

**Paanchon Unglian Ghee Main**

**MCB**

**PAKISTAN ASSET ALLOCATION  
FUND**  
(Formerly : MCB Dynamic Allocation Fund)

**MCB-Arif Habib Savings and Investments Limited**

AM2 Plus by PACRA

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## **Vision**

To become synonymous with Savings.

## **Mission**

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

## **Core Values**

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

## FUND'S INFORMATION

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<b>Management Company</b>	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Board of Directors</b>	Mian 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
<b>Audit Committee</b>	Mr. Haroun Rashid	Chairman
	Mr. Ahmed Jahangir	Member
	Mr. Samad A. Habib	Member
<b>Human Resource &amp; Remuneration Committee</b>	Dr. Syed Salman Ali Shah	Chairman
	Mr. Nasim Beg	Member
	Mr. Haroun Rashid	Member
	Mr. Ahmed Jahangir	Member
	Mr. Yasir Qadri	Member
<b>Company Secretary &amp; Chief Financial Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Trustee</b>	Central Depository Company of Pakistan Limited CDC House, 990B Block 'B' S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
<b>Bankers</b>	MCB Bank Limited United Bank Limited Bank Al-Falah Limited NIB Bank Limited Standard Chartered Bank Pakistan Limited Faysal Bank Limited	
<b>Auditors</b>	KPMG Taseer Hadi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Building No. 2, Beaumont Road, Karachi-75530.	
<b>Legal Advisor</b>	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
<b>Transfer Agent</b>	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Rating</b>	AM2 + Management Quality Rating assigned by PACRA	

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

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On behalf of the Board of Directors, I am pleased to present MCB Pakistan Asset Allocation Fund's [Formerly: MCB Dynamic Allocation Fund] accounts review for the year ended June 30th 2015.

### **ECONOMY AND MONEY MARKET OVERVIEW**

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

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

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

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

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

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

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

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

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

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

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

### **EQUITIES MARKET OVERVIEW**

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

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

## FUND PERFORMANCE

The fund posted a return of 19.41% during the period under review as against its benchmark return of 8.85%. Since inception return of fund stood at 63.72%. 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 27.5% as compared to beginning of the period allocation of around 17.6%. 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. While decreased its exposure towards Banks, Power Generation & Distribution, Pharmaceuticals, General Industries, Non-Life insurance, and Automobile Assembler.

On the fixed income side, the fund decreased its exposure in Government bonds to 32.5% from 43.4% at June 30, 2014 in order to capitalize on the downward adjustments in the yield curve that resulted in sizeable capital gains. Duration of fixed income portfolio was adjusted several times during the period to capitalize on the fluctuating liquidity and interest rates in the market. TFC exposure was reduced from 3.1% to 0.4% during the period.

The Net Asset of the Fund as at June 30, 2015 stood at Rs. 2640 million as compared to Rs. 779 million as at June 30, 2014 registering an increase of 238.81%.

The Net Asset Value (NAV) per unit as at June 30, 2015 was Rs. 77.3785 as compared to opening NAV of Rs. 71.8713 per unit as at June 30, 2014 registering an increase of Rs. 5.5072 per unit.

## Income Distribution

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

Date of distribution	Per unit distribution
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June 22, 2015	Rs. 8.50
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## 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:

- Financial statements present fairly the statement of affairs, the results of operations, cash flows and Change in unit holders' fund.
- Proper books of accounts of the Fund have been maintained during the year.
- Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable prudent judgment.
- Relevant International Accounting Standards, as applicable in Pakistan, provisions of the Non Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Fund's ability to continue as going concern.
- There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.

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

- h. Key financial data as required by the Code of Corporate Governance has been summarized in the financial statements.
- i. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- j. The statement as to the value of investments of provident fund is not applicable on the Fund but applies to the Management Company; hence no disclosure has been made in the Directors' Report of the Management Company.
- k. The detailed pattern of unit holding, as required by NBFC Regulations and the Code of Corporate Governance are enclosed.
- l. The details of attendance of Board of Directors meeting is disclosed in note 19.3 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 held	Number of meetings		
		Attendance required	Attended	Leave granted
1 Dr. Syed Salman Shah	2	2	2	-
2 Mr. Nasim Beg	2	2	2	-
3 Mr. Ahmed Jahangir	2	2	2	-
4 Mr. Haroun Rashid	2	2	2	-
5 Mr. Yasir Qadri	2	2	2	-

- m. During the year no Director has attended the Directors' Training Program organized by the Pakistan Institute of Corporate Governance (as already all the directors have completed the course or they are exempted from attending training course due to sufficient working experience).
- n. No trades in 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, KPMG Taseer Hadi & Co., 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 KPMG Taseer Hadi & Co., Chartered Accountant as auditors of the fund for the year ending June 30, 2016.

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

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### 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



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Yasir Qadri  
Chief Executive Officer  
Karachi: August 07, 2015

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

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### **Fund Type and Category**

MCB Pakistan Asset Allocation Fund MCB-PAAF is an Open-End Asset Allocation Scheme for which SECP categorization in process.

### **Fund Benchmark**

MCB-PAAF is an absolute return fund and had no benchmark till Nov 2, 2014. Applicable from November 03, 2014 following benchmark shall be used:

Weighted average of KSE 100 index, 6 months PKRV, 6 months KIBOR and Minimum Savings Rate as per amount invested in equities, Government securities, other debt & fixed income investments and cash and cash equivalents respectively on a particular time period.

