

**Annual Report
2015**



Kum Risk Bala Nasheen

PAKISTAN

CASH MANAGEMENT FUND

MCB-Arif Habib Savings and Investments Limited

AM2 Plus by PACRA

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Vision

To become synonymous with Savings.

Mission

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

Core Values

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

FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Board of Directors	Mian Muhammad Mansha	Chairman
	Mr. Nasim Beg	Executive Vice Chairman
	Mr. Yasir Qadri	Chief Executive Officer
	Dr. Syed Salman Ali Shah	Director
	Mr. Haroun Rashid	Director
	Mr. Ahmed Jahangir	Director
	Mr. Samad A. Habib	Director
	Mr. Mirza Mahmood Ahmad	Director
Audit Committee	Mr. Haroun Rashid	Chairman
	Mr. Ahmed Jahangir	Member
	Mr. Samad A. Habib	Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah	Chairman
	Mr. Nasim Beg	Member
	Mr. Haroun Rashid	Member
	Mr. Ahmed Jahangir	Member
	Mr. Yasir Qadri	Member
Company Secretary & Chief Financial Officer	Mr. Muhammad Saqib Saleem	
Trustee	MCB Financial Services Limited 3rd Floor, Adamjee House, I.I. Chundrigar Road, Karachi, Pakistan.	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited Allied Bank Limited	
Auditors	Deloitte Yousuf Adil Chartered Accountants Cavish Court, A-35, Block 7 & 8 KCHSU, Shahrah-e-Faisal, Karachi-75350	
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
Transfer Agent	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Rating	AM2 + Management Quality Rating assigned by PACRA	

REPORT OF THE DIRECTOR OF MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2015

On behalf of the Board of Directors, I am pleased to present Pakistan Cash Management Fund's accounts review for the year ended June 30th, 2015.

ECONOMY AND MONEY MARKET OVERVIEW

Lower oil prices benefited the country in the form of improving macroeconomic indicators during FY15. Average annual inflation remained significantly below the target, foreign exchange reserves improved, Current account deficit narrowed down and GDP growth marginally increased.

As oil prices stood around \$63 per barrels at the end of June, 2015 in the international market, the Brent crude has nearly halved in price since its peak of around \$114 a barrel touched in June, 2014. Hence, on the heels of stable food prices and cut in fuel prices in the domestic market, Consumer Price Inflation averaged around 4.56% in FY15 as opposed to the average inflation of 8.6% in FY14.

While the country's current account deficit summed to \$2.28 billion at the end of FY15 as opposed to deficit of \$ 3.13 billion in FY14. With trade deficit largely unchanged compared to the previous year, improvement in the current account balance came from growth in remittances.

Import bill remained close to the last year's level, as benefit of lower oil bill was annulled by volumetric increase in imports in other segments. Exports remained weak in consideration of disruptive power supplies, weak competitiveness and a weak demand outlook in export destinations particularly Europe. Workers' Remittances totaled to \$ 18.45 billion in FY15, marking a growth of 17 percent as compared to last year.

At the same time, financial account registered a surplus of \$ 4.52 billion as compared to a surplus of \$ 5.55 billion recorded during the last year. This is mainly due to lower Direct Investments and Portfolio investments in the country.

The country's FX reserves got an impetus from multilateral and bilateral disbursements, successful continuation of IMF program, privatization proceeds, Sukuk auction and lower oil bill. The reserves stood at around \$ 18.7 billion at the end of June, increased by around \$4 billion in FY15.

Keeping in view of subsiding inflationary pressure along with improving outlook on the balance of payment, the State Bank announced successive cuts in the discount rate in the monetary policy held in November, January, March and May, bringing the discount rate to 7 percent from 10 percent at the start of the year.

With the country battling with power crisis and poor infrastructure, commitment of \$47 billion in the form of investments in the power and infrastructure sectors by Chinese president in April-2015 is expected to provide an impetus to resource mobilization and economic activity for Pakistan. Pace of progress along with extent of domestic partnerships on key development projects shall however be critical for achieving the desired impact on economy over the next 3 years.

All these positives developments led to the improvement in the country's rating outlook by the international rating agencies. Moody's Investors Service has upgraded Pakistan to the 'B-3' category. While Standard and Poor's (S&P) ratings' agency has raised Pakistan's credit rating to positive, with rating reaffirmed at B-.

M2 has expanded by 12.3 percent during FY15 (till June 26, 2015) as opposed to 11.43% in FY14 with stable contribution from NFA. At the same time, the net borrowing from the banking system increased by Rs 1,001 billion as opposed to Rs 373 billion during the previous year.

Treasury market remained quite active during the year, largely due to declining interest rate scenario stemming from sharp decline in oil prices. Participation largely remained concentrated in longer tenure paper causing strain on short term liquidity which was supported by SBP through frequent OMO injections. In order to efficiently manage market liquidity, SBP introduced a target rate; 50bps below the ceiling rate (Discount rate). Moreover, to reduce volatility, policy makers also reduced the width of the interest rate corridor by 50 bps to 200 bps.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 8.86% as against its benchmark return of 9.83%, an under performance of 0.97%.

The fund remained significantly invested in Treasury bills throughout the period with a focus on adjusting its portfolio duration to capitalize on changing interest rate scenario. Investments in T-Bills were reduced later to around 47.2% at the end of the period as compared to initial allocation of 78.4%.

The Net Assets of the Fund as at June 30, 2015 stood at Rs. 1442 million as compared to Rs 3148 million as at June 30, 2014 registering a decrease of 54%.

The Net Asset Value (NAV) per unit as at June 30, 2015 was Rs. 50.1464 as compared to opening NAV of Rs. 50.0125 per unit as at June 30, 2014 registering an increase of Rs. 0.1339 per unit.

REPORT OF THE DIRECTOR OF MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2015

Income Distribution

During the period The Management Company has announced the final distribution

Date of distribution	Per unit distribution
	Rs.
June 25, 2015	4.2859

FUTURE OUTLOOK

On the back of weak crude oil prices, average CPI is expected to remain in lower range of around 6% in FY16. Forex Reserves are also expected to remain strong with the continued focus of government on privatization plans. Moreover, the government aims to raise \$1 billion by issuing Eurobond and planning to borrow \$1 billion from Islamic Development Bank (IDB) in FY16. The agreement with China for investment in infrastructure and energy projects is likely to support the weak FDI and shall be the key to rejuvenate economic activity.

Due to subsiding cost pressure, we expect manufacturing sectors, primarily, Auto, Cement and Consumer sectors to outperform the broader market. Moreover, continuation of expansionary environment suggests high-dividend yield companies will continue to perform. While improvement in Pakistan's sovereign outlook and possible reclassification of Pakistan to emerging market by MSCI will support appetite for Large Cap stocks.

Corporate Governance

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

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

- a. Financial statements present fairly the statement of affairs, the results of operations, cash flows and Change in unit holders' fund.
- b. Proper books of accounts of the Fund have been maintained during the year.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable prudent judgment.
- d. Relevant International Accounting Standards, as applicable in Pakistan, provisions of the Non Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- h. Key financial data as required by the Code of Corporate Governance has been summarized in the financial statements.
- i. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- j. The statement as to the value of investments of provident fund is not applicable on the Fund but applies to the Management Company; hence no disclosure has been made in the Directors' Report of the Management Company.
- k. The detailed pattern of unit holding, as required by NBFC Regulations and the Code of Corporate Governance are enclosed.
- l. The details of attendance of Board of Directors meeting is disclosed in note 16 to the attached financial statements. Below is the details of committee meetings held during the year ended June 30, 2015:

REPORT OF THE DIRECTOR OF MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2015

1. Meeting of the Audit Committee.

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

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

2. Meeting of the Human Resource and Remuneration Committee.

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

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

- m. During the year no Director has attended the Directors' Training Program organized by the Pakistan Institute of Corporate Governance (as already all the directors have completed the course or they are exempted from attending training course due to sufficient working experience).
- n. No trades in Units of the Fund carried out by Directors, Chief Executive Officer, Chief Operating Officer and Company Secretary, Chief Financial Officer and Chief Internal Auditor of the Management Company and their spouses and minor children are as under:

External Auditors

The fund's external auditors, Deloitte Yousuf Adil, Chartered Accountants, have retired after the conclusion of audit for current year. Due to completion of maximum time allowed under offering document of the fund, they are not eligible for reappointment. The audit committee of the Board has recommended appointment of KPMG Taseer Hadi & Co., Chartered Accountants as auditors of the fund for the year ending June 30, 2016.

