

**Annual Report
2015**



PAKISTAN

SARMAYA MEHFOOZ FUND

MCB-Arif Habib Savings and Investments Limited

AM2 Plus by PACRA



TABLE OF CONTENTS

1	Vision Mission & Core Values	02
2	Fund's Information	03
3	Report of the Director of Management Company	04
4	Report of the Fund Manager	07
5	Trustee Report to the Unit Holders	09
6	Statement of Compliance with the Code of Corporate Governance	10
7	Review Report to the Unit Holders on the Statement of Compliance with the best Practices of the Code of Corporate Governance	12
8	Independent Auditors Report to the Unit Holders	13
9	Statement of Assets and Liabilities	15
10	Income Statement	16
11	Distribution Statement	17
12	Statement of Movement in Unit Holders' Fund	18
13	Cash Flow Statement	19
14	Notes to and Forming part of the Financial Statements	20
15	Pattern of holding as per Requirement of Code of Corporate Governance	40
16	Pattern of Units Holding by Size	41
17	Performance Table	42

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	Central Depository Company of Pakistan Limited CDC House, 990B Block 'B' S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400	
Bankers	MCB Bank Limited Habib Metropolitan 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 Sarmaya Mehfooz Fund's accounts review for the year ended June 30th, 2015

Economy & Money Market Review

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.

Equities Market Review

KSE-100 index rose by a decent 16% in FY15 as against an average annual growth of 35% recorded during the past three fiscal years.

Mid and small cap stock remained in the limelight on the back of lower energy cost and commodity price. Index heavy weights i.e. Oil and Gas and Banking sectors remained the main contributors to dismal market performance. Declining trend with high volatility in oil prices didn't allow Oil and Gas sector to perform while attractiveness of banking sector was marred by regular reductions in discount rate causing the net interest margins to shrink.

Monetary easing and low interest rate outlook on the back of lower expected inflation supported the performance of leveraged and high yielding sectors like Fertilizer and Electricity. Cement sector was the beneficiary of both soft raw material cost and lower interest rate. Mid and small cap stocks benefited on account of lower energy cost and commodity prices.

The average turnover stood at around 218 million shares, while foreigners remained buyer with net inflow of around \$39 million.

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

Strong participation in HBL transaction, including a foreign exchange component of \$764 million, reflects the confidence of investors in improving macroeconomic fundamentals.

FUND PERFORMANCE

The fund posted a return of 10.95% since inception as against its benchmark return of 5.29% (since launch in December 2014). The fund was 35.8.0% allocated in equity investments, 27.6% in PIBs and 21.2% in Term Deposits.

The Net Asset of the Fund as at June 30, 2015 stood at Rs.741 million.

The Net Asset Value (NAV) per unit as at June 30, 2015 was Rs.107.6262.

Income Distribution

During the period the Management Company has announced the final distribution:

Date of distribution	Per unit distribution
	Rs.
June 22, 2015	3.35

MARKET & ECONOMY - 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.

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

- 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 20 to the attached financial statements. Below is the details of committee meetings held during 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	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 the Units of the Fund were carried out during the year 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.

External Auditors

The fund's external auditors, Deloitte Yousuf Adil Chartered Accountants, have expressed their willingness to continue as the fund auditors for the ensuing year ending June 30, 2016. The audit committee of the Board has recommended reappointment of Deloitte Yousuf Adil Chartered Accountant 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 Sarmaya Mehfooz Fund PAK-SMF is an Open-End Capital Protected Scheme.

Fund Benchmark

The benchmark for PAK-SMF is Weighted Average Daily Return of KSE-30 Total Return Index, Three (3) Month Deposit Rate of Double A minus (AA-) and above rated Banks and PIB's yields of appropriate maturity as measured by PKRV rates (bidside), based on the fund's actual proportion invested in equities, cash and bank deposits, and PIB's, measured on monthly basis..

Investment Objective

The objective of Pakistan Sarmaya Mehfooz Fund is to earn a return higher than short term bank deposits and government securities while providing capital protection upon maturity of the Fund.

Investment Strategy

The Fund will be primarily investing in Equities (i.e. the Equity Component); while a combination of bank deposit and government securities will be used to take fixed-income exposure (i.e. the Income Component) with a view to providing capital protection. The dynamic asset allocation is aimed at providing higher returns through participation in Equities while aiming to protect downside risk of principal erosion through participation in fixed-income instruments.

Manager's Review

The fund posted a return of 10.95% since inception -à-vis benchmark return of 5.29% (since launch in December 2014).