### **Investment Objective**

MCB Pakistan Asset Allocation Fund is an asset allocation fund and its objective is to aim at providing a high absolute return by investing in equity and debt markets.

### **Investment Strategy**

The fund will aim to achieve the above mentioned objective by investing up to 100% in equity securities or up to 100% in debt securities according to the market conditions.

### **Manager's Review**

The fund posted a return of 19.41% during the period under review as against its benchmark return of 8.85%. Since inception return of fund stood at 63.72%. 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 27.5% as compared to beginning of the period allocation of around 17.6%. 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. While decreased its exposure towards Banks, Power Generation & Distribution, Pharmaceuticals, General Industries, Non-Life insurance, and Automobile Assembler.

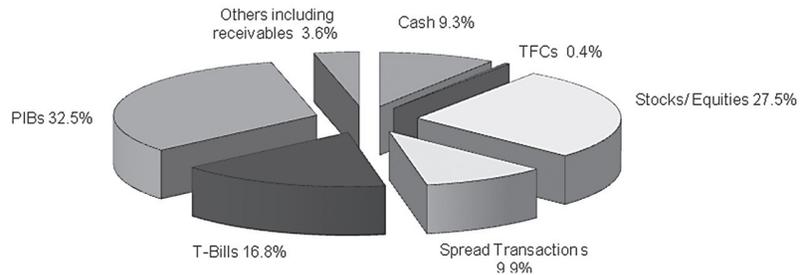
On the fixed income side, the fund decreased its exposure in Government bonds to 32.5% from 43.4% at June 30, 2014 in order to capitalize on the downward adjustments in the yield curve that resulted in sizeable capital gains. Duration of fixed income portfolio was adjusted several times during the period to capitalize on the fluctuating liquidity and interest rates in the market. TFC exposure was reduced from 3.1% to 0.4% during the period. While fund maintain 16.8% of its net asset in T-bill and 9.9% in spread transaction.

The Net Asset of the Fund as at June 30, 2015 stood at Rs. 2640 million as compared to Rs. 779 million as at June 30, 2014 registering an increase of 238.89%.

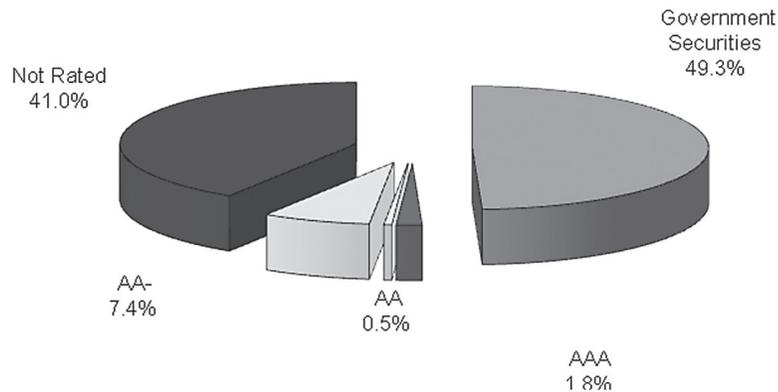
The Net Asset Value (NAV) per unit as at June 30, 2015 was Rs. 77.3785 as compared to opening NAV of Rs. 71.8713 per unit as at June 30, 2014 registering an increase of Rs. 5.5072 per unit.

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

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



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



Mr. 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.cdcpakistan.com  
Email: info@cdcpak.com



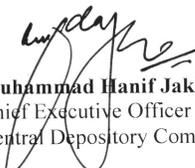
## TRUSTEE REPORT TO THE UNIT HOLDERS

### MCB PAKISTAN ASSET ALLOCATION FUND (FORMERLY MCB DYNAMIC ALLOCATION 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 MCB Pakistan Asset Allocation 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 year ended 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 MCB Pakistan Asset Allocation Fund (Formerly MCB Dynamic Allocation 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.

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

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

Category	Names
Independent Directors	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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the period no casual vacancy occurred on the Board of the Management Company
5. The Management Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.
6. The Board has developed vision / mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. No formal Code of Corporate Governance Leadership Skills (CGLS) training was organized for any director as all the directors already possess required training or qualification and experience as required by CCG.
10. The Board of Directors in a resolution passed through circulation on March 30, 2015, appointed Chief Financial Officer and fixed his remuneration and terms and conditions of employment. However, there have been no new appointments of Company Secretary and Head of Internal Audit during the year.
11. The Directors' Report for the year ended June 30, 2015 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements were duly endorsed by Chief Executive Officer and Chief Financial Officer of the Management Company before approval of the Board.
13. The Directors, Chief Executive Officer and executives of the Management Company do not hold any interest in the units other than that disclosed in the pattern of unit holding.

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

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14. The Management Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee for the Management Company. It comprises of three members, which are non-executive directors and the chairman of the Committee is an independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of the interim and final results and as required by the Code. The terms of reference of the Committee have been approved by the Board and advised to the Committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of five members, of whom three are non-executive directors and the chairman of the Committee is an independent director.
18. The Board has set up an effective internal audit function. The Head of Internal Audit is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Fund and the Management Company.
19. The 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

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



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
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Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847  
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Internet www.kpmg.com.pk

## **Review report to the Unit holders of MCB Pakistan Asset Allocation Fund (“the Fund”) 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 and Investments Limited (“the Management Company”) of the Fund for the year ended 30 June 2015 to comply with the requirements of Listing Regulation No. 35 of Lahore Stock Exchange, where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Management Company of the Fund. 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 Fund’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 Management Company’s personnel and review of various documents prepared by the Management 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 Management Company’s corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of 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 Fund’s compliance, in all material respects, with the best practices contained in the Code as applicable to the Fund for the year ended 30 June 2015.