Acknowledgment

The Board is thankful to the Fund's valued investors, the Securities and Exchange Commission of Pakistan and the Trustees of the Fund for their continued cooperation and support. The Directors also appreciate the efforts put in by the management team.

For and on behalf of the Board



Yasir Qadri
Chief Executive Officer
Karachi: August 07, 2015

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2015

Fund Type and Category

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

Fund Benchmark

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

Investment Objective

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

Investment Strategy

The Fund will invest in government securities; mainly Treasury bills and short maturity reverse repurchase transactions against Government Securities. The un-invested funds are kept in deposits with minimum AA rated commercial banks. The overall maturity of the portfolio is kept below 45 days, in order to keep interest rate risk at a relatively low and manageable level and provide high liquidity to investors comparable to current bank deposits. PCF is a long only Fund.

Manager's Review

During the year under review, the fund was able to generate an annualized return of 8.86% as against its benchmark return of 9.83%, an under-performance of 0.97%.

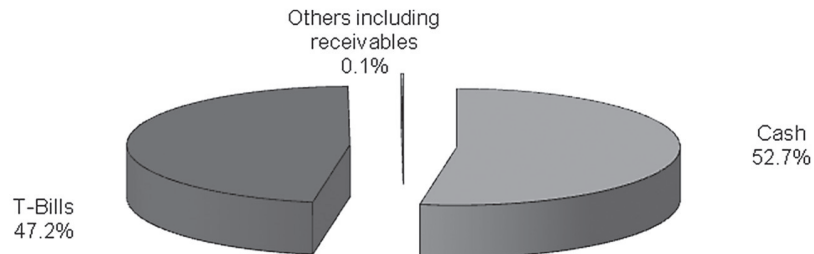
The fund remained significantly invested in Treasury bills throughout the period with a focus on adjusting its portfolio duration to capitalize on changing interest rate scenario. Investments in T-Bills were around 47.2% at the end of the period as compared to initial allocation of 78.4%. However, as per net assets of the fund the allocations of T-Bills were 73.05%.

The Net Assets of the Fund as at June 30, 2015 stood at Rs. 1442 million as compared to Rs 3148 million as at June 30, 2014 registering a decrease of 54%.

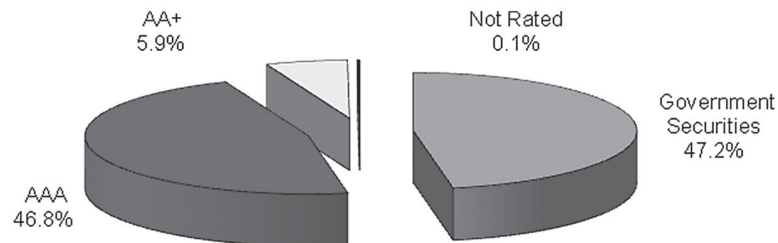
The Net Asset Value (NAV) per unit as at June 30, 2015 was Rs. 50.1464 as compared to opening NAV of Rs. 50.0125 per unit as at June 30, 2014 registering an increase of Rs. 0.1339 per unit.

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2015

Asset Allocation as on June 30, 2015 (% of total assets)



Asset Quality as on June 30, 2015 (% of total assets)



Usama Iqbal
Fund Manager

Karachi: August 07, 2015

TRUSTEE REPORT TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2015



HABIBMETRO

TRUSTEE REPORT TO THE UNIT HOLDERS

PAKISTAN CASH MANAGEMENT FUND

REPORT OF THE TRUSTEE PURSUANT TO REGULATION 41(H) AND CLAUSE 9 OF SCHEDULE V OF THE NON-BANKING FINANCE COMPANIES AND NOTIFIED ENTITIES REGULATIONS, 2008

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

As per the Deed of change of Trustee and amendment in the Trust Deed dated July 21, 2014 Habib Metropolitan Bank Limited retired as the Trustee and MCB Financial Services Limited (MCBFSL) was appointed as the new Trustee of the Fund. However, the title to the assets of the Fund was transferred to MCBFSL on August 19, 2014.

In our opinion, the Management Company has in all material respects managed the Fund during the period from 01 July 2014 to 19 August 2014 in accordance with the provisions of the following:

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

Abdul Rasheed Gaba
Vice President

Karachi: September 18, 2015

Habib Metropolitan Bank Ltd.
[Subsidiary of Habib Bank AG Zurich]

Treasury Division: 8th Floor, HBZ Plaza, I.I. Chundrigar Road, Karachi-Pakistan
Tel: (92 21) 3263 3311-30 | Fax: (92 21) 3227 4768, 3263 0495
www.habibmetro.com

**TRUSTEE REPORT TO THE UNIT HOLDERS
FOR THE YEAR ENDED JUNE 30, 2015**



REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

PAKISTAN CASH MANAGEMENT FUND

Report of the Trustee Pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

Pakistan Cash Management Fund, an open-end Scheme established under a Trust Deed initially executed between Arif Habib Investments Limited as Management Company and Habib Metroplitan Bank Limited as Trustee. The Trust Deed was approved by Securities & Exchange Commission of Pakistan (SECP) on February 01, 2008 and was executed on February 08, 2008. The Trust Deed was subsequently amended through a supplemental Trust Deed dated July 21, 2014 according to which Habib Metroplitan Bank Limited stands retired and MCB Financial Services Limited is appointed as the Trustee of the Fund. The effective date of change of trustee is August 20, 2014.

Pursuant to the merger of MCB Asset Management Company Limited with and into Arif Habib Investments Limited (AHIL), the name of AHIL had been changed to MCB Arif Habib Savings and Investments Limited effective from June 27, 2011.

1. MCB Arif Habib Savings and Investments Limited, the Management Company of Pakistan Cash Management Fund has, in all material respects, managed Pakistan Cash Management Fund during the period from 20th August 2014 to 30th June 2015 in accordance with the provisions of the following:
 - (i) Investment limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
 - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
 - (iii) the creation and cancellation of units are carried out in accordance with the deed;
 - (iv) and any regulatory requirement

A handwritten signature in black ink, appearing to read 'Anwar', is placed above the printed name of the Chief Executive Officer.