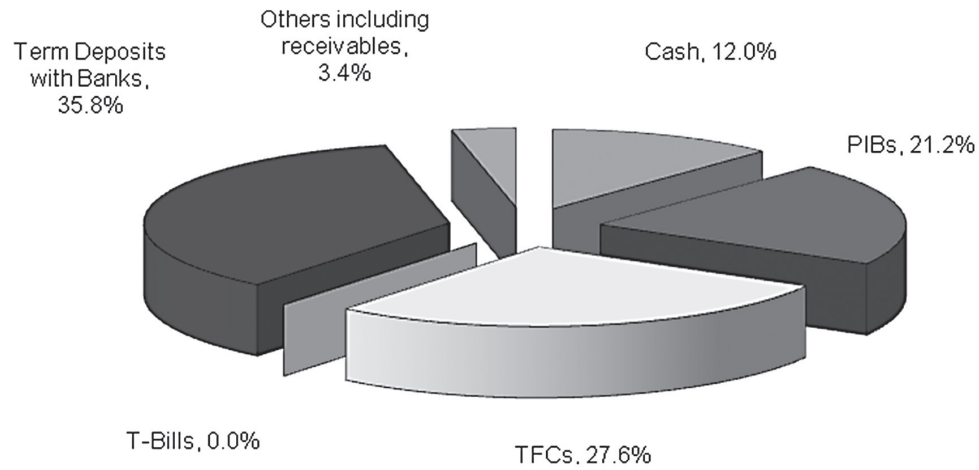
This double-digit growth in performance has helped the local equity market to shine as one of the best performing markets in the world. The volumes remained healthy with an average daily market turnover of around 216 million shares during the year. Smooth political transition, successful political transition, entry into IMF program and foreign inflows helped the stock market climb strongly during the year. In addition, monetary easing in developed countries also played a catalyst as they continued to facilitate the flow of funds towards the developing countries. Moreover, a combination of improving economic indicators, strong inherent bottom line growth and healthy payouts helped keep the investors' interest alive in the stock market. The rally remained broad based, but interest largely remained in Pharmaceuticals, Banks and Automobile sectors.

On the equities front fund changed its overall equity and sector allocations several times in response to varying investment climate. End of the period equity allocation of fund was around 35.8%. The fund has remained focused on maintaining a balance between defensive high yielding and growth stocks. During the period under review, the fund mainly increased its exposure Oil & Gas Exploration Companies, Fertilizer and cements. While decreased its exposure towards Power Generation and chemicals.

On the fixed income side, the fund keeps its exposure in Government bonds and TDRs at 27.6% and 21.2% respectively.

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

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



Muhammad Asim, CFA
Fund Manager

Karachi: August 07, 2015

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

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office

CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shakra-e-Faisal
Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcpak.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

PAKISTAN SARMAYA MEHFOOZ FUND

Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We Central Depository Company of Pakistan Limited, being the Trustee of Pakistan Sarmaya Mehfooz Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the period from December 22, 2014 to June 30, 2015 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.


Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: October 1, 2015



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 Sarmaya Mehfooz Fund (the Fund) to comply with the Code of Corporate Governance contained in Regulation no. 35 of listing regulation of Lahore Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Category	Names
Independent Directors	1. Dr. Salman Shah 2. Mr. Haroun Rashid 3. Mr. Mirza Mehmood
Executive Directors	1. Mr. Nasim Beg – Executive Vice Chairman 2. Mr. Yasir Qadri – Chief Executive Officer
Non – Executive Directors	1. Mian Mohammad Mansha 2. Mr. Ahmed Jehangir 3. Mr. Samad Habib

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

2. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies, where applicable)
3. All the resident Directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI 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.
14. The Management Company has complied with all the corporate and financial reporting requirements of the Code.

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

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, Shahrah-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 Sarmaya Mehfooz Fund (the Fund)** for the year ended June 30, 2015 to comply with the respective listing regulations of the Lahore Stock Exchange where the Fund is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 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 Sarmaya Mehfooz 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 period from December 22, 2014 to June 30, 2015 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 period from December 22, 2014 to June 30, 2015 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	(Rupees in '000)
ASSETS		
Balances with banks	5	90,942
Investments	6	639,121
Dividend and profit receivable	7	19,058
Advance, deposits and prepayments	8	2,801
Preliminary expenses and floatation costs		3,182
Total assets		755,104
LIABILITIES		
Payable to the Management Company		5,116
Payable to the Central Depository Company of Pakistan Limited - Trustee		79
Payable to the Securities and Exchange Commission of Pakistan		283
Accrued expenses and other liabilities	9	8,650
Total liabilities		14,128
NET ASSETS		740,976
UNIT HOLDERS' FUND (as per statement attached)		740,976
Contingencies and commitments	10	
		(Number of units)
NUMBER OF UNITS IN ISSUE		6,884,713
		(Rupees)
NET ASSET VALUE PER UNIT	4.10	107.63

The annexed notes from 1 to 24 form an integral part of these financial statements.


 Chief Executive Officer

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


 Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2015

		For the period from December 22, 2014 to June 30, 2015 (Rupees in '000)
	Note	
INCOME		
Capital gain on sale of investments - net		33,485
Income from government securities		12,819
Profit on bank deposits and term deposit receipts		12,013
Dividend income		10,305
Other income		367
Total income		68,989
EXPENSES		
Remuneration of Management Company	11	3,776
Sales tax and Federal Excise Duty on remuneration of Management Company		1,261
Remuneration of Central Depository Company of Pakistan Limited - Trustee	12	491
Securities and Exchange Commission of Pakistan - annual fee	13	283
Legal and professional		100
Settlement and bank charges		1,052
Fee and subscriptions		185
Zakat		1,033
Amortisation of preliminary expenses and floatation costs		1,132
Auditors' remuneration	14	319
Printing and related costs		60
Total expenses		9,692
Net income from operating activities		59,297
Element of income and capital gains included in the prices of units issued less those in units redeemed - net		280
Provision for Workers' Welfare Fund	9.1	(1,192)
Net income for the period before taxation		58,385
Taxation	15	-
Net income for the period after taxation		58,385
Other comprehensive income for the period		
<i>Items that may be reclassified to profit and loss account</i>		
Unrealised appreciation on re-measurement of investments classified as 'available for sale' - net	6.4	16,034
Total comprehensive income for the period		74,419
Earnings per unit	4.9	-

The annexed notes from 1 to 24 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, 2014**

For the period
from
December 22, 2014
to
June 30, 2015
(Rupees in '000)

Net element of income and capital gains included in the price of units
issued less those in units redeemed - amount representing unrealised income

531

Total comprehensive income for the period

74,419

74,950

Distribution:

Final cash distribution for the period ended June 30, 2015 at Rs 3.35 per unit
(Date of distribution: June 22, 2015)

(22,446)

Undistributed income carried forward

52,504

Represented by:

- Realised gains
- Unrealised gains

36,470

16,034

52,504

The annexed notes from 1 to 24 form an integral part of these financial statements.