**Date: 07 August 2015**

**Karachi**

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

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



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi, 75530 Pakistan

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Fax + 92 (21) 3568 5095  
Internet www.kpmg.com.pk

## Independent Auditors' Report to the Unit Holders

### Report on the Financial Statements

We have audited the accompanying financial statements of **MCB Pakistan Asset Allocation Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2015, and the related income statement, statement of comprehensive income, distribution statement, cash flow statement, statement of movement in Unit Holders' Fund for the year ended 30 June 2015, and a summary of significant accounting policies and other explanatory notes.

#### *Management Company's responsibility for the financial statements*

Management Company of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the approved accounting standards as applicable in Pakistan and for such internal control as Management Company 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 auditing standards 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.

#### *Opinion*

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

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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

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KPMG Taseer Hadi & Co.

**Report on other legal and regulatory requirements**

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

**Date: 07 August 2015**

**Karachi**

*KPMG Taseer Hadi & Co.*

**KPMG Taseer Hadi & Co.**

**Chartered Accountants**

**Mazhar Saleem**

**STATEMENT OF ASSETS AND LIABILITIES  
AS AT JUNE 30, 2015**

	Note	30 June 2015	30 June 2014
(Rupees in '000)			
<b>Assets</b>			
Balances with banks	4	252,325	96,667
Investments	5	2,366,195	510,520
Fair value of derivative asset		1,257	-
Dividend and profit receivable	6	52,117	19,517
Receivable against sale of investments		-	142,712
Receivable from National Clearing Company of Pakistan Limited		41,067	15,397
Advances and deposits	7	4,124	8,191
<b>Total assets</b>		<b>2,717,085</b>	<b>793,004</b>
<b>Liabilities</b>			
Payable to the Management Company	8	14,736	2,503
Payable to Central Depository of Pakistan Limited - Trustee	9	297	126
Payable to Securities and Exchange Commission of Pakistan	10	1,326	630
Fair value of derivative liability		-	10
Payable against redemption of units		41	-
Accrued and other liabilities	11	60,984	10,618
<b>Total liabilities</b>		<b>77,384</b>	<b>13,887</b>
<b>Contingencies and commitments</b>	12		
<b>Net assets</b>		<b>2,639,701</b>	<b>779,117</b>
<b>Unit holders' fund</b>		<b>2,639,701</b>	<b>779,117</b>
		(Number of units)	
<b>Number of units in issue (face value of units is Rs. 100 each)</b>		<b>34,114,128</b>	<b>10,840,442</b>
		(Rupees)	
<b>Net asset value per unit</b>	3.6	<b>77.3785</b>	<b>71.8713</b>

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

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

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

  
\_\_\_\_\_  
Director

**INCOME STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2015**

	<i>Note</i>	<b>30 June 2015</b>	30 June 2014
<b>(Rupees in '000)</b>			
<b>Income</b>			
Capital gain on sale of investments - net		<b>160,203</b>	35,358
Dividend income		<b>19,653</b>	13,673
Profit on bank deposits		<b>20,304</b>	8,796
Income from government securities		<b>70,939</b>	38,011
Income from term finance certificates		<b>2,741</b>	3,104
Other income		<b>22</b>	26
		<b>273,862</b>	98,968
Net unrealised appreciation / (diminution) in the fair value of future contracts		<b>1,257</b>	(10)
Net unrealised appreciation on remeasurement of investments classified as 'at fair value through profit or loss'	5.1	<b>799</b>	3,740
<b>Total income</b>		<b>275,918</b>	102,698
<b>Expenses</b>			
Remuneration of the Management Company	8.1	<b>27,923</b>	12,812
Sindh Sales tax and Federal Excise Duty on Management Fee	8.1 & 11.1	<b>9,326</b>	4,428
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9	<b>2,316</b>	1,323
Annual fee to Securities and Exchange Commission of Pakistan	10	<b>1,326</b>	630
Brokerage and settlement charges		<b>7,200</b>	4,556
Auditor's remuneration	13	<b>730</b>	724
Other expenses		<b>816</b>	313
		<b>49,637</b>	24,786
<b>Net operating income for the year</b>		<b>226,281</b>	77,912
Net element of income and capital gains included in prices of units issued less those in units redeemed		<b>176,526</b>	7,617
Provision for Workers' Welfare Fund	11.2	<b>(8,056)</b>	(1,711)
<b>Net income for the year before taxation</b>		<b>394,751</b>	83,818
Taxation	14	-	-
<b>Net income for the year after taxation</b>		<b>394,751</b>	83,818
<b>Earnings per unit</b>	15		

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

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

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

  
\_\_\_\_\_  
Director

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2015**

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	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>(Rupees in '000)</b>	
<b>Net income for the year after taxation</b>	<b>394,751</b>	<b>83,818</b>
<b>Other comprehensive income</b>		
<i>Items that are or may be reclassified subsequently to income statement</i>		
Unrealised diminution in investments classified as 'available for sale' - net	<b>(2,876)</b>	<b>(82)</b>
<b>Total comprehensive income for the year</b>	<b><u>391,875</u></b>	<b><u>83,736</u></b>