Khawaja Anwar Hussain
Chief Executive Officer
MCB Financial Services Limited

Karachi: September 17, 2015

3rd Floor, Adamjee House, I. I. Chundrigar Road, Karachi - 74000
Direct Nos. 021-32430485, 32415454, 32415204, 32428731 PABX No. 021-32419770, Fax No. 021-32416371
Website: <http://www.mcbfsl.com.pk>

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2015

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

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

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

Category	Names
Independent Directors	<ol style="list-style-type: none"> 1. Dr. Salman Shah 2. Mr. Haroun Rashid 3. Mr. Mirza Mehmood
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 Jehangir 3. Mr. Samad Habib

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

2. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies, where applicable)
3. All the resident Directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the period no casual vacancy occurred on the Board of the Management Company
5. The Management Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.
6. The Board has developed vision / mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. No formal Code of Corporate Governance Leadership Skills (CGLS) training was organized for any director as all the directors already possess required training or qualification and experience as required by CCG.
10. The Board of Directors in a resolution passed through circulation on March 30, 2015, appointed Chief Financial Officer and fixed his remuneration and terms and conditions of employment. However, there have been no new appointments of Company Secretary and Head of Internal Audit during the year.
11. The Directors' Report for the year ended June 30, 2015 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements were duly endorsed by Chief Executive Officer and Chief Financial Officer of the Management Company before approval of the Board.
13. The Directors, Chief Executive Officer and executives of the Management Company do not hold any interest in the units other than that disclosed in the pattern of unit holding.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2015

14. The Management Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee for the Management Company. It comprises of three members, all of whom are non-executive directors and the chairman of the Committee is an independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of the interim and final results and as required by the Code. The terms of reference of the Committee have been approved by the Board and advised to the Committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of five members, of whom three are non-executive directors and the chairman of the Committee is an independent director.
18. The Board has set up an effective internal audit function. The Head of Internal Audit is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Fund and the Management Company.
19. The Board has formulated a mechanism for an annual evaluation of its own performance. The evaluation has been done by the board in the meeting held on August 07, 2015.
20. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares / units of the Management Company / Fund. The firm and all its partners are also in compliance with International Federation of Accountants guidelines on code of ethics as adopted by the ICAP.
21. 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.
22. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the net assets value of the fund / market price of Management Company's shares, was determined and intimated to directors, employees and the stock exchange.
23. Material/price sensitive information has been disseminated among all market participants at once through the stock exchange.
24. We confirm that all other material principles enshrined in the Code have been complied with.

On behalf of the Board



Yasir Qadri
Chief Executive Officer

Karachi: August 07, 2015

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

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Shahr-e-Faisal
Karachi-75350
Pakistan

Tel: +92 (0) 21 3454 6494-7
Fax: +92 (0) 21- 3454 1314

www.deloitte.com

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **MCB-Arif Habib Savings & Investments Limited**, the Management Company of **Pakistan Cash Management Fund (the Fund)** for the year ended June 30, 2015 to comply with the respective listing regulations of the Islamabad Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2015.


Chartered Accountants

Karachi
Date: August 07, 2015

Member of
Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITORS' REPORTS TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2015

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Shahrah-e-Faisal
Karachi-75350
Pakistan

Tel: +92 (0) 21 3454 6494-7
Fax: +92 (0) 21- 3454 1314

www.deloitte.com

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **Pakistan Cash Management Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2015, and the related income statement, distribution statement, statement of movements in unit holder's fund, cash flow statement for the year then ended and a summary of significant accounting policies together and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company (MCB-Arif Habib Savings and Investments Limited) of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Member of
Deloitte Touche Tohmatsu Limited

**INDEPENDENT AUDITORS' REPORTS TO THE UNIT HOLDERS
FOR THE YEAR ENDED JUNE 30, 2015**

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's financial position as at June 30, 2015 and of its financial performance, cash flows and transactions for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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


Chartered Accountants

Engagement Partner
Mushtaq Ali Hirani

Date: August 07, 2015
Karachi

Member of
Deloitte Touche Tohmatsu Limited

STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2015

	Note	2015 (Rupees in '000)	2014
ASSETS			
Balances with banks	5	1,175,694	686,164
Investments	6	1,053,600	2,494,161
Profit and other receivables	7	3,341	2,875
Total assets		2,232,635	3,183,200
LIABILITIES			
Payable to the Management Company		1,289	3,228
Accrued expenses and other liabilities	8	789,096	32,404
Total liabilities		790,385	35,632
NET ASSETS		1,442,250	3,147,568
Unit holders' fund (as per statement attached)		1,442,250	3,147,568
Contingencies And Commitments	9		
(Number of Units)			
NUMBER OF UNITS IN ISSUE		28,760,805	62,935,566
(Rupees)			
NET ASSET VALUE PER UNIT	4.7	50.15	50.01

The annexed notes from 1 to 20 form an integral part of these financial statements.

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


 Chief Executive Officer


 Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 (Rupees in '000)	2014
INCOME			
Income from investments		217,495	289,800
Capital gain on sale of investments - net		717	4,727
Profit on bank deposits		12,207	22,120
Other income		41	66
Unrealised (diminution) / appreciation on re-measurement of investments 'at fair value through profit or loss' - net	6.2	(77)	107
Total income		230,383	316,820
EXPENSES			
Performance fee of Management Company	10	22,945	31,902
Sales tax and Federal Excise Duty on performance fee of Management Company	8.2	7,663	11,025
Securities transaction cost		299	225
Total expenses		30,907	43,152
Net income from operating activities		199,476	273,668
Element of loss and capital losses included in prices of units issued less those in units redeemed - net		(159,788)	(1,668)
Provision for workers' welfare fund	8.1	(794)	(5,440)
Net income for the year before taxation		38,894	266,560
Taxation	11	-	-
Net income for the year after taxation		38,894	266,560
Other comprehensive income for the year		-	-
Total comprehensive income for the year		38,894	266,560
Earnings per unit	4.6	-	-

The annexed notes from 1 to 20 form an integral part of these financial statements.

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


Chief Executive Officer


Director

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2015

	2015 (Rupees in '000)	2014
Undistributed income brought forward		
- Realised gains	683	24,895
- Unrealised gains	107	428
	<u>790</u>	<u>25,323</u>
Net element of loss and capital losses included in the prices of units issued less those in units redeemed - amount representing unrealised loss	(425)	-
Net income for the year	<u>38,894</u> <u>38,469</u>	<u>266,560</u> <u>266,560</u>
Distributions		
Final distribution of bonus units for the year ended June 30, 2013 at Rs.0.5 per unit (Date of distribution: July 4, 2013)	-	(25,316)
Interim distribution of bonus units for the year ended June 30, 2014	-	(237,895)
Final distribution of bonus units for the year ended June 30, 2014 at Rs.0.42 per unit (Date of distribution: July 4, 2013)		(27,882)
Final cash distribution for the year ended June 30, 2015 at Rs.4.29 per unit (Date of distribution: June 24, 2015)	(35,047)	
	<u>(35,047)</u>	<u>(291,093)</u>
Undistributed income carried forward	<u>4,212</u>	<u>790</u>
Represented by		
- Realised gains	4,289	683
- Unrealised (losses) / gains	(77)	107
	<u>4,212</u>	<u>790</u>

The annexed notes from 1 to 20 form an integral part of these financial statements.



Chief Executive Officer

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



Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS FUND FOR THE YEAR ENDED JUNE 30, 2015

	2015 (Rupees in '000)	2014
Net assets at beginning of the year	3,147,568	2,556,911
Issue of 166,403,252 units (2014: 116,660,354 units) <i>(including 645,439 units (2014: Nil units) reinvested by the unitholders against their dividend entitlement amounting to Rs.32.272 million - net of tax)</i>	8,749,440	5,227,589
Issue of Nil bonus units (2014: 5,821,712 units)	-	291,093
Redemption of 200,578,013 units (2014: 110,178,460 units)	(10,618,393)	(4,905,160)
	(1,868,953)	613,522
	1,278,615	3,170,433
Element of loss and capital losses included in prices of units issued less those in units redeemed		
- amount representing loss and capital losses transferred to the Income Statement - net	159,788	1,668
- amount representing loss and capital losses transferred to the Distribution Statement - net	425	-
	160,213	1,668
Net income for the year transferred from the Distribution Statement		
Capital gain on sale of investments	717	4,727
Unrealised (diminution)/ appreciation on re-measurement of investments 'at fair value through profit or loss' - net	(77)	107
Net element of loss and capital losses included in the prices of units issued less those in units redeemed - amount representing unrealised loss	(425)	-
Other net income for the year	38,254	261,726
Distributions made during the year (Refer Distribution Statement)	(35,047)	(291,093)
	3,422	(24,533)
Net assets at end of the year	1,442,250	3,147,568
	(Number of Units)	
NUMBER OF UNITS IN ISSUE	28,760,805	62,935,566
	(Rupees)	
NET ASSET VALUE PER UNIT	50.15	50.01

The annexed notes from 1 to 20 form an integral part of these financial statements.

