790,098
Utilities	727,272	1,210,920	2,669,960	555,600	1,210,920	2,617,622
Medical	727,272	1,210,740	2,648,063	550,404	1,210,740	2,539,217
Meeting fee	-	1,125,000	-	-	825,000	-
Others	2,532,132	3,695,232	9,343,239	2,656,764	3,809,292	8,093,518
	<u>18,678,369</u>	<u>26,015,952</u>	<u>71,167,765</u>	<u>15,286,764</u>	<u>25,830,012</u>	<u>64,883,813</u>
Number of persons	<u>1</u>	<u>7</u>	<u>23</u>	<u>1</u>	<u>7</u>	<u>24</u>

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 97.20% and 2.80% (2013: 85.25% and 2.06%) respectively of the total income earned during the year.

25 FINANCIAL INSTRUMENTS BY CATEGORY

	----- As at June 30, 2014 -----			
	Loans and receivables	Available for sale	At fair value through profit or loss	Total
	-----Rupees-----			
Assets				
Non-current assets				
Long-term investments	-	356,922,294	-	356,922,294
Long-term loans and receivables	5,082,907	-	-	5,082,907
Long-term deposits	1,511,236	-	-	1,511,236
	6,594,143	356,922,294	-	363,516,437
Current assets				
Receivable from related parties	181,401,477	-	-	181,401,477
Loans and advances	656,206	-	-	656,206
Deposits and other receivables	8,573,275	-	-	8,573,275
Accrued return on bank deposits	-	-	-	-
Short-term investments	-	84,644,853	515,915,923	600,560,776
Cash and bank balances	10,554,360	-	-	10,554,360
	201,185,318	84,644,853	515,915,923	801,746,094
	207,779,461	441,567,147	515,915,923	1,165,262,531
	----- As at June 30, 2014 -----			
	At amortised cost	At fair value through profit or loss		Total
	-----Rupees-----			
Liabilities				
Current liabilities				
Trade and other payables		81,247,832	-	81,247,832

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

	As at June 30, 2013			
	Loans and receivables	Available for sale	At fair value through profit or loss	Total
	Rupees			
Assets				
Non-current assets				
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
Current assets				
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

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, 2014

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, 2014--							
Effective rate of interest / mark-up	Interest / mark-up bearing			Non-interest / mark up bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	
-----Rupees-----							
On balance sheet financial instruments							
Financial assets							
Long-term investments	-	-	-	356,922,294	-	356,922,294	356,922,294
Loans and advances	-	-	-	656,206	5,082,907	5,739,113	5,739,113
Long-term deposits	-	-	-	-	1,511,236	1,511,236	1,511,236
Receivable from related parties	-	-	-	181,401,477	-	181,401,477	181,401,477
Deposits and other receivables	-	-	-	8,573,275	-	8,573,275	8,573,275
Accrued return on bank deposits	-	-	-	-	-	-	-
Short-term investments	-	-	-	600,560,776	-	600,560,776	600,560,776
Cash and bank balances	7.75% to 9%	8,761,774	-	8,761,774	1,792,586	-	1,792,586
		8,761,774	-	8,761,774	1,149,906,614	6,594,143	1,156,500,757
							1,165,262,531
Financial liabilities							
Trade and other payables		-	-	-	81,247,832	-	81,247,832
		-	-	-	81,247,832	-	81,247,832
On balance sheet gap *		8,761,774	-	8,761,774	1,068,658,782	6,594,143	1,075,252,925
							1,084,014,699

-----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 -----							
On balance sheet financial instruments							
Financial assets							
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	11%	3,222,489	-	3,222,489	1,572,498	-	1,572,498
		3,222,489	-	3,222,489	952,256,413	7,262,328	959,518,741
							962,741,230
Financial liabilities							
Trade and other payables	-	-	-	72,671,518	-	72,671,518	72,671,518
	-	-	-	72,671,518	-	72,671,518	72,671,518
On balance sheet gap *		3,222,489	-	3,222,489	879,584,895	7,262,328	886,847,223
							890,069,712