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

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



**Chief Executive Officer**



**Director**

**DISTRIBUTION STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>(Rupees in '000)</b>	
<b>Accumulated loss brought forward:</b>		
- Realised loss	(308,883)	(86,264)
- Unrealised income	<u>3,954</u>	<u>5,560</u>
	<b>(304,929)</b>	<b>(80,704)</b>
 Total comprehensive income for the year	 <b>391,875</b>	 <b>83,736</b>
 Element of (loss) and capital (losses) included in prices of units issued less those in units redeemed - amount representing unrealised (diminution)	 <b>(641,699)</b>	 <b>(163,443)</b>
 <b>Distributions to the unit holders of the Fund:</b>		
Final distribution at the rate of Rs.12.9135 per unit for the year ended 30 June 2013 (declared on 4 July 2013)		
- Cash distribution	-	(87)
- Bonus distribution 927,719 units	-	(66,208)
 Final distribution at the rate of Rs. 8.0011 per unit for the year ended 30 June 2014 (declared on 27 June 2014)		
- Cash distribution	-	(47)
- Bonus distribution 1,089,780 units	-	(78,176)
 Final distribution at the rate of Rs. 8.50 per unit for the year ended 30 June 2015 declared on 22 June 2015		
- Cash distribution	<b>(215,630)</b>	-
	<b>(215,630)</b>	<b>(144,518)</b>
 <b>Accumulated loss carried forward</b>	 <b><u>(770,383)</u></b>	 <b><u>(304,929)</u></b>
 <b>Accumulated loss comprising of:</b>		
- Realised loss	<b>(711,753)</b>	<b>(308,883)</b>
- Unrealised (loss) / income	<u><b>(58,630)</b></u>	<u><b>3,954</b></u>
	<b><u>(770,383)</u></b>	<b><u>(304,929)</u></b>

The annexed notes from 1 to 21 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**

	30 June 2015	30 June 2014
	(Rupees in '000)	
<b>Net assets at the beginning of the year</b>	779,117	432,680
Issue of 44,322,850 units (2014: 9,281,200 units)	3,626,826	696,165
Issue of Nil bonus units relating to the year ended 30 June 2015 (2014: 2,017,499 units)		144,385
Redemption of 21,049,164 units (2014: 5,592,082 units)	(1,765,961)	(425,714)
	<b>1,860,865</b>	414,836
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		
- amount representing (income) and capital (gains) transferred to income statement	(176,526)	(7,617)
- amount representing loss and capital losses that forms part of unit holders' fund transferred to Distribution Statement	641,699	163,443
	<b>465,173</b>	155,826
Net element of (loss) and capital (losses) included in prices of units issued less those in units redeemed transferred to Distribution Statement	<b>(641,699)</b>	(163,443)
Net income for the year (excluding net unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss', future contracts, and net capital gain on sale of investments)	232,492	44,730
Capital gain on sale of investments - net	160,203	35,358
Net unrealised appreciation on remeasurement of investments classified as at fair value through profit or loss' and future contracts	2,056	3,730
Net unrealised diminution in fair value / reclassification adjustment for net gains realised on disposal of investments classified as 'available for sale'	(2,876)	(82)
Total comprehensive income for the year	<b>391,875</b>	83,736
Distributions during the year	(215,630)	(144,518)
<b>Net assets at end of the year</b>	<b>2,639,701</b>	<b>779,117</b>
	<b>(Rupees)</b>	
<b>Net asset value per unit at the beginning of the year</b>	<b>71.87</b>	84.28
<b>Net asset value per unit at the end of the year</b>	<b>77.38</b>	71.87

The annexed notes from 1 to 21 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**

	30 June 2015	30 June 2014
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	394,751	83,818
<b>Adjustments for non-cash and other items:</b>		
Dividend income	(19,653)	(13,673)
Net unrealised appreciation in fair value of investments classified as 'financial assets at fair value through profit or loss'	(799)	(3,730)
Amortisation of preliminary expenses	-	-
Net element of income and capital gains included in prices of units issued less those in units redeemed	(176,526)	(7,617)
	<b>(196,978)</b>	<b>(25,020)</b>
Net cash generated from operations before working capital changes	<b>197,773</b>	<b>58,798</b>
<b>Working capital changes</b>		
<i>(Increase) / decrease in assets</i>		
Investments	(1,715,039)	(299,237)
Fair value of derivative asset	(1,257)	-
Dividend and profit receivables	(29,206)	(15,889)
Receivable from National Clearing Company of Pakistan Limited	(25,670)	(2,633)
Advances and deposits	4,067	(3,907)
	<b>(1,767,105)</b>	<b>(321,666)</b>
<i>Increase / (decrease) in liabilities</i>		
Payable to the Management Company	12,233	2,726
Payable to Central Depository of Pakistan Limited - Trustee	171	67
Payable to Securities and Exchange Commission of Pakistan	696	397
Fair value of derivative liability	(10)	(233)
Payable against redemption of units	41	-
Accrued and other liabilities	50,366	4,165
	<b>63,497</b>	<b>7,122</b>
Dividend income received	<b>16,258</b>	<b>13,732</b>
<b>Net cash used in operating activities</b>	<b>(1,489,577)</b>	<b>(242,014)</b>