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


Chief Executive Officer


Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2015

Note	2015 (Rupees in '000)	2014
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the year	38,894	266,560
Adjustments for:		
Unrealised diminution / (appreciation) on remeasurement of investments classified as 'at fair value through profit or loss' - net	77	(107)
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	159,788	1,668
Performance fee of Management Company	22,945	31,902
Sales tax and Federal Excise Duty on performance fee of Management Company	7,663	11,025
	229,367	311,048
Decrease / (increase) in assets		
Investments - net	1,440,484	(516,631)
Profit and other receivables	(466)	(2,717)
Receivable against sale of units	-	860
	1,440,018	(518,488)
Increase / (decrease) in liabilities		
Accrued expenses and other liabilities	756,692	5,410
Performance fee paid to the Management Company	(24,607)	(31,148)
Sales tax paid	(7,940)	(4,983)
Net cash generated from / (used in) operating activities	2,393,530	(238,161)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(35,047)	-
Cash received from sale of units	8,749,440	5,227,589
Cash paid for redemption of units	(10,618,393)	(4,905,160)
Net cash (used in) / generated from financing activities	(1,904,000)	322,429
Net increase in cash and cash equivalents during the year	489,530	84,268
Cash and cash equivalents at beginning of the year	686,164	601,896
Cash and cash equivalents at end of the year	1,175,694	686,164

The annexed notes from 1 to 20 form an integral part of these financial statements.

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



Chief Executive Officer



Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Pakistan Cash Management Fund (PCF) "the Fund" was established under a Trust Deed executed between Arif Habib Investments Limited (now MCB-Arif Habib Savings and Investments Limited) as Management Company and Habib Metropolitan Bank Limited as Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on February 1, 2008 and was executed on February 8, 2008.
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulation) Rules 2003 through a certificate of registration issued by SECP. The registered office of the Management Company is situated at 8th Floor, Technocity Corporate Tower, Hasrat Mohani Road, Karachi
- 1.3 The Fund is an open-ended mutual fund and is listed on the Islamabad Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund has been categorised as a "money market scheme" by the Management Company.
- 1.4 The Fund is allowed to invest in treasury bills, short term government instruments and reverse repurchase transactions against government securities and the uninvested portion is deposited in bank accounts.
- 1.5 Pakistan Credit Rating Agency (PACRA) has assigned Management quality rating of AM2 dated April 7, 2015 to the management company and AAA(f) dated March 19, 2015 as stability rating to the Fund.
- 1.6 Title to the assets of the Fund is held in the name of MCB Financial Services Limited as trustee of the Fund.

2. STATEMENT OF COMPLIANCE

- 2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.
- 2.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2015

The following standards, amendments and interpretations are effective for the year ended June 30, 2015. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

2.3 Standards / amendments / interpretations	'Effective from accounting period beginning on or after
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	January 1, 2014
IAS 39 Financial Instruments: Recognition and measurement - Novation of derivatives and continuation of hedge accounting	January 1, 2014
IFRIC 21 - Levies	January 1, 2014

New accounting standards and IFRS interpretations that are not yet effective

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Standards / amendments / interpretations	Effective from accounting period beginning on or after
IAS 27 (Revised 2011) – Separate Financial Statements	January 01, 2015. IAS 27 (Revised 2011) will concurrently apply with IFRS 10.
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	January 1, 2015
IFRS 10 – Consolidated Financial Statements	January 1, 2015
IFRS 11 – Joint Arrangements	January 1, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 1, 2015
IFRS 13 – Fair Value Measurement	January 1, 2015

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers

3. BASIS OF PREPARATION

3.1 Accounting convention

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

3.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of its accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments (note 4.1).

3.3 Functional and presentation currency

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Financial assets

4.1.1 Classification

The Fund classifies its financial assets in the following categories:

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The classification depends on the purpose for which the financial assets were acquired. Management determines the appropriate classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in market prices are classified as held for trading in the 'Financial assets at fair value through profit or loss' category.

b) Available for sale

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

c) Loans and receivables

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

4.1.2 Regular way contracts

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

4.1.3 Initial recognition and measurement

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

4.1.4 Subsequent measurement

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

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

- Basis of valuation of government securities

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Market Association of Pakistan in accordance with the requirements of the NBFC Regulations.

Net gains and losses arising from changes in the fair value of financial assets 'at fair value through profit or loss' are taken to the 'Income Statement'.

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

b) Loans and receivable

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

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

4.1.5 Securities under repurchase / resale agreements

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

4.1.6 Impairment

Financial assets not carried 'at fair value through profit or loss' are reviewed at each balance sheet date to determine whether there is any indication of impairment. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of asset and that loss events had an impact on the future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in Income Statement. Any subsequent decrease in impairment loss on debt securities classified as available-for-sale is recognised in Income Statement.

The Board of Directors of the Management Company has formulated a comprehensive policy for making provision against non-performing investments in compliance with Circular 13 of 2009 and Circular 33 of 2012 issued by the SECP.

4.1.7 Derecognition

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

4.1.8 Offsetting of financial assets and liabilities

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

4.2 Financial liabilities

All financial liabilities are recognized at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognized at fair value and subsequently stated at amortized cost. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Financial liabilities include payable to the Management Company and other liabilities. Financial liabilities other than those at 'fair value through profit and loss' are measured at amortised cost using effective interest rate method.

4.3 Derivatives

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

4.4 Accrued expenses and other liabilities

Accrued expenses and other liabilities are recognised initially at fair value and subsequently stated at amortised cost.

4.5 Other assets

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

4.6 Provisions

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

4.7 Taxation

Current

The Fund's income is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. The Fund is also exempt from the provision of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Deffered

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilized tax losses to the extent that it is no longer probable that the related tax benefit will be realized. However, the Fund has not recognized any amount in respect of deferred tax in these financial statements as the Fund, like in current year, intends to continue availing the tax exemption in future years as well by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realized or unrealised, to its unit holders every year.

4.8 Earnings per unit

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

4.9 Net asset value per unit

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

4.10 Unit holders' fund

Unit holders' fund representing the units issued by the Fund, is carried at the net asset value representing the investors' right to a residual interest in the Fund assets.

4.11 Issue and redemption of units

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

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

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

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

The element of income/ (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the year is recognised in the Income Statement and the remaining portion of element of income/ (loss) and capital gains/ (losses) is held in separate reserve account and at the end of an accounting period (whether gain or loss) is included in amount available for distribution to the unit holders.

4.13 Revenue recognition

- Realised capital gains / losses arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised capital gains / losses arising on marking to market of investments classified as 'financial assets at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Profit on bank deposits is recognised on time proportion basis.
- Profit on investment is recognised on an accrual basis.
- Income on issue and purchase of units is recognised when the units are issued and redeemed at the transaction date.
- Discount on purchase of Market Treasury Bills is amortised to the Income Statement using the straight line method.