* 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, 2014

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 5.159 million (2013: Rs 5.714 million), other comprehensive income for the year would be higher/lower by Rs 3.569 million (2013: Rs 3.031 million) and total comprehensive income for the year would be higher/lower by Rs 8.728 million (2013: Rs 8.745 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, 2014 ---		--- As at June 30, 2013 ---		Rating agency
	-----Performance ranking-----				
	Long-term	Short-term	Long-term	Short-term	
Pakistan Stock Market Fund	3 - star	3 - star	3 - star	3 - star	PACRA
Pakistan Premier Fund	3 - star	3 - star	3 - star	3 - star	PACRA
Pakistan Capital Market Fund	3 - star	3 - star	3 - star	3 - star	PACRA
Pakistan International Element Islamic Asset Allocation Fund	3 - star	3 - star	3 - star	3 - star	PACRA
Pakistan Strategic Allocation Fund	2 - star	1 - star	3 - star	4 - star	PACRA
MCB Dynamic Stock Fund	4 - star	4 - star	4 - star	4 - star	PACRA
MCB Dynamic Allocation Fund	4 - star	4 - star	5 - star	4 - star	PACRA

	--- As at June 30, 2014 ---	--- As at June 30, 2013 ---	
	-----Stability rating-----		Rating agency
Pakistan Cash Management Fund	AAA (f)	AAA (f)	PACRA
Pakistan Income Fund	A + (f)	A + (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

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

BANK	--- As at June 30, 2014 ---		--- As at June 30, 2013 ---		Rating agency
	Rating				
	Short-term	Long-term	Short-term	Long-term	
MCB Bank Limited	A1+	AAA	A1+	AAA	PACRA
Summit Bank Limited	A-3	A-	A-3	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, 2014

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, 2014, the Company's cash and bank balances amounted to Rs 10.554 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, 2014 -----				
	Level 1	Level 2	Level 3	Total
	----- Rupees -----			
Assets				
<i>Investment in units of open-end collective investment schemes and pension funds</i>				
Available-for-sale investments	441,567,147	-	-	441,567,147
Investments at fair value through profit or loss	515,915,923	-	-	515,915,923
	<u>957,483,070</u>	<u>-</u>	<u>-</u>	<u>957,483,070</u>
----- As at June 30, 2013 -----				
	Level 1	Level 2	Level 3	Total
	----- Rupees -----			
Assets				
<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
Total	<u>874,492,927</u>	<u>-</u>	<u>-</u>	<u>874,492,927</u>

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

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:

29.1 Transactions with related parties during the year	2014	2013
	----- Rupees -----	-----
CONTRIBUTION TO PENSION FUND	4,818,628	-
CONTRIBUTION TO PROVIDENT FUND	-	4,391,723
MCB BANK LIMITED		
Commission and other expenses	36,474,004	32,722,276
Profit in bank deposits	1,613,561	1,427,051
Bank charges	230,899	4,274
Reimbursement of expenses	-	10,996,000
Branch sharing expenses	3,792,367	2,460,016
Dividend paid	83,152,728	110,870,304
ADAMJEE LIFE ASSURANCE COMPANY LIMITED		
Investment advisory fee	10,524,365	4,329,654
Amount paid against life assurance	4,070,616	4,482,029
ADAMJEE INSURANCE COMPANY LIMITED		
Amount paid against vehicles' and other insurance	832,930	512,412
Amount received against insurance claim	119,475	-
ROTOCAST ENGINEERING (PRIVATE) LIMITED		
Amount received against disposal of non current assets	-	57,970,426
MCB FINANCIAL SERVICES LIMITED		
Reimbursement of expenses	1,884,326	1,570,053
ARIF HABIB CORPORATION LIMITED		
Dividend paid	48,744,376	64,992,501
ARIF HABIB LIMITED		
Dividend paid	4,213,722	4,018,332
SUMMIT BANK LIMITED		
Expense against differential of guaranteed return	-	2,151,059
Profit on bank deposits	205,157	255,754
Bank charges	3,489	2,200