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



Chief Executive Officer



Director

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

For the period
from
December 22, 2014
to
June 30, 2015
(Rupees in '000)

Issue of 6,991,660 units (including 184,490 units reinvested by the unitholders against their dividend entitlement amounting to Rs. 20 million - net of tax)

700,719

Redemption of 106,947 units

(11,436)

689,283

Element of income and capital gains included in prices of units issued less those in units redeemed:

- amount representing income and capital gains transferred to the Income Statement - net
- amount representing unrealised gains and capital gains that forms part of the unit holders' fund transferred to the Distribution Statement - net

(280)

(531)

(811)

Net income for the period transferred from the Distribution Statement

Capital gain on sale of investments

33,485

Unrealised appreciation on re-measurement of investments classified as 'available for sale'

16,034

Other net income for the period

24,900

Net element of income and capital gains included in prices of units issued less those in units redeemed - amount representing unrealized income

531

Final distribution made during the period (Refer distribution statement)

(22,446)

52,504

Net assets at end of the period

740,976

(Number of units)

NUMBER OF UNITS IN ISSUE

6,884,713

(Rupees)

NET ASSET VALUE PER UNIT

107.63

The annexed notes from 1 to 24 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

For the period
from
December 22, 2014
to
June 30, 2015
(Rupees in '000)

A. CASH FLOWS FROM OPERATING ACTIVITIES

Net income for the period	58,385
Adjustments for	
Element of income and capital gains included in the price of units issued less those in units redeemed - net	(280)
Amortisation of preliminary expenses and floatation costs	1,132
	59,237

Assets

Investments - net	(623,087)
Dividend and profit receivable	(19,058)
Advance, deposits and prepayments	(2,801)
Preliminary expenses and floatation costs	(4,314)
	(649,260)

Liabilities

Payable to the Management Company	5,116
Payable to the Central Depository Company of Pakistan Limited - Trustee	79
Payable to the Securities and Exchange Commission of Pakistan - fee	283
Accrued expenses and other liabilities	8,650
	14,128

Net cash used in operating activities

A (575,895)

B. CASH FLOWS FROM FINANCING ACTIVITIES

Dividend paid	(22,446)
Cash received from units sold	700,719
Cash paid on units redeemed	(11,436)
Net cash generated from financing activities	B 666,837

Net increase in cash and cash equivalents

(A+B) 90,942

Cash and cash equivalents at beginning of the period

-

Cash and cash equivalents at end of the period

90,942

The annexed notes from 1 to 24 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 Sarmaya Mehfooz Fund (the Fund) was established under a Trust Deed dated, July 21, 2014, executed between MCB-Arif Habib Savings and Investments Limited as Management Company and Central Depository Company of Pakistan Limited as Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) as an investment scheme under the Non-Banking Finance Companies and Notified Entities Regulations 2008, on August 13, 2014.
- 1.2** The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.
- 1.3** The Fund is a capital protected open ended mutual fund with the objective to protect the initial investment value of investors at maturity with secondary objective of providing growth over the period. The units of the Fund are redeemable subject to a Back-end Load and Contingent Load. The units are listed on the Lahore Stock Exchange (LSE).
- 1.4** According to Clause 25.2 of the Trust Deed, the first accounting period of the Fund shall commence from the date on which the trust property is first paid or transferred to the Trustee i.e. December 22, 2014 till June 30, 2015. The duration of the Fund is 2 years starting from the close of initial offering period which was December 19, 2014.
- 1.5** The Fund primarily invests in equity securities while a combination of investments in bank deposits and government securities are used to take fixed-income exposure with a view to provide capital protection.
- 1.6** This is the first year of operations of the Fund and PACRA has been appointed as the rating company. The rating company has assigned an asset manager rating of AM2+, dated April 07, 2015 to the Management Company. The Management Company has initiated the process for seeking rating of the Fund which is expected to be received shortly.
- 1.7** Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2. STATEMENT OF COMPLIANCE

- 2.1** These financial statements have been prepared in accordance with the 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 the 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, 2008) and directives issued by the SECP. Wherever, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations, and the said directives differ with the requirements of these standards, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations, and the said directives 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.

Standards / amendments / interpretations

Effective from accounting period beginning on or after

Amendments to IAS 32 Financial Instruments: Presentation - Offsetting
financial assets and financial liabilities

January 01, 2014

Standards / amendments / interpretations

Effective from accounting period beginning on or after

IAS 39 Financial Instruments: Recognition and measurement - Novation
of derivatives and continuation of hedge accounting

January 01, 2014

IFRIC 21 - Levies

January 01, 2014

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

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

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

Standards / amendments / interpretations	<i>Effective for annual periods beginning on or after</i>
IAS 27 (Revised 2011) – Separate Financial Statements	January 01, 2015
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	January 01, 2016
IFRS 10 – Consolidated Financial Statements	January 01, 2015
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 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 these financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances.