4.14 Expenses

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

4.15 Dividend distributions and appropriations

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

4.16 Cash and cash equivalents

Cash and cash equivalents comprise of deposits and current accounts maintained with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

4.17 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

	Note	2015 (Rupees in '000)	2014
5. BALANCES WITH BANKS			
In current accounts		130,589	1,610
In saving accounts	5.1	1,045,105	684,554
		<u>1,175,694</u>	<u>686,164</u>

5.1 These carry rate of return ranging from 4.5% to 10.35% (2014: 6% to 10.4%) per annum.

6. INVESTMENTS

At fair value through profit or loss - held for trading

Government securities	6.1	<u>1,053,600</u>	<u>2,494,161</u>
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

Issue Date	Tenor	Face Value			Balance at June 30, 2015		Market value as a percentage of net assets	Market value as a percentage of total investments		
		Balance at July 1, 2014	Purchases during the year	Sales / matured during the year	Balance at June 30, 2015	Cost			Market value	
(Rupees in '000')										
Market Treasury Bills										
June 29, 2015	2 Months	-	750,000	-	750,000	743,117	743,060	(57)	52	70
April 17, 2014	3 Months	1,705,500	-	1,705,500	-	-	-	-	-	-
May 2, 2014	3 Months	150,000	-	150,000	-	-	-	-	-	-
May 15, 2014	3 Months	650,000	650,000	1,300,000	-	-	-	-	-	-
May 19, 2014	3 Months	-	1,090,000	1,090,000	-	-	-	-	-	-
May 29, 2014	3 Months	-	100,000	100,000	-	-	-	-	-	-
June 12, 2014	3 Months	-	1,081,600	1,081,600	-	-	-	-	-	-
June 26, 2014	3 Months	-	25,000	25,000	-	-	-	-	-	-
July 10, 2014	3 Months	-	946,000	946,000	-	-	-	-	-	-
July 24, 2014	3 Months	-	550,000	550,000	-	-	-	-	-	-
August 7, 2014	3 Months	-	1,264,000	1,264,000	-	-	-	-	-	-
September 4, 2014	3 Months	-	1,506,200	1,506,200	-	-	-	-	-	-
September 18, 2014	3 Months	-	68,500	68,500	-	-	-	-	-	-
October 2, 2014	3 Months	-	250,000	250,000	-	-	-	-	-	-
October 16, 2014	3 Months	-	537,300	537,300	-	-	-	-	-	-
October 30, 2014	3 Months	-	1,075,000	1,075,000	-	-	-	-	-	-
November 13, 2014	3 Months	-	403,600	403,600	-	-	-	-	-	-
November 27, 2014	3 Months	-	1,325,000	1,325,000	-	-	-	-	-	-
November 28, 2014	3 Months	-	150,000	150,000	-	-	-	-	-	-
January 8, 2015	3 Months	-	250,000	250,000	-	-	-	-	-	-
January 22, 2015	3 Months	-	250,000	250,000	-	-	-	-	-	-
February 6, 2015	3 Months	-	525,000	525,000	-	-	-	-	-	-
February 19, 2015	3 Months	-	250,000	250,000	-	-	-	-	-	-
March 5, 2015	3 Months	-	187,500	187,500	-	-	-	-	-	-
March 19, 2015	3 Months	-	300,000	300,000	-	-	-	-	-	-
April 16, 2015	3 Months	-	500,000	500,000	-	-	-	-	-	-
April 30, 2015	3 Months	-	300,000	300,000	-	-	-	-	-	-
May 14, 2015	3 Months	-	700,000	700,000	-	-	-	-	-	-
May 28, 2015	3 Months	-	187,500	-	187,500	185,744	185,730	(14)	13	18
February 20, 2014	6 Months	-	250,000	250,000	-	-	-	-	-	-
April 17, 2014	6 Months	-	1,000	1,000	-	-	-	-	-	-
May 15, 2014	6 Months	-	650,000	650,000	-	-	-	-	-	-
May 29, 2014	6 Months	-	568,000	568,000	-	-	-	-	-	-
June 12, 2014	6 Months	-	450,000	450,000	-	-	-	-	-	-
October 30, 2014	6 Months	-	220,000	220,000	-	-	-	-	-	-
November 13, 2014	6 Months	-	175,000	175,000	-	-	-	-	-	-
November 27, 2014	6 Months	-	250,000	250,000	-	-	-	-	-	-
December 26, 2014	6 Months	-	67,300	67,300	-	-	-	-	-	-
January 8, 2015	6 Months	-	700,000	575,000	125,000	124,816	124,810	(6)	9	12
January 22, 2015	6 Months	-	1,000,000	1,000,000	-	-	-	-	-	-
February 6, 2015	6 Months	-	830,000	830,000	-	-	-	-	-	-
February 19, 2015	6 Months	-	250,000	250,000	-	-	-	-	-	-
March 5, 2015	6 Months	-	775,000	775,000	-	-	-	-	-	-
March 20, 2014	12 Months	-	250,000	250,000	-	-	-	-	-	-
April 17, 2014	12 Months	-	150,000	150,000	-	-	-	-	-	-
May 2, 2014	12 Months	-	450,000	450,000	-	-	-	-	-	-
May 15, 2014	12 Months	-	-	-	-	-	-	-	-	-

Total at June 30, 2015

1,062,500 1,053,677 1,053,600 (77)

Total at June 30, 2014

2,494,054 2,494,161 107

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

		2015	2014
		(Rupees in '000)	
6.2 Net unrealised (diminution)/appreciation on re-measurement of investments at 'fair value through profit or loss'	Note		
Market value of investments	6.1	1,053,600	2,494,161
Carrying value of investments	6.1	1,053,677	2,494,054
		<u>(77)</u>	<u>107</u>
7. PROFIT AND OTHER RECEIVABLES			
Profit on bank deposits		3,014	2,748
Advance tax		220	-
Bank charges receivable from management company		107	127
		<u>3,341</u>	<u>2,875</u>
8. ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision for Workers' Welfare Fund	8.1	26,880	26,086
Federal Excise Duty and related tax payable on performance fee	8.2	10,374	6,152
Payable against purchase of investments		743,117	-
Withholding tax		8,553	81
Others		172	85
		<u>789,096</u>	<u>32,404</u>

8.1 Provision For workers' welfare fund

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance), whereby the definition of 'Industrial Establishment' had been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, all Collective Investment Schemes (CISs) / mutual funds whose income exceeds Rs.0.5 million in a tax year had been brought within the scope of the WWF Ordinance thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain Collective Investment Schemes (CISs) through their trustees in the Honorable Sindh High Court (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

In 2011, a single judge of the Lahore High Court (LHC) issued a judgment in response to a petition in similar case whereby the amendments introduced in WWF Ordinance through Finance Acts, 2006 and 2008 have been declared unconstitutional and therefore struck down. However in 2013, the Larger Bench of SHC issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity. In 2014, the Peshawar High Court (PHC) has also held these amendments to be ultra vires as they lacked the essential mandate to be introduced and passed through the Money Bill under the Constitution.

The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding Collective Investment Schemes (CIS) from the definition of Industrial Establishment, and consequently CIS are no more liable to pay contribution to WWF with effect from July 01, 2015. Owing to the fact that the decision of SHC on the applicability of WWF (till June 30 2015) to the CISs is currently pending for adjudication, the Management Company has decided to make and retain provision of WWF in its books of account and financial statements till June 30, 2015 which aggregates to Rs. 26.88 million including charge for the year of Rs.0.79 million. Had the said provision of WWF not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 0.93 per unit. However, with effect from July 01, 2015, the Fund stopped making further provision of WWF in pursuance to the said amendment of the Finance Act 2015.