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

	2014	2013
	----- Rupees -----	
MCB DYNAMIC CASH FUND		
Management fee	163,339,610	140,198,887
Share of sale load	158,548	221,512
Investments in units	126,174,619	201,000,000
Redemption of units	333,000,000	187,023,727
Issue of bonus units	44,765,621	31,955,401
MCB DYNAMIC STOCK FUND		
Management fee	16,688,339	15,120,973
Share of sale load	55,109	133,817
Investments in units	31,000,000	-
Redemption of units	31,174,630	-
MCB DYNAMIC ALLOCATION FUND		
Management fee	12,811,540	3,671,892
Share of sale load	195,986	88,660
Investments in units	95,000,000	135,000,000
Redemption of units	42,000,000	50,000,000
Issue of bonus units	32,088,615	-
MCB CASH MANAGEMENT OPTIMIZER		
Management fee	129,340,506	107,221,063
Share of sale load	124,263	14,737
Investments in units	5,000,000	-
Redemption of units	5,093,345	14,697,769
Issue of bonus units	103,453	-
MCB ISLAMIC INCOME FUND		
Management fee	23,973,341	25,291,598
Share of sale load	212,433	110,459
Redemption of units	-	111,841,127
PAKISTAN STOCK MARKET FUND		
Management fee	32,498,079	21,295,130
Share of sale load	101,733	45,635
Investments in units	6,000,000	-
Issue of bonus units	1,290,239	-
PAKISTAN INCOME FUND		
Management fee	15,144,202	19,118,570
Share of sale load	16,419	29,586
PAKISTAN PREMIER FUND		
Management fee	10,882,844	10,168,318
Amount received against conversion cost	1,135,912	1,726,885
METRO BANK-PAKISTAN SOVEREIGN FUND		
Management fee	12,097,410	51,869,497
Share of sale load	25,582	38,512
Investments in units	77,000,000	72,427,037
Redemption of units	41,491,060	34,778,997
Issue of bonus units	3,984,155	1,415,277
PAKISTAN CAPITAL MARKET FUND		
Management fee	7,160,561	7,565,549
Share of sale load	7,233	1,421
PAKISTAN STRATEGIC ALLOCATION FUND		
Management fee	6,947,122	6,538,541
Amount received against conversion cost	1,520,031	2,477,331
Share of sale load	15,073	-

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

	2014	2013
	----- Rupees -----	
PAKISTAN PENSION FUND		
Management fee	7,125,627	4,922,616
Share of sale load	43,623	18,153
Redemption of units	11,100,000	-
PAKISTAN INTERNATIONAL ELEMENT ISLAMIC ASSET ALLOCATION FUND		
Management fee	5,277,287	4,527,672
Share of sale load	67,812	24,605
PAKISTAN ISLAMIC PENSION FUND		
Management fee	3,841,319	2,746,793
Share of sale load	37,494	50,512
Investments in units	1,000,000	-
PAKISTAN CAPITAL PROTECTED FUND - FIXED INCOME SECURITIES		
Management fee	-	451,003
Redemption of units	-	1,468,989
PAKISTAN CASH MANAGEMENT FUND		
Management fee	31,895,930	27,081,366
Issue of bonus units	-	1,134,610
Investments in units	-	71,821,346
Redemption of units	-	85,869,567
PAKISTAN INCOME ENHANCEMENT FUND		
Management fee	17,336,963	12,175,935
Share of sale load	62,369	67,445
AH DOW JONES SAFE PAKISTAN TITANS 15 INDEX FUND		
Management fee	-	467,463
Redemption of units	-	27,587,576
Share of sale load	-	35
29.2 Amount outstanding as at year end		
MCB BANK LIMITED		
Bank balance	7,511,943	1,975,281
Receivable as share of expense	206,162	206,162
Other payable	3,382,765	6,853,105
Commission payable	6,870,556	13,014,516
Mark up receivable	-	156,429
ADAMJEE LIFE ASSURANCE COMPANY LIMITED		
Advisory fee receivable	9,135,094	1,321,628
MCB FINANCIAL SERVICES LIMITED		
Payable against monthly reimbursement	167,500	151,632
ADAMJEE INSURANCE COMPANY LIMITED		
Receivable against sale of software	2,000,000	-
SUMMIT BANK LIMITED		
Bank balance	3,017,026	2,791,898
MCB DYNAMIC CASH FUND		
Remuneration receivable	47,661,854	17,918,046
Sale load receivable	10,582,915	197,983
Closing balance of investment in units	261,330,685	432,384,581
MCB DYNAMIC STOCK FUND		
Remuneration receivable	-	1,855,602
Sale load receivable	-	524,706