The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies primarily related to classification and valuation of investments and impairment there against (note 4.1).

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 adopted in the preparation of these financial statements are set out below:

4.1 Financial assets

4.1.1 Classification

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

The Fund classifies its financial assets in the following categories: 'financial assets at fair value through profit or loss', 'available for sale' and 'loans and receivables'. 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 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 designated as available for sale or are not classified as a) loans and receivables or b) financial assets 'at fair value through profit or loss'.

c) Loans and receivables

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

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 instruments are measured initially at fair value (transaction price) plus, in case of a financial instrument not as 'at fair value through profit or loss', transaction costs that are directly attributable to the acquisition or issue of the financial instruments. Transaction costs on financial instruments 'at fair value through profit or loss' are expensed out immediately.

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:

- 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 and 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 that time, the cumulative gain or loss previously recognised in Other Comprehensive Income is transferred to Income Statement.

- Equity securities

The investment of the Fund in equity securities is valued on the basis of closing quoted market prices available at the stock exchange.

Net gains and losses arising on 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 that time, the cumulative gain or loss previously recognised in Other Comprehensive Income is transferred to Income Statement.

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.

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

4.1.5 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. In case of an investment in an equity security, a significant or prolonged decline in fair value below its cost is objective evidence of impairment. 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. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognised in Other Comprehensive Income.

4.1.6 Derecognition

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

4.1.7 Offsetting of financial instruments

Financial assets and 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 an intention to settle on a net basis, or to realise the asset and settle the liability 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 measured to its fair value and the resultant gain or loss is recognised in the Income Statement.

4.4 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of two years commencing from December 22, 2014, as per the requirement of the Trust Deed of the Fund.

4.5 Accrued expenses and other liabilities

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

4.6 Other assets

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

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

4.8 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

Deferred

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.

4.9 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.

4.10 Net asset value per unit

The net asset value (NAV) per unit, as disclosed in 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.

4.11 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.

4.12 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 day. 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.

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.

4.13 Element of income / (loss) and capital gains / (losses) included in the 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 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.

4.14 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Mark-up on government securities is recognised on an time proportion basis.
- Unrealized gains / (losses) arising on re-measurement of investments classified as 'at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Dividend income on equity securities is recognised when the right to receive dividend is established.
- Profits on bank deposits and term deposit receipts are recognised on time proportion basis.
- Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed realised during the year is included in the Income Statement on the date of issue and redemption of units.

4.15 Expenses

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

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

4.16 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.

4.17 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.

4.18 Foreign currency translation

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

	Note	(Rupees in '000)
5. BALANCES WITH BANKS		
In saving accounts	5.1	<u><u>90,942</u></u>
5.1 These carry rate of return ranging from 5.5% to 8.5% per annum.		
6. INVESTMENTS		
<i>Available for sale</i>		
Listed equity securities	6.1	<u>270,659</u>
Government securities	6.2	<u>208,462</u>
		479,121
<i>Loans and receivables</i>		
Term deposit receipts	6.3	<u>160,000</u>
		<u><u>639,121</u></u>

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

6.1 Listed equity securities - Available for sale

Name of the investee company	Number of shares			As at June 30, 2015			Market value as percentage of net assets	Market value as percentage of total investments	Market value as percentage of total paid up capital of the investee company	
	Purchases during the period	Sales during the period	As at June 30, 2015	Cost	Market value	Appreciation/ (diminution)				
Rupees in '000'										%
Shares of listed companies - fully paid ordinary shares of Rs. 10 each										
AUTOMOBILE ASSEMBLER										
Indus Motor Company Limited	15,500	3,000	12,500	14,505	15,613	1,108	2.11	2.44	0.02	
Pak Suzuki Motor Company Limited	20,000	20,000	-	-	-	-	-	-	-	
				14,505	15,613	1,108	2.11	2.44		
CABLE & ELECTRICAL GOODS										
Pak Elektron Limited	765,000	615,000	150,000	9,179	12,411	3,232	1.67	1.94	0.04	
				9,179	12,411	3,232	1.67	1.94		
CEMENT										
D.G. Khan Cement Company Limited	250,000	150,000	100,000	13,774	14,277	503	1.93	2.23	0.02	
Fauji Cement Company Limited	400,000	-	400,000	13,770	13,948	178	1.88	2.18	0.03	
Lucky Cement Limited	62,000	30,000	32,000	14,539	16,628	2,089	2.24	2.60	0.01	
Maple Leaf Cement Factory Limited	475,000	375,000	100,000	5,871	7,856	1,985	1.06	1.23	0.02	
Pioneer Cement Limited	167,000	167,000	-	-	-	-	-	-	-	
				47,954	52,709	4,755	7.11	8.25		
CHEMICALS										
ICI Pakistan Limited	25,000	-	25,000	9,983	10,722	739	1.45	1.68	0.03	
				9,983	10,722	739	1.45	1.68		
COMMERCIAL BANKS										
Habib Bank Limited	150,679	150,000	679	114	146	32	0.02	0.02	0.00	
JS Bank Limited	500,000	-	500,000	3,654	3,690	36	0.50	0.58	0.05	
National Bank of Pakistan	200,000	200,000	-	-	-	-	-	-	-	
United Bank Limited	260,000	260,000	-	-	-	-	-	-	-	
				3,768	3,836	68	0.52	0.60		
ENGINEERING										
Crescent Steel and Allied Products Limited	100,000	25,000	75,000	4,645	3,898	(747)	0.53	0.61	0.12	
				4,645	3,898	(747)	0.53	0.61		