8.2 Federal Excise Duty and related tax payable on performance fee

The Finance Act 2013 introduced an amendment to Federal Excise Act 2005 whereby, with effect from June 13, 2013, Federal Excise Duty (FED) has been imposed at the rate of 16% of the services rendered by assets management companies. The Management Company is of the view that since the remuneration is already subject to provincial sales tax at the rate of 15%, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honourable Sindh High Court (SHC), challenging the levy of Federal Excise Duty on Asset Management Company services after the eighteenth amendment in the Constitution of Pakistan. In this respect, the SHC has issued a stay order against the recovery of FED and the hearing of the petition is still pending. The

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

management, as a matter of abundant caution, has decided to retain and continue with the provision of FED and related additional taxes in the books of account aggregating to Rs. 10.37 million as at June 30, 2015 which includes charge for the year amounting to Rs.4.21 million. In case, the suit is decided against the Fund the same would be paid to the Management Company, which will be responsible for submitting the same to the taxation authorities. Had the said provision of FED and related additional taxes were not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 0.36 per unit as at June 30, 2015.

9. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2015 and June 30, 2014.

	Note	2015 (Rupees in '000)	2014
10. PERFORMANCE FEE OF MANAGEMENT COMPANY	10.1	22,945	31,902

10.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such net assets of the Fund. The Management Company has charged a performance fee at the rate of 10% of the gross earnings of the Fund. This fee is subject to a minimum of 0.25% of the average daily Net Assets of the Fund not exceeding the maximum rate of remuneration permitted under the regulation. In 2011, the Provincial Government(Sindh) has levied General Sales Tax at the rate of 15% on the remuneration of the Management Company. Further, the Federal Government has levied Federal Excise Duty (FED) at the rate of 16% through the Finance Act 2013. Accordingly, the Management fee charged is inclusive of all government levies.

10.2 The performance fee charged by the Management Company covers SECP fee, trustee remuneration, bank charges, listing fee, rating fee, auditors remuneration and printing cost on behalf of the Fund.

11. TAXATION

The Fund's income is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders. Since the management has distributed the income earned by the Fund during the year to the unit holders in the manner as explained above, accordingly no provision for taxation has been made in these financial statements.

12. TRANSACTIONS WITH CONNECTED PERSONS

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

12.1 Details of transactions with connected persons are as follows:	2015 (Rupees in '000)	2014
MCB- Arif Habib Savings and Investments Limited		
Performance fee for the year including indirect taxes	30,608	42,927
Associated companies		
MCB Bank Limited		
Profit on bank deposits	5,861	2,000
Habib Metropolitan Bank Limited *		
Profit on bank deposits	54	733
Next Capital Limited		
Brokerage **	68	-
Arif Habib Limited		
Brokerage **	11	-
Directors and executives of the management company		
Issue of 51,191 units (2014: 50,550 units)	2,672	2,536
Issue of NIL bonus units (2014: 2,617 bonus units)	-	131
Redemption of 51,158 units (2014: 128,611 units)	2,698	6,844
Arif Habib REIT Management Limited		
Issue of 614,819 units (2014: NIL units)	33,006	-
Issue of NIL bonus units (2014: 127 bonus units)	-	6
Redemption of 614,260 units (2014: NIL units)	33,000	-
Adamjee Life Assurance Company Limited-Non-Unitised Investment Linked Fund		
Issue of 28,757 units (2014: 1,918,084 units)	1,500	96,370
Issue of NIL bonus units (2014: 13,025 bonus units)	-	651
Redemption of 48,875 units (2014: 1,910,992 units)	2,638	96,000
Adamjee Life Assurance Company Limited-Investment Multiply Fund		
Issue of NIL units (2014: 150,178 units)	-	7,545
Issue of NIL bonus units (2014: 1,751 bonus units)	-	88
Redemption 12,586 of units (2014: 139,343 units)	679	7,000
Adamjee Life Assurance Company Limited- Investment Secure Fund-II		
Issue of NIL units (2014: 522,934 units)	-	26,274
Issue of NIL bonus units (2014: 3,793 bonus units)	-	190
Redemption of 9,131 units (2014: NIL units)	492	26,000
Adamjee Life Assurance Company Limited- Investment Secure Fund		
Issue of NIL units (2014: 2,426,546 units)	-	121,921
Issue of NIL bonus units (2014: 111,808 bonus units)	-	5,590
Redemption of NIL units (2014: 2,538,354 units)	-	126,918

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	2015	2014
	(Rupees in '000)	
Cyan Limited		
Issue of NIL units (2014: 6,923,014 units)	-	346,800
Issue of NIL units (2014: 167,942 bonus units)	-	8,397
Redemption of NIL units (2014: 14,120,805 units)	-	709,129
Mandate Under Discretionary Portfolio Services		
Issue of 6,771 units (2014:164,308 units)	332	8,256
Issue of NIL bonus units (2014: 1,457 bonus units)	-	73
Redemption of 6771 Units (2014:159,249 Units)	350	8,000
Units holders holding 10% or more		
Central Depository Company Of Pakistan Limited		
Issue of 6,827,244 units (2014: 16,027,357 units)	344,500	802,665
Issue of NIL bonus units (2014: 837,204 bonus units)	-	41,860
Redemption of 8,525,502 Units (2014: 16,729,221 units)	454,039	838,165
Pakistan Petroleum Limited		
Issue of NIL units (2014:5,483,438 units)	-	275,000
Issue of NIL bonus units (2014:417,509 units)	-	20,875
Redemption of 6,388,314 Units (2014:536,558 Units)	338,450	27,000
Sunray Textiles Mills Limited		
Issue of 6,835,843 units (2014:7,503,608 units)	345,000	376,100
Issue of 14,420,294 bonus units (2014:80,842 units)	733,090	4,042
Suraj Cotton Mills Limited		
Issue of 15,194,887 units (2014:NIL units)	770,000	-
Issue of NIL bonus units (2014:NIL units)	-	-
Redemption of 8,276,592 Units (2014:NIL Units)	425,950	-
Attock Cement Pakistan Limited		
Issue of NIL units (2014:3,987,909 units)	-	200,000
Issue of NIL bonus units (2014:105,459 bonus units)	-	5,273
Redemption of NIL Units (2014:4,093,368 Units)	-	205,752

* Habib Metropolitan Bank Limited was a trustee of the Fund till August 20, 2014.

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

	2015	2014
	(Rupees in '000)	
12.2 Amounts outstanding as at the year end		
MCB- Arif Habib Savings and Investments Limited		
Payable to the Management Company	1,121	2,783
Sales tax payable on performance fee	168	445
Receivable from Management Company	107	127
Associated companies		
MCB Bank Limited		
Bank balances	1,045,033	7,367
Profit receivable on bank deposits	1,845	173
Next Capital Limited		
Brokerage payable	8	-
Arif Habib Limited		
Brokerage payable	8	-
Arif Habib REIT Management Limited		
2,033 units held (2014: 1,474 Units)	102	74
Adamjee Life Assurance Company Limited-Non-Unitised Investment Linked Fund		
NIL units held (2014: 20,117 units)	-	1,006
Adamjee Life Assurance Company Limited-Investment Multiply Fund		
NIL units held (2014: 12,586 units)	-	629
Adamjee Life Assurance Company Limited- Investment Secure Fund-II		
NIL units held (2014: 9,131 units)	-	457
Directors / executives and employees of the management company		
458 units held (2014: 425 units)	23	21
Mandate Under Discretionary Portfolio Services		
NIL units held (2014: 6,771 units)	-	332
Units holders holding 10% or more		
Central Depository Company Of Pakistan Limited		
5,983,737 units held (2014: 7,681,995 units)	300,063	384,196
Suraj Cotton Mills Limited		
6,918,295 units held (2014: NIL units)	346,928	-
Pakistan Petroleum Limited		
NIL units held (2014: 6,388,314 units)	-	319,496
Sunray Textiles Mills Limited		
NIL units held (2014: 7,584,450 units)	-	379,318