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2015**

30 June                      30 June  
2015                              2014  
(Rupees in '000)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Receipts against issuance of units	3,626,826	696,165
Distribution paid	(215,630)	(134)
Payments against redemption of units	(1,765,961)	(425,714)
<b>Net cash generated from financing activities</b>	<b>1,645,235</b>	<b>270,317</b>
Net increase in cash and cash equivalents	155,658	28,303
Cash and cash equivalents at beginning of the year	96,667	68,364
<b>Cash and cash equivalents at end of the year</b>	<b>252,325</b>	<b>96,667</b>

The annexed notes from 1 to 21 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

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## 1. LEGAL STATUS AND NATURE OF BUSINESS

MCB Pakistan Asset Allocation Fund (formerly : MCB Dynamic Allocation Fund) ["the Fund"] was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and Non Banking Finance Companies and Notified Entities Regulations, 2007 and was approved as an open end investment scheme by the Securities and Exchange Commission of Pakistan (SECP) on 17 December 2007. It was constituted under a Trust Deed dated 22 November 2007 between MCB Asset Management Company Limited (MCB-AMC) as the Management Company, a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited as the Trustee, also incorporated under the Companies Ordinance, 1984.

Pursuant to merger of MCB Asset Management Limited and Arif Habib Investment Limited, the name of the Management Company has been changed from Arif Habib Investment Limited to MCB-Arif Habib Savings and Investments Limited.

The Management Company of the Fund has been licensed to act as Asset Management Company under the NBFC Rules 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.

The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units of the Fund can be transferred to / from the funds managed by the Management Company and can also be redeemed by surrendering to the Fund. The units are listed on the Lahore Stock Exchange.

Under circular 7 dated 6 March 2009 issued by the SECP, the Fund is categorised as an "Asset Allocation Scheme". The Management Company is in the process of making requisite amendments in relation to categorisation, investment objectives and relevant benchmark in the constitutive documents of the Fund.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2+' (positive outlook) to the Management Company and has assigned a short-term ranking of "4-Star" & long-term of "3-Star" to the Fund.

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. BASIS OF PREPARATION

### 2.1 Statement of compliance

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 2008 and the said directives differ with the requirements of these standards, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations, 2008 and the said directives shall prevail.

The Directors of the asset management company declare that these financial statements give a true and fair view of the fund .

### 2.2 Basis of measurement

These financial statements have been prepared on the basis of historical cost convention except that financial assets are maintained at fair value.

### 2.3 Functional and presentation currency

These Financial statements are presented in Pak Rupees which is the functional and presentation currency of the Fund and rounded to the nearest thousand rupees.

### 2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of its revision and future

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

periods if the revision affects both current and future periods. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have most significant effect on the amount recognised in the financial statements are as follows:

### *Investments stated at fair value and derivative financial instruments*

The management company has determined fair value of certain investments by using quotations from active market valuation done by Mutual Fund Association of Pakistan. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matter of judgements (e.g. valuation, interest rates, etc.) and therefore, can not be determined with precision.

### *Other assets*

Judgement is also involved in assessing the realisability of the assets balances.

## **2.5 New accounting standards and IFRS interpretations that are not yet effective**

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

<b>Standards / amendments / interpretations</b>	<b>Effective from accounting period beginning on or after</b>
Amendment to IAS 38 'Intangible Assets' and IAS 16 Property, Plant and Equipment'	1 January 2016
Amendment to IAS 41 'Agriculture' and IAS 16 'Property, Plant and Equipment'	1 January 2016
Amendments to IAS 27 'Separate Financial Statements	1 January 2016
Amendments to IFRS 10 and IAS 28	1 January 2016
IFRS 10 - Consolidated Financial Statements	1 January 2015
IFRS 11 - Joint Arrangements	1 January 2015
IFRS 12 - Disclosure of Interests in Other Entities	1 January 2015
IFRS 13 - Fair Value Measurement	1 January 2015
Annual improvements 2012-2014 cycle	1 January 2016

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

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

## **3. SIGNIFICANT ACCOUNTING POLICIES**

The following significant accounting policies have been applied in preparation of these financial statement. These accounting policies have been applied consistently to all years presented.

### **3.1 Financial instruments**

The Fund classifies its financial instruments in the following categories:

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

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a) *Financial instruments as 'at fair value through profit or loss'*

An instrument is classified as 'at fair value through profit or loss' if it is held-for-trading or is designated as such upon initial recognition. Financial instruments are designated as 'at fair value through profit or loss' if the Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Fund's documented risk management or investment strategy. Financial assets which are acquired principally for the purpose of generating profit from short term price fluctuation or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading or a derivative. Financial instruments as 'at fair value through profit or loss' are measured at fair value and changes therein are recognised in the Income Statement.

All derivatives in a net receivable position (positive fair value), are reported as financial assets held for trading. All derivatives in a net payable position (negative fair value), are reported as financial liabilities held for trading.

b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Fund as 'at fair value through profit or loss' or 'available for sale'.

c) *'Available-for-sale'*

'Available for sale' financial assets are non-derivative that are either designated in this category or not classified in any other category.

d) *Financial liabilities*

Financial liabilities, other than those as 'at fair value through profit or loss', are measured at amortised cost using the effective yield method.

### **Recognition**

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instruments.

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention such as 'T+2' purchases and sales are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell the financial assets.