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

Name of the investee company	Number of shares		As at June 30, 2015				Market value as percentage of net assets	Market value as percentage of total investments	Market value as percentage of total paid up capital of the investee company
	Purchases during the period	Sales during the period	As at June 30, 2015	Cost	Market value	Appreciation/ (diminution)			
Rupees in '000'									
%									
Shares of listed companies - fully paid ordinary shares of Rs. 10 each									
FERTILIZERS									
Engro Fertilizer Company Limited	250,000	250,000	-	-	-	-	-	-	-
Engro Corporation Limited	337,000	333,000	4,000	1,126	1,187	61	0.16	0.19	0.00
* Fatima Fertilizer Company Limited	525,000	525,000	-	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	240,000	240,000	-	-	-	-	-	-	-
Fauji Fertilizer Company Limited	385,000	221,300	163,700	22,844	24,460	1,616	3.30	3.83	0.01
				23,970	25,647	1,677	3.46	4.01	
FOOD AND PERSONAL CARE PRODUCTS									
Engro Foods Limited	50,000	50,000	-	-	-	-	-	-	-
GLASS AND CERAMICS									
Ghani Glass Limited	94,500	-	94,500	6,406	8,204	1,798	1.11	1.28	0.08
Tariq Glass Industries Limited	54,000	-	54,000	3,246	3,158	(88)	0.43	0.49	0.07
				9,652	11,362	1,710	1.53	1.78	
OIL AND GAS EXPLORATION COMPANIES									
Mari Petroleum Company Limited	31,750	31,750	-	-	-	-	-	-	-
** Oil and Gas Development Company Limited	260,000	90,000	170,000	31,331	30,471	(860)	4.11	4.77	0.00
Pakistan Oilfields Limited	58,000	18,000	40,000	14,134	16,153	2,019	2.18	2.53	0.02
** Pakistan Petroleum Limited	87,000	-	87,000	14,381	14,291	(90)	1.93	2.24	0.00
				59,846	60,915	1,069	8.22	9.53	
INSURANCE									
* Adamjee Insurance Company Limited	200,000	200,000	-	-	-	-	-	-	-
Pakistan Reinsurance Company Limited	263,500	263,500	-	-	-	-	-	-	-
OIL AND GAS MARKETING COMPANIES									
Pakistan State Oil Company Limited	45,000	19,000	26,000	9,796	10,031	235	1.35	1.57	0.01
				9,796	10,031	235	1.35	1.57	

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

Name of the investee company	Number of shares			As at June 30, 2015			Market value as percentage of net assets	Market value as percentage of total investments	Market value as percentage of total paid up capital of the investee company
	Purchases during the period	Sales during the period	As at June 30, 2015	Cost	Market value	Appreciation/ (diminution)			
Shares of listed companies - fully paid ordinary shares of Rs. 10 each									
PAPER AND BOARD									
Cherat Packaging Limited Packages Limited	25,000	-	25,000	4,553	4,715	162	0.64	0.74	0.09
	31,200	-	31,200	17,483	18,535	1,052	2.50	2.90	0.04
				22,036	23,250	1,214	3.14	3.64	
POWER GENERATION AND DISTRIBUTION									
Hub Power Company Limited Kot Addu Power Company Limited Lalpur Power Limited Pakgen Power Limited	873,500	817,500	56,000	4,792	5,240	448	0.71	0.82	0.00
	594,500	594,500	-	-	-	-	-	-	-
	620,000	-	620,000	21,553	18,910	(2,643)	2.55	2.96	0.16
	537,000	-	537,000	17,422	16,115	(1,307)	2.17	2.52	0.14
				43,767	40,265	(3,502)	5.43	6.30	
Total - June 30, 2015				259,101	270,659	11,558	36.53	42.35	

* These represent transactions with related parties.

** The above include shares with a market value aggregating to Rs. 15.53 million which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular no. 11 dated October 23, 2007 issued by the SECP.

6.2 Government securities - Available for sale

Name of investee company	Face value			As at June 30, 2015			Market value as a percentage of net assets	Market value as a percentage of total investment
	Purchased during the period	Disposed off during the period	Matured during the year	As at June 30, 2015	Cost	Appreciation		
Rupees in '000'								
Pakistan Investment Bonds -03 years	200,000	-	-	200,000	203,986	208,462	4,476	32.62
Total - June 30, 2015	200,000	-	-	200,000	203,986	208,462	4,476	32.62

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

6.3 Loans and receivables

Particulars	Profit / mark-up rate	Maturity date	Carrying value as at June 31, 2015	Value as a percentage of net assets	Value as a percentage of investment
			Rupees in '000'	-----%	
Term deposit receipts	9.50%	December 19, 2016	160,000	21.59	25.03
Total - June 30, 2015			160,000	21.59	25.03

6.4 Unrealised appreciation on re-measurement of investments classified as 'available for sale'

Note
2015
(Rupees in '000)

Market value of investments	6.1 & 6.2	479,121
Cost of investments	6.1 & 6.2	463,087
		<u>16,034</u>

7. DIVIDEND AND PROFIT RECEIVABLE

Note (Rupees in '000)

Accrued profit on Pakistan Investment Bonds	10,110
Dividend receivable	880
Profit on term deposit receipts	7,787
Profit on saving accounts	281
	<u>19,058</u>

8. ADVANCES, DEPOSITS AND PREPAYMENTS

Security deposits - National Clearing Company of Pakistan Limited	8.1	2,500
- Central Depository Company of Pakistan Limited	8.2	100
Prepayments		180
Advance tax		21
		<u>2,801</u>

8.1 This represents deposit in respect of trading of listed securities.

8.2 This represents deposit on account of initial deposit for opening of investor account for electronic transfer of book-entry securities.