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

13. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

	Name	Designation	Qualification	Experience in years
1	Mr. Yasir Qadri	Chief Executive Officer	MBA	20
2	Mr. Muhammad Asim	Chief Investment Officer	MBA & CFA	12
3	Mr. Saad Ahmed	Senior Manager - Fixed Income	MBA	8
4	Mr. Mohsin Pervez	Vice President-Investments	MBA	14
5	Ms. Manal Iqbal	Head of Research	MBA & CFA	6
6	Syed Muhammad Usama Iqbal	Manager-Fixed Income	B.Com	7

13.1 Syed Muhammad Usama Iqbal is the fund manager. Details of the other funds managed by fund manager are as follows:

- Pakistan Income Fund
- Pakistan Income Enhancement Fund

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

	2015 (Percentage) %
1 Next Capital Limited	22.94
2 BMA Capital Management Limited	17.49
3 Invest One Markets (Private) Limited	14.14
4 Vector Capital (Private) Limited	9.70
5 Invest & Finance Securities Limited	8.83
6 Global Securities Pakistan Limited	7.94
7 Invest Capital Markets Limited	4.43
8 Arif Habib Limited	3.73
9 Summit Capital (Private) Limited	2.27
10 JS Global Capital Limited	2.23
	2014 (Percentage) %
1 Optimus Markets (Private) Limited	28.55
2 Invest & Finance Securities Limited	18.35
3 Summit Capital (Private) Limited	9.49
4 Invest One Markets (Private) Limited	9.20
5 Vector Capital (Private) Limited	8.03
6 Invest Capital Markets Limited	5.37
7 Icon Securities (Private) Limited	5.12
8 JS Global Capital Limited	5.03
9 KASB Securites Limited	4.92
10 C & M Management (Private) Limited	2.00

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

15. PATTERN OF UNIT HOLDINGS

Category	Number of unit holders	As at June 30, 2015			Percentage investment %
		Number of units held	Net asset value of the amount invested (Rupees in '000)		
Individuals	236	6,269,217	314,378		21.80
Associated companies / directors	4	6,124,188	307,106		21.29
Insurance companies	3	2,799,965	140,408		9.74
Retirement funds	12	3,263,923	163,674		11.35
Other companies	11	10,148,116	508,891		35.28
Others	2	155,396	7,793		0.54
	268	28,760,805	1,442,250		100.00

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

16. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

During the year, six board meetings were held on July 20, 2014 (112th meeting), September 9, 2014 (113th meeting), October 20, 2014 (114th meeting), February 02, 2015 (115th meeting), April 24, 2015 (116th meeting) and June 22, 2015 (117th meeting). Information in respect of attendance by Directors and other personnel in the meetings is given below :

Name of attendee	Designation	Number of meetings			Meeting not attended
		Held	Attended	Leave	
Mr. Mian Mohammad Mansha	Chairman	6	1	5	112th, 113th, 114th, 115th, 117th
Mr. Nasim Beg	Executive Vice Chairman	6	6	-	
Mr. Yasir Qadri	Chief Executive Officer	6	6	-	
Dr. Syed Salman Ali Shah	Director	6	4	2	115th, 116th
Mr. Haroun Rashid	Director / Chairman Audit Committee	6	3	3	114th, 115th, 116th
Mr. Ahmed Jahangir	Director	6	5	1	114th
Mr. Samad A. Habib	Director	6	4	2	114th, 115th
Mr. Mirza Mehmood Ahmed	Director	6	3	3	112th, 113th, 114th
Mr. M. Saqib Saleem*	Chief Operating Officer & Company Secretary	6	6	-	
Mr. Umair Ahmed**	Chief Financial Officer	6	4	-**	Resigned on February 2015

* Mr Saqib Saleem is appointed as Chief Financial Officer on 24 March 2015.

** Mr Umair Ahmed resigned from the position of Chief Financial Officer on 20 February 2015.

17. FINANCIAL RISK MANAGEMENT

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Directors of Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Fund primarily invests in a portfolio of money market investments such as government securities.

17.1 Market risk

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

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Board and regulations laid down by the Securities and Exchange Commission of Pakistan and the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations), The Non Banking Finance Companies (establishment and Regulation) Rules, 2003 (the Rules).

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

17.1.1 Currency risk

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

17.1.2 Interest rate risk

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

a) Sensitivity analysis for fixed rate instruments

Presently, the Fund only holds Treasury Bills which are classified 'as at fair value through profit or loss' exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by Financial Markets Association on June 30, 2015 with all other variables held constant, the net income for the year and net assets would be lowered by Rs. 1.266 million (2014: Rs 1.045 million). In case of 100 basis points decrease in rates announced by Financial Market Association on June 30, 2015, with all other variables held constant, the net income for the year and net assets would be higher by Rs. 1.270 million (2014: Rs 1.27 million).

b) Sensitivity of variable rate instruments

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

The composition of the Fund's investment portfolio and rates announced by Financial Market Association is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2015 is not necessarily indicative of the impact on the Fund's net assets due to future movements in interest rates.

Yield / interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

	As at June 30, 2015				Total
	Exposed to Yield / Interest risk			Not exposed to	
	Upto three months	More than three months and upto one year	More than one year	Yield / Interest rate risk	
----- (Rupees in '000) -----					
On-balance sheet financial instruments					
Financial Assets					
Balances with banks	1,045,105	-	-	130,589	1,175,694
Investments	1,053,600	-	-	-	1,053,600
Profit and other receivables	-	-	-	3,121	3,121
	<u>2,098,705</u>	<u>-</u>	<u>-</u>	<u>133,710</u>	<u>2,232,415</u>
Financial Liabilities					
Payable to the Management Company	-	-	-	1,289	1,289
Accrued expenses and other liabilities	-	-	-	743,191	743,191
	<u>-</u>	<u>-</u>	<u>-</u>	<u>744,480</u>	<u>744,480</u>
On-balance sheet gap	<u>2,098,705</u>	<u>-</u>	<u>-</u>	<u>(610,770)</u>	<u>1,487,935</u>
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	As at June 30, 2014			Total
	Exposed to Yield / Interest risk		Not exposed to	
	Upto three months	More than three months and upto one year	Yield / Interest rate risk	
----- (Rupees in '000) -----				
On-balance sheet financial instruments				
Financial Assets				
Balances with banks	684,554	-	1,610	686,164
Investments	2,494,161	-	-	2,494,161
Profit and other receivables	-	-	2,875	2,875
	<u>3,178,715</u>	<u>-</u>	<u>4,485</u>	<u>3,183,200</u>
Financial Liabilities				
Payable to the Management Company	-	-	3,228	3,228
Accrued expenses and other liabilities	-	-	6	6
	<u>-</u>	<u>-</u>	<u>3,234</u>	<u>3,234</u>
On-balance sheet gap	<u>3,178,715</u>	<u>-</u>	<u>1,251</u>	<u>3,179,966</u>
Off-balance sheet financial instruments	-	-	-	-
Off-balance sheet gap	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

17.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. At present, the fund is not exposed to price risk.

The fund does not hold any investments which are exposed to price risk.

17.2 Credit risk

Credit risk represents the risk of loss if counterparties fail to perform as contracted. The Fund is exposed to counter party credit risks on balances with banks. Investment in T-bills is backed by the government of Pakistan and hence considered secured. The credit risk on the Fund is limited because the counterparties are financial institutions with reasonably high credit ratings.