Financial liabilities are not recognised unless one of the parties has performed its part of the contract or the contract is a derivative contract.

### **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.

Subsequent to initial recognition, financial instruments classified as 'at fair value through profit or loss' and 'available for sale' are measured at fair value. Gains or losses arising from changes in the fair value of the financial assets as 'at fair value through profit or loss' are recognised in the Income Statement. Changes in the fair value of financial instruments classified as 'available-for-sale' are recognised in Unit Holders' Fund until derecognised or impaired, when the accumulated adjustments recognised in Unit Holders' Fund are included in the Income Statement. The financial instruments classified as loans and receivables are subsequently measured at amortised cost less provision for impairment, if any.

### **Fair value measurement principles**

The fair value of a security listed on a stock exchange, local or foreign as the case may be, and derivatives is valued at its last sale price on such exchange on the date on which it is valued or if such exchange is not open on such date, then at its last sale price on the next preceding date on which such exchange was open and if no sale is reported for such date the security is valued at an amount neither higher than the closing ask price nor lower than the closing bid price.

### **Basis of valuation of 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.

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

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## **Basis of valuation of debt securities**

Investment in debt securities are valued at the rates determined and notified by Mutual Funds Association of Pakistan (MUFAP) as per the methodology prescribed by SECP via Circular 1 of 2009, Circular 33 of 2012 and Circular 35 of 2012. The Circulars also specify criteria for application of discretionary discount to yield of any debt security calculated by MUFAP and contain criteria for the provisioning of non-performing debt securities.

Investment in thinly and non-traded debt securities with maturity up to six months are valued at their amortised cost in accordance with the requirements of Circular 1 of 2009 issued by the SECP.

## **Basis of valuation of government securities**

The fair value of the investments in government securities is determined by reference to the quotations obtained from the PKRV sheet on the Reuters page.

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

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

## **Impairment**

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

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

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

## **Derecognition**

The Fund derecognises a financial asset when the contractual right to the cash flows from the financial assets expires or it transfers the financial assets and the transfer qualifies for derecognising in accordance with International Accounting Standard 39: Financial Instruments: Recognition and Measurement.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

## **Offsetting of financial instruments**

Financial assets and liabilities are offset and the net amount 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 assets and settle the liabilities simultaneously.

### **3.2 Preliminary expenses**

Preliminary expenses represent expenditure incurred prior to the commencement of operations of the Fund. These costs have been amortised over a period of five years commencing from March 16, 2008, as per the requirement of the Trust Deed of the Fund.

### **3.3 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.

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

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### 3.4 Taxation

#### *Current*

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income of that year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the Fund's unit holders.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of part IV of second schedule to the Income Tax Ordinance, 2001.

#### *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 assets on unutilised tax losses to the extent that these will be available for set off against future taxable profits.

However, the Fund has previously availed the tax exemption by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders. Accordingly, no current tax and deferred tax has been recognized in these financial statements.

### 3.5 Accrued and other liabilities

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

### 3.6 Net asset value per unit

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

### 3.7 Issue and redemption of units

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

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

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

### 3.9 Revenue recognition

- Mark-up on term finance certificates, government securities and money market placements are recognised on an accrual basis.
- Realized capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised capital gain/ (losses) arising on re-measurement of investments classified as Financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Profits on bank deposits are recognised on an accrual basis.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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- Dividend income on equity securities is recognised when the right to receive dividend is established.
- Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed is included in the income statement on the date of issue and redemption of units.

**3.10 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.

**3.11 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.

**3.12 Other assets**

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

**3.13 Dividend distributions and appropriations**

Dividend distributions and appropriations are recorded in the period in which the distributions and appropriations are approved.

**4. BALANCES WITH BANKS**

These represent balances in saving accounts and carry mark-up rates ranging from 4.5% to 9.90% per annum (2014: 6.5% to 9% per annum) .

<b>5. INVESTMENTS</b>	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>(Rupees in '000)</b>	
<b>'Investments at fair value through profit or loss'</b>		
- Quoted equity securities	5.1.1 <b>281,708</b>	125,962
- Term finance certificates - listed	5.1.2 <b>10,007</b>	24,699
- Government securities	5.1.3 <b>522,200</b>	95,422
	<b>813,915</b>	246,083
 <b>'Investments classified as available for sale'</b>		
- Quoted equity securities	5.2.1 <b>733,205</b>	11,218
- Government securities	5.2.2 <b>819,075</b>	253,219
	<b>1,552,280</b>	264,437
	<b>2,366,195</b>	510,520

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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**5.1 'Investments at fair value through profit or loss'**