9. ACCRUED EXPENSES AND OTHER LIABILITIES

Note (Rupees in '000)

Provision for Workers' Welfare Fund	9.1	1,192
Provision for federal excise duty and related tax	9.2	2,957
Withholding tax on dividend distribution		2,444
Zakat on encashment of term deposit receipts		1,033
Auditors' remuneration		290
Sales load		305
Brokerage		399
Printing and related expenditure		30
		<u>8,650</u>

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

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

In 2011, a single judge of the Lahore High Court (LHC) issued a judgment in response to a petition in similar case whereby the amendments introduced in WWF Ordinance through Finance Acts, 2006 and 2008 have been declared unconstitutional and therefore struck down. However in 2013, the Larger Bench of the Sindh High Court (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 CISs from the definition of industrial establishment, and consequently CISs are no more liable to pay contribution to WWF with effect from July 01, 2015. These amendments are applicable for the financial years starting 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 provision of WWF in its books of account and financial statements till June 30, 2015 amounting to Rs. 1.19 million for the period. 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. 0.17 per unit.

- 9.2** The Finance Act 2013 introduced an amendment to Federal Excise Act 2005 where by Federal Excise Duty (FED) has been imposed at the rate of 16% of the services rendered by asset management companies. The Management Company is of the view that since the remuneration and sales load are 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 Collective Investment Schemes through their trustees in the Honourable Sindh High Court (SHC), challenging the levy of FED on Asset Management Company services after the eighteenth amendment. 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 management, as a matter of abundant caution, has decided to make the provision of FED and related additional taxes in the books of accounts amounting to Rs. 2.96 million as at June 30, 2015. In case, the suit is decided against the fund the same would be paid to management company, which will be responsible for submitting the same to taxation authorities. Had the said provision of FED and related taxes were not recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 0.43 per unit as at June 30, 2015.

10. CONTINGENCIES AND COMMITMENTS

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

**For the period
from
December 22, 2014
to
June 30, 2015
(Rupees in '000)**

11. REMUNERATION OF MANAGEMENT COMPANY

Management fee

3,776

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 and, in any case, it shall not exceed the limit prescribed by the NBFC Regulations, 2008. The Management Company has charged a remuneration at the rate of 1% per annum of average daily Net Assets. 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%.

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

For the period
from
December 22, 2014
to
June 30, 2015
(Rupees in '000)

12. REMUNERATION OF CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

Remuneration to trustee	491
-------------------------	-----

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net asset value of the Fund.

Based on the Trust Deed, the tariff structure applicable to the Fund from December 22, 2014 to June 30, 2015 is as follows:

Amount of Funds Under Management (Average NAV)	Tariff per annum
Daily NAV	0.13% per annum of average daily Net Assets
	For the period from December 22, 2014 to June 30, 2015 (Rupees in '000)

13. SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - ANNUAL FEE

Annual fee	283
------------	-----

Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), a collective investment scheme is required to pay as annual fee to the SECP, an amount equal to 0.075 percent of the average annual net assets of the Fund.

14. AUDITORS' REMUNERATION

Audit fee	250
Half yearly review	25
Other certification and services	40
Out of pocket expenses	4
	319

15. TAXATION

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

16. TRANSACTIONS WITH CONNECTED PERSONS

Related parties / connected / connected persons of the Funds include the Management Company, other collective investment

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

schemes managed by the Management Company, MCB Bank Limited being holding company of the Management Company, the Trustee, directors and key management personnel and other associated undertakings and unit holders holding more than 10% units of the fund.

The transactions with connected persons are in normal course of business and at contracted rates.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of the Non-Banking Finance Companies & Notified Entities Regulations, 2008 and the Trust Deed respectively.

	For the period from December 22, 2014 to June 30, 2015 (Rupees in '000)
16.1 Details of transactions with connected persons are as follows:	
MCB-Arif Habib Savings and Investments Limited - Management Company	
Remuneration including indirect taxes	5,037
Reimbursement of Sindh sales tax registration	8
Central Depository Company of Pakistan Limited - Trustee	
Remuneration	491
MCB Bank Limited	
Profit on bank deposits and term deposit receipts	11,454
Bank charges	31
Arif Habib Limited	
Brokerage *	177
Next Capital Limited	
Brokerage *	95
MCB Employees Pension Fund	
Issue of 515,450 units	51,675
Dividend Paid	1,675
Adamjee Insurance Company Limited Employees Provident Fund	
Issue of 103,090 units	10,335
Dividend Paid	335
Adamjee Life Assurance Company Limited Employees Gratuity Fund	
Issue of 21,057 units	2,110.97
Dividend Paid	68

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

16.2 Amount outstanding at period end	(Rupees in '000)
MCB-Arif Habib Savings and Investments Limited - Management Company	
Remuneration payable	611
Sales tax payable on management fee	91
Legal and professional charges payable	100
Sales load payable	305
Other payable	4,314