The fund maximum exposure to credit risk related to receivables at June 30, 2015 and June 30, 2014 is the carrying amount of following financial assets.

	2015 (Rupees in '000)	2014
Balances with banks	1,175,694	686,164
Profit and other receivables	3,341	2,875

The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30, 2015:

Bank Balances by rating category	2015	2014
AA+	89%	99%
AAA	11%	1%

The maximum exposure to credit risk before any credit enhancement as at June 30, 2015 is the carrying amount of the financial assets. None of these assets are impaired nor past due.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Investment in fixed income securities

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

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is mainly held with various banks and securities issued by the State Bank of Pakistan on behalf of the Government of Pakistan.

17.3 Liquidity risk

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

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

The Fund has the ability to borrow in the short term to ensure settlement. During the current year, the Fund did not avail any borrowing. As per NBFC Regulation, the maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund and bear interest at commercial rates.

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

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	As at June 30, 2015			
	Upto three months	More than three months and upto one year	More than one year	Total
	-----Rupees in '000-----			
Financial Liabilities				
Payable to the Management Company	1,289	-	-	1,289
Accrued expenses and other liabilities	743,191	-	-	743,191
	<u>744,480</u>	<u>-</u>	<u>-</u>	<u>744,480</u>
	As at June 30, 2014			
	Upto three months	More than three months and upto one year	More than one year	Total
	-----Rupees in '000-----			
Financial Liabilities				
Payable to the Management Company	3,228	-	-	3,228
Accrued expenses and other liabilities	6	-	-	6
	<u>3,234</u>	<u>-</u>	<u>-</u>	<u>3,234</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

17.4 Financial instruments by category

		As at June 30, 2015	
	Loans and receivables	Assets at fair value through profit or loss	Total
-----Rupees in '000-----			
Financial Assets			
Balances with banks	1,175,694	-	1,175,694
Investments	-	1,053,600	1,053,600
Profit and other receivables	3,121	-	3,121
	<u>1,178,815</u>	<u>1,053,600</u>	<u>2,232,415</u>
As at June 30, 2015			
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
-----Rupees in '000-----			
Financial Liabilities			
Payable to the Management Company	-	1,289	1,289
Accrued expenses and other liabilities	-	743,191	743,191
	<u>-</u>	<u>744,480</u>	<u>744,480</u>
As at June 30, 2014			
	Loans and receivables	Assets at fair value through profit or loss	Total
-----Rupees in '000-----			
Financial Assets			
Balances with banks	686,164	-	686,164
Investments	-	2,494,161	2,494,161
Receivable against sale of units	-	-	-
Profit and other receivables	2,875	-	2,875
	<u>689,039</u>	<u>2,494,161</u>	<u>3,183,200</u>
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
-----Rupees in '000-----			
Financial Liabilities			
Payable to the Management Company	-	3,228	3,228
Accrued expenses and other liabilities	-	6	6
	<u>-</u>	<u>3,234</u>	<u>3,234</u>

17.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

International Financial Reporting Standard 7, Financial Instruments : Disclosure requires an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

As at June 30, 2015				
Level 1	Level 2	Level 3	Total	
----- Rupees in '000 -----				
ASSETS				
Investment in government securities- 'at fair value through profit or loss'	-	1,053,600	-	1,053,600

As at June 30, 2014				
Level 1	Level 2	Level 3	Total	
----- Rupees in '000 -----				
ASSETS				
Investment in government securities- 'at fair value through profit or loss'	-	2,494,161	-	2,494,161

18 UNIT HOLDERS' FUND RISK MANAGEMENT

The Unit Holders' Fund is represented by redeemable units. They are entitled to distributions and to payment of a proportionate share based on the Fund's net asset value per share on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund.

The Fund has no restrictions on the subscription and redemption of units. There is no specific capital requirement which is applicable to the fund.

The Fund's objectives when managing unit holder's fund are to safeguard its ability to continue as a going concern so that it can continue to provide returns for units holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies as stated in note 17, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, such liquidity being augmented by short-term borrowings or disposal of investments when necessary.

19 GENERAL

Figures have been rounded off to the nearest thousand Rupees.

20 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 07 Aug. 2015 by the Board of Directors of the Management Company.

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



Chief Executive Officer



Director

**PATTERN OF HOLDING AS PER REQUIREMENT OF CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2015**

Category	No.of Unit Holders	Units
Associated Companies, undertakings and related Parties		
ARIF HABIB REIT MANAGEMENT LIMITED	1	2,033
Directors		
Nasim Beg	1	458
Public Sector Companies and Corporations		
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance, Insurance Companies, Modarbas and Mutual Funds.	3	2,799,965
Individuals	236	6,269,217
Others	19	6,787,100
Unitholders holding 5 percent or more Voting interest in the listed company		
CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED	1	5,983,737
SURAJ COTTON MILLS LIMITED	1	6,918,295
	268	28,760,805

**PATTERN OF UNITS HOLDING BY SIZE
FOR THE YEAR ENDED JUNE 30, 2015**

No. of Unit Holder	Unit holdings	Total Units Held
175	1-10000	372,884
67	10001-100000	1,767,332
18	100001-1000000	5,099,669
8	1000001 onwards	21,520,920
268		28,760,805

PERFORMANCE TABLE

	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008
	(Rupees in '000)							
Net Assets	1,442,250	3,147,567	2,556,911	3,834,258	2,710,685	2,061,964	579,814	114,075
Net Income	38,894	266,560	232,678	276,222	313,035	167,210	22,533	2,526
	(Rupees per unit)							
Net Asset Value per Unit	50.1464	50.0125	50.5000	50.0792	51.1828	50.6935	50.6800	50.5400
Interim distribution per unit *	-	3.7023	3.9400	4.7804	4.5500	4.6932	5.0400	0.6500
Final distribution per Unit	4.29	0.4168	0.5000	0.4343	1.1801	0.6900	0.6750	0.5000
Distribution date-final	June 24, 2015	June 30, 2014	July 4, 2013	June 24, 2012	July 4, 2011	July 5, 2010	July 6, 2009	July 3, 2008
Year end offer price per unit	50.1464	50.0125	50.5000	50.0792	51.1828	50.6935	50.6800	50.5400
Year end repurchase price per unit	50.1464	50.0125	50.5000	50.0792	51.1828	50.6935	50.6800	50.5400
Highest offer price	54.2859	50.3806	50.3806	50.6884	50.6935	50.6807	50.6700	50.7000
Lowest offer price	50.0233	50.0000	50.0000	50.0072	50.6935	50.0700	50.0600	50.0800
Highest repurchase price per unit	54.2859	50.3806	50.3806	50.6884	51.1800	50.6807	50.6700	50.7000
Lowest repurchase price per unit	50.0233	50.0000	50.0000	50.0072	50.0400	50.0700	50.0600	50.0700
	(Percentage)							
Total return of the Fund								
Capital growth	4.57	4.29	0.13	0.75	-	0.52	0.52	0.33
Income Distribution	4.29	4.12	8.87	10.29	11.47	10.76	11.43	8.17
Average annual return								
One Year	8.86	8.41	9.00	11.04	12.00	11.28	11.95	8.50
Since inception	10.30	10.53	13.80	11.40	13.10	11.25	11.24	-
Waeighted average portfolio duration	33 days	14 days	21 days	32 days	48 days	37 days	42 days	85 days

Disclaimer

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

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Please read the Offering Document to understand the investment policies and the risks involved.



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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

URL: www.mcbah.com, **Email:** info@mcbah.com