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

	2014	2013
	----- Rupees -----	
MCB DYNAMIC ALLOCATION FUND		
Remuneration receivable	3,896,954	638,057
Sale load receivable	2,361,127	616,795
Closing balance of investment in units	169,933,421	98,348,399
MCB CASH MANAGEMENT OPTIMIZER		
Remuneration receivable	36,949,201	12,073,240
Sale load receivable	111,708	96,724
MCB ISLAMIC INCOME FUND		
Remuneration receivable	4,688,348	2,819,564
Sale load receivable	2,996,501	4,581,973
PAKISTAN STOCK MARKET FUND		
Remuneration receivable	17,708,648	2,522,056
Share of load receivable	1,432,902	405,132
Other receivable	11,518	8,855
Conversion cost receivable	2,816,763	-
PAKISTAN INCOME FUND		
Remuneration receivable	5,902,907	1,898,723
Share of load receivable	86,404	946,370
PAKISTAN PREMIER FUND		
Remuneration receivable	-	1,184,745
Share of load receivable	-	4,308
Other receivable	-	2,750
Conversion cost receivable	-	3,952,675
METRO BANK-PAKISTAN SOVEREIGN FUND		
Remuneration receivable	5,011,930	2,702,281
Share of load receivable	740,431	124,531
Closing balance of investment in units	78,519,864	40,684,947
PAKISTAN CAPITAL MARKET FUND		
Remuneration receivable	2,086,808	850,897
Share of load receivable	30,327	5,197
Other receivable	44,841	-
PAKISTAN STRATEGIC ALLOCATION FUND		
Remuneration receivable	2,730,500	665,929
Share of load receivable	37,918	400
Conversion cost receivable	3,602,795	5,122,826
PAKISTAN PENSION FUND		
Remuneration receivable	2,216,016	629,710
Share of load receivable	-	36,438
Closing balance of investment in units	181,503,412	154,218,000
PAKISTAN INTERNATIONAL ELEMENT ISLAMIC ASSET ALLOCATION FUND		
Remuneration receivable	1,700,221	412,539
Share of load receivable	609,094	201,131
PAKISTAN ISLAMIC PENSION FUND		
Remuneration receivable	1,179,868	329,489
Share of load receivable	105,289	59,864
Closing balance of investment in units	175,418,882	148,857,000
PAKISTAN CAPITAL PROTECTED FUND - FIXED INCOME SECURITIES		
Others receivable	-	840,478

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

	2014 ----- Rupees -----	2013
PAKISTAN CASH MANAGEMENT FUND		
Remuneration receivable	9,372,032	2,584,464
Other payable	-	985
Others receivable	-	35,029
PAKISTAN INCOME ENHANCEMENT FUND		
Remuneration receivable	6,847,776	1,799,004
Share of load receivable	812,794	5,602,829
Others receivable	3,530	3,530
30 NUMBER OF EMPLOYEES	2014	2013
Number of employees at June 30		
- Permanent	71	72
- Contractual	81	53
Average number of employees during the year		
- Permanent	72	72
- Contractual	67	53
31 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD		
The Board of Directors in its meeting held on July 28, 2014 has proposed a cash dividend of Rs 1.5 per share (2013: Rs 1.00 per share). This appropriation will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended June 30, 2014 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, 2015.		
32 DATE OF AUTHORISATION FOR ISSUE		
These financial statements were approved and authorised for issue on July 28, 2014 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.		


 Chief Executive Officer

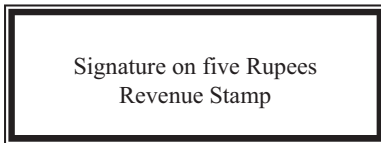

 Director

FORM OF PROXY
14th ANNUAL GENERAL MEETING
On October 23, 2014.

The Company Secretary
MCB-Arif Habib Savings and Investments Limited
8th Floor, Techno City Corporate Tower
Hasrat Mohani Road,
Karachi-Pakistan

I/We _____ of
_____ the district of
_____ being a member of MCB-Arif Habib Savings and Investments
Limited, hereby appoint _____
of _____ as my/our proxy to vote for me/us and on my/our
behalf at the 14th Annual General Meeting of the Company to be held on Thursday, October 23, 2014.
and at any adjournment thereof.

Signed this _____ day of _____ 2014



(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 8th 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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AFFIX
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POSTAGE

MCB-ARIF HABIB SAVINGS & 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

Head Office: 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.

UAN: 11-11-622-24 (11-11-MCB-AH): Karachi, Lahore, Islamabad.

UAN: 111-468-378 (111-INVEST): Karachi, Lahore, Islamabad & Multan.

***BACHAT CENTER:** 0800-622-24 (0800-MCB-AH), Fax: (+92-21)32276898, 32276908

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