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

	For the period from December 22, 2014 to June 30, 2015 (Rupees in '000)
Central Depository Company of Pakistan Limited - Trustee	
Remuneration payable	79
MCB Bank Limited	
Bank deposits	88,005
Term deposit receipts	160,000
Profit receivable	8,028
D.G. Khan Cement Company Limited	
100,00 shares held	14,277
Lalpir Power Limited	
620,000 shares held	18,910
Pakgen Power Limited	
537,000 shares held	16,115
Arif Habib Limited	
Brokerage payable	27
MCB Employees Pension Fund	
Units held 515,450	55,476
Adamjee Insurance Company Limited Employees Provident Fund	
Units held 103,090	11,095
Adamjee Life Assurance Company Limited Employees Gratuity Fund	
Units held 21,057	2,266

17. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

17.1 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. Saad Ahmed	Senior Manager - Fixed Income	MBA	8
3	Mr. Muhammad Asim	Chief Investment Officer	MBA & CFA	12
4	Mr. Mohsin Pervez	Vice President-Investments	MBA	14
5	Ms. Manal Iqbal	Head of Research	MBA & CFA	6

17.2 Muhammad Asim is the fund manager. Details of other funds managed by fund manager are as follows:

- MCB Pakistan Asset allocation fund
- Pakistan Capital Market Fund
- Pakistan Pension Fund

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

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

	%
1 Fortune Securities Limited	11.86
2 Foundation Securities Limited	10.52
3 Arif Habib Limited	9.76
4 Invest And Finance Securities Limited	9.17
5 JS Global Capital Limited	7.38
6 Taurus Securities Limited	6.68
7 Optimas Capital Management (Private) Limited	5.96
8 Nael Capital (Private) Limited	5.70
9 Next Capital Limited	5.22
10 DJM Securities (Private) Limited	5.16

19. PATTERN OF UNIT HOLDINGS

Category	Number of unit holders	Number of units held	Investment amount (Rupees in '000)	Percentage investment %
Individuals	152	4,116,227	443,014	59.79
Associated companies / directors	3	639,596	68,837	9.29
Retirement funds	32	1,710,486	184,093	24.84
Other companies	4	361,485	38,905	5.25
Others	2	56,919	6,126	0.83
	193	6,884,713	740,976	100.00

20. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

During the year, six board meetings were held on July 20, 2014 (112th meeting), September 09, 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 of directors and other personnel in these meetings is given below:

Name of persons attending the meetings	Designation	Number of Meetings			Meetings not attended
		No. of meetings held	Attended	Leave granted	
Mian Muhammad Mansha	Chairman	6	1	5	112th, 113th, 114th, 115th and 117th meetings
Mr. Yasir Qadri	Chief Executive Officer	6	6	-	-
Mr. Nasim Beg	Director	6	6	-	-
Dr. Syed Salman Ali Shah	Director	6	4	2	115th and 116th meetings
Mr. Haroun Rashid	Director	6	3	3	114th, 115th and 116th meetings
Mr. Ahmed Jahangir	Director	6	6	-	-
Mr. Samad A. Habib	Director	6	4	2	114th and 115th meetings
Mr. Mirza Mahmood Ahmad	Director	6	3	3	112th, 113th and 114th meetings
Mr. Saqib Saleem	Chief Financial Officer & Com	6	6	-	-
Mr. Umair Ahmed	Ex-Chief Financial Officer	4	4	-	-
Mr. Muhammad Asim	Chief Investment Officer	1	1	-	-
Mr. Jameel Haider	Financial Controller	1	1	-	-
Mr. Abdul Basit	Financial Controller	1	1	-	-

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

21. FINANCIAL RISK MANAGEMENT

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

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

The Fund primarily invests in equity securities while a combination of investments in bank deposits and government securities are used to take fixed-income exposure with a view to provide capital protection.

21.1 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.

21.1.1 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.

21.1.2 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 holds Pakistan Investment Bonds and Term Deposit Receipts which are classified as 'available for sale' and 'loans and receivables' respectively. In case of 100 basis points increase in rates announced by Financial Markets Association of Pakistan (FMAP) on June 30, 2015 with all other variables held constant, the total comprehensive income for the period and net assets would be lower by Rs. 2.041 million. In case of 100 basis points decrease in rates announced by FMAP on June 30, 2015 with all other variables held constant, the net income for the year and net assets would be higher by Rs. 2.072 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 of future movements in interest rates.

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

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

	Yield / effective interest rate (%)	Exposed to Yield / Interest risk			Not exposed to Yield / Interest rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		
----- (Rupees in '000) -----						
On-balance sheet financial instruments						
Financial Assets						
Balances with banks	5.5-8.5	90,942	-	-	-	90,942
Investments		-	-	160,000	479,121	639,121
Dividend and profit receivable		-	-	-	19,058	19,058
Security deposits		-	-	-	2,600	2,600
		90,942	-	160,000	500,779	751,721
Financial Liabilities						
Payable to the Management Company		-	-	-	5,116	5,116
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	79	79
Payable to the Securities and Exchange Commission of Pakistan		-	-	-	283	283
Accrued expenses and other liabilities		-	-	-	1,024	1,024
		-	-	-	6,140	6,140
On-balance sheet gap		90,942	-	160,000	494,639	745,581
Off-balance sheet financial instruments						
		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-

21.1.3 Price risk

The Fund is exposed to equity price risk because of equity securities held by the Fund and classified as available-for-sale. To manage price risk arising from investment in equity securities, the Fund's investment policy restricts investments in listed equity securities upto 50% of the total investments portfolio. The Investment Committee and Fund manager closely monitor the security performance and risk assessment with them and accordingly make their investment decisions.