**5.1.1 Quoted equity securities**

Name of investee company	As at 1 July 2014	Purchased during the year	Bonus / rights issue during the year	Sales during the year	As at 30 June 2015	Carrying value as at 30 June 2015	Market value as at 30 June 2015	Appreciation / (diminution)	Market value as percentage of net assets	Market value as percentage of total investments	Paid up value of shares held as a percentage of total paid up capital of the investee company
<b>Oil and gas</b>											
Attock Petroleum Limited	-	64,100	-	(64,100)	-	-	-	-	-	-	-
Attock Refinery Limited	-	7,500	-	(7,500)	-	-	-	-	-	-	-
Hascol Petroleum Limited	-	113,500	-	(113,500)	-	-	-	-	-	-	-
Oil and Gas Development Company Limited	-	155,700	-	(79,000)	76,700	14,509	13,748	(761)	0.52%	0.58%	0.00%
Pakistan Oilfields Limited	-	39,100	-	(39,100)	-	-	-	-	-	-	-
Pakistan Petroleum limited	-	337,500	-	(319,500)	18,000	2,949	2,957	8	0.11%	0.12%	0.00%
Pakistan State Oil Company Limited	-	121,000	-	(85,500)	35,500	13,695	13,696	1	0.52%	0.58%	0.01%
Shell Pakistan Limited	-	20,000	-	(20,000)	-	-	-	-	-	-	-
						<b>31,153</b>	<b>30,401</b>	<b>(752)</b>	<b>1.15%</b>	<b>1.28%</b>	
<b>Chemicals</b>											
Dawood Hercules Corporation Limited	-	146,500	-	(146,500)	-	-	-	-	-	-	-
Engro Corporation Limited	-	684,700	-	(362,700)	322,000	94,589	95,570	981	3.62%	4.04%	0.06%
Engro Fertilizers Limited	-	635,000	-	(456,500)	178,500	15,749	15,831	82	0.60%	0.67%	0.03%
Fatima Fertilizers Company Limited	-	1,139,000	-	(1,139,000)	-	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	-	3,089,000	-	(1,802,500)	1,286,500	73,187	71,169	(2,018)	2.70%	3.01%	0.14%
Fauji Fertilizer Company Limited	-	72,500	-	(72,500)	-	-	-	-	-	-	-
						<b>183,525</b>	<b>182,570</b>	<b>(955)</b>	<b>6.92%</b>	<b>7.72%</b>	
<b>Industrial Metals And Mining</b>											
International Industries Limited	-	185,000	-	(185,000)	-	-	-	-	-	-	-
Crescent Steel and Allied Products Limited	-	190,000	-	(190,000)	-	-	-	-	-	-	-
<b>Construction &amp; Materials</b>											
Attock Cement Pakistan Limited	-	50,000	-	(50,000)	-	-	-	-	-	-	-
Cherat Cement Company Limited	-	111,500	-	(111,500)	-	-	-	-	-	-	-
D. G. Khan Cement Company Limited	-	393,500	-	(393,500)	-	-	-	-	-	-	-
Fauji Cement Company Limited	-	1,342,000	-	(1,133,500)	208,500	7,225	7,270	45	0.28%	0.31%	0.02%
Kohat Cement Company Limited	-	60,000	-	(60,000)	-	-	-	-	-	-	-
Larhara Pakistan Cement Limited	-	6,014,500	-	(6,014,500)	-	-	-	-	-	-	-
Lucky Cement Limited	-	70,000	-	(70,000)	-	-	-	-	-	-	-
Maple Leaf Cement	80,000	1,326,000	-	(1,293,500)	112,500	8,497	8,838	341	0.33%	0.37%	0.02%
Pioneer Cement Limited	-	145,000	-	(145,000)	-	-	-	-	-	-	-
						<b>15,722</b>	<b>16,108</b>	<b>386</b>	<b>0.61%</b>	<b>0.68%</b>	

Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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Name of investee company	As at 1 July 2014	Purchased during the year	Bonus/ rights issue during the year	Sales during the year	As at 30 June 2015	Carrying value as at 30 June 2015	Market value as at 30 June 2015	Appreciation / (diminution)	Market value as percentage of net assets	Market value as percentage of total investments	Paid up value of shares held as a percentage of total paid up capital of the investee company
<b>Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.</b>											
<b>General Industries</b>											
Ghani Glass Limited	-	5,000	-	(5,000)	-	-	-	-	-	-	-
Packages Limited	9,700	-	-	(9,700)	-	-	-	-	-	-	-
Tariq Glass Industries Limited	-	100,000	-	(100,000)	-	-	-	-	-	-	-
Thal Limited*	-	44,100	-	(44,100)	-	-	-	-	-	-	-
<b>Auto Mobile and Parts</b>											
Al-Ghazi Tractors Limited	-	23,800	-	(23,800)	-	-	-	-	-	-	-
Indus Motors Company Limited	-	36,000	-	(36,000)	-	-	-	-	-	-	-
Millat Tractors Limited	-	38,900	-	(38,900)	-	-	-	-	-	-	-
Pak Suzuki Motor Company Limited	-	125,000	-	(125,000)	-	-	-	-	-	-	-
<b>Food Producers</b>											
Engro Foods Limited	-	202,000	-	(159,500)	42,500	6,247	6,436	189	0.24%	0.27%	0.01%
Nestle Pakistan Limited	-	1,940	-	(1,940)	-	6,247	6,436	189	0.24%	0.27%	-
<b>Household Goods</b>											
Pak Elektron Limited	-	4,460,500	-	(4,009,500)	451,000	34,350	37,316	2,966	1.41%	1.58%	0.11%
<b>Paper and Board</b>											
Century Paper and Board Mills Limited	-	180,000	-	(180,000)	-	-	-	-	-	-	-
<b>Personal Goods</b>											
Kohinoor Textile Mills limited	-	50,000	-	(50,000)	-	-	-	-	-	-	-
Nishat Chunian Limited	6,000	348,000	-	(354,000)	-	-	-	-	-	-	-
Nishat Mills Limited	-	219,000	-	(219,000)	-	-	-	-	-	-	-
<b>Pharma And Bio Tech</b>											
Searle Company Limited	-	50,500	-	(50,500)	-	-	-	-	-	-	-
<b>Fixed Line Telecommunication</b>											
Pakistan Telecommunication Company Limited "A"	-	76,000	-	(76,000)	-	-	-	-	-	-	-
<b>Electricity</b>											
Engro Powergen Qadirpur Limited	-	47,689	-	(47,689)	-	-	-	-	-	-	-
Hub Power Company Limited	310,000	1,436,000	-	(1,746,000)	-	-	-	-	-	-	-
Kot Addu Power Company Limited	327,000	-	-	(327,000)	-	-	-	-	-	-	-
Lalpur Power Limited	-	200,000	-	(200,000)	-	-	-	-	-	-	-
Nishat Power Limited	42,000	-	-	(42,000)	-	-	-	-	-	-	-
Pakgen Power Limited	-	150,000	-	(150,000)	-	-	-	-	-	-	-