In case of 5% increase / decrease in KSE 100 index on June 30, 2015, the total comprehensive income for the period and net assets would be increased / decreased by Rs. 13.726 million as a result of gains / losses on equity securities classified as 'available for sale' investments.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2015 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE 100 index.

21.2 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 investments and balances with banks. The credit risk on the fund is limited because the counterparties are financial institutions with reasonably high credit ratings. Investments in Pakistan Investment Bonds are government backed and hence considered as secured.

The Fund has adopted a policy of only dealing with creditworthy counterparties, and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies, where available, and if not available, the Fund uses other publicly available financial information and its own trading

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

records to rate its major customers. The Fund's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Credit risk from balances with banks and financial institutions is managed in accordance with the Fund's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are approved by the Board of Directors. The limits are set to minimise the concentration of risk and therefore mitigate financial loss through potential counterparty failure.

The Fund's maximum exposure to credit risk related to receivables at June 30, 2015 is the carrying amounts of following financial assets.

	(Rupees in '000)
Balances with banks	90,942
Investments	368,462
Dividend and profit receivable	19,058
Security deposits	2,600
	<u>481,062</u>

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

Bank Balances by rating category

	%
Long - term / Short - term	
AAA / A1+	96.77
AA+ / A1+	3.23
	<u>100</u>

Term deposit receipts

AAA / A1+	<u>100%</u>
-----------	-------------

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.

Security deposits

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

Concentration of credit risk

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

Settlement risk

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

21.3 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.

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

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

	Total	Upto three months	More than three months and upto one year	More than one year
	-----Rupees in '000-----			
Financial Liabilities				
Payable to the Management Company	5,116	5,116	-	-
Payable to the Central Depository Company of Pakistan Limited - Trustee	79	79	-	-
Accrued expenses and other liabilities	1,024	1,024	-	-
	6,219	6,219	-	-

21.4 Financial instruments by category

	Loans and receivables	Available for sale investments	Total
	----- Rupees in '000 -----		
Financial Assets			
Balances with banks	90,942	-	90,942
Investments	160,000	479,121	639,121
Dividend and profit receivable	19,058	-	19,058
Security deposits	2,600		2,600
	272,600	479,121	751,721
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	-----Rupees in '000-----		
Payable to Management Company	-	5,116	5,116
Payable to Central Depository Company of Pakistan Limited - Trustee	-	79	79
Accrued expenses and other liabilities	-	1,024	1,024
	-	6,219	6,219

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

21.5 Fair value of financial instruments

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

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

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

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: 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 3: Inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs).

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.

	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
Investment in government securities				
- available for sale	-	208,462	-	208,462
Investment in listed equity securities				
- available for sale	270,659	-	-	270,659
	270,659	208,462	-	479,121

22. 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 21, 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.

23. GENERAL

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

24. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 07 August, 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		
MCB Employees Pension Fund	1	515,450
Adamjee Insurance Company Limited Employees Provident Fund	1	103,090
Adamjee Life Assurance Company Limited Employees Gratuity Fund	1	21,057
 Public Sector Companies and Corporations	 4	 361,485
 Individuals	 150	 4,061,857
 Others	 36	 1,821,775
	193	6,884,713

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

No. of Unit Holder	Unit holdings	Total Units Held
64	1-10000	837,664
115	10001-100000	3,424,177
14	100001-1000000	2,622,872
0	1000001 onwards	-
193		6,884,713

PERFORMANCE TABLE

		June 30, 2015
		(Rupees in '000)
Net Assets		740,976
Net Income / (loss)		58,385
Net Asset Value per Unit		107.6262
Closing Redemption price per unit		101.5259
Dividend distribution - Final		3.35
		Announcement Date of Distribution
		June 22, 2015
		(Percentage)
Total return of the Fund		10.95
Income Distribution		3.30
Capital growth		7.65
Average return of the fund		
One Year		10.95
Two Year		N/a
Three Year		N/a

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.

www.jamapunji.pk



سرمایہ کاری سمجھداری کے ساتھ



Be aware, Be alert, Be safe

Learn about investing at
www.jamapunji.pk

Key features:

- Licensed Entities Verification
- Scam meter*
- Jamapunji games*
- Tax credit calculator*
- Company Verification
- Insurance & Investment Checklist
- FAQs Answered

- Stock trading simulator
(based on live feed from KSE)
- Knowledge center
- Risk profiler*
- Financial calculator
- Subscription to Alerts (event notifications, corporate and regulatory actions)
- Jamapunji application for mobile device
- Online Quizzes



Jama Punji is an Investor
Education Initiative of
Securities and Exchange
Commission of Pakistan

jamapunji.pk

[@jamapunji_pk](https://twitter.com/jamapunji_pk)

*Mobile apps are also available for download for android and ios devices

Disclaimer : All investments in mutual fund are subject to market risks. Past performance is not necessarily indicative of the future results.
Please read the Offering Document to understand the investment policies and the risks involved.



find us on



by typing: **Bachat Ka Doosra Naam**

MCB-Arif Habib Savings and Investments Limited

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

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

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

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

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