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

Name of investee company	As at 1 July 2014	Purchased during the year	Bonus/ rights issue during the year	Sales during the year	As at 30 June 2015	Carrying value as at 30 June 2015	Market value as at 30 June 2015	Appreciation / (diminution)	Market value as percentage of net assets	Market value as percentage of total investments	Paid up value of shares held as a percentage of total paid up capital of the investee company
<b>Banks</b>											
Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.											
Allied Bank Limited	-	70,000	-	(70,000)	-	-	-	-	-	-	-
Askari Bank Limited	-	380,000	-	(380,000)	-	-	-	-	-	-	-
Bank Al-Falah Limited	524,500	568,000	-	(1,075,000)	17,500	432	443	11	0.02%	0.02%	0.00%
Bank of Punjab Limited	-	230,000	-	(230,000)	-	-	-	-	-	-	-
Bank Al-Habib Limited	160,000	400,000	-	(560,000)	-	-	-	-	-	-	-
Faysal Bank limited	150,000	1,575,000	-	(1,725,000)	-	-	-	-	-	-	-
Habib Bank Limited	-	78,000	-	(78,000)	-	-	-	-	-	-	-
Habib Metropolitan Bank Limited	402,000	1,150,000	-	(1,552,000)	-	-	-	-	-	-	-
MCB Bank Limited	-	24,500	-	(24,500)	-	-	-	-	-	-	-
National Bank Of Pakistan Limited	50,000	430,500	-	(438,000)	22,500	1,185	1,197	12	0.05%	0.05%	0.00%
Soneri Bank Limited	-	347,500	-	(347,500)	-	-	-	-	-	-	-
United Bank Limited	180,936	378,200	-	(557,636)	1,500	251	256	5	0.01%	0.01%	0.00%
						<b>1,868</b>	<b>1,896</b>	<b>28</b>	<b>0.08%</b>	<b>0.08%</b>	
<b>Non Life Insurance</b>											
IGI Insurance Limited	38,800	115,000	-	(153,800)	-	-	-	-	-	-	-
<b>Multifidies (Gas and Water)</b>											
Sui Northern Gas Pipelines Limited	-	18,500	-	(18,500)	-	-	-	-	-	-	-
Sui Southern Gas Company Limited	-	173,500	-	(10,000)	163,500	7,170	6,981	(189)	0.26%	0.30%	0.02%
						<b>7,170</b>	<b>6,981</b>	<b>(189)</b>	<b>0.26%</b>	<b>0.30%</b>	
<b>Total - 30 June 2015</b>						<b>280,035</b>	<b>281,708</b>	<b>1,673</b>	<b>10.67%</b>	<b>11.91%</b>	
<b>Total - 30 June 2014</b>						121,224	125,962	4,738	15.84%	24.66%	

\* Par value of Rs. 5 each

**5.1.1.1** Investments include shares with market value aggregating of Rs. 32.852 million (30 June 2014: 17.51 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in term of Circular No. 11 dated 23 October 2007 issued by the Securities and Exchange Commission of Pakistan.

**5.1.1.2** Cost of investment in equity securities is Rs.301.273 million (2014: Rs. 121.22 million).

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

**5.1.2 Term finance certificates - listed**

Name of investee company	Issue Date	As at 1 July 2014	Purchased during the year	Sold / matured during the year	As at 30 June 2015	Carrying cost as at 30 June 2015	Market value as at 30 June 2015	Appreciation / (diminution)	Market value as a percentage of net assets	Face value	Market value as a percentage of total investments	Face value percentage in relation to the size of the issue
Certificates having a face value of Rs. 5,000 each unless stated otherwise												
		----- Number of certificates ----- (Rupees in '000) -----										
Askari Bank Limited-III	18-Nov-09	2,998	-	(2,998)	-	-	-	-	-	-	-	-
Bank Alfalah Limited-V	20-Feb-13	2,000	-	-	2,000	10,124	10,007	(117)	0.38%	0.42%	0.38%	0.20%
<b>Total - 30 June 2015</b>						<b>10,124</b>	<b>10,007</b>	<b>(117)</b>	<b>0.38%</b>	<b>0.42%</b>		
Total - 30 June 2014						25,255	24,699	(556)	3.17%	4.83%		

**5.1.2.1** These Term Finance Certificates cost Rs. 10.149 million (2014: 24.950 million).

**5.1.2.2** Significant terms and conditions of outstanding Term Finance Certificate is as follows:

	Mark-up Rate per Annum	Issue date	Maturity date	Rating
Bank Alfalah Limited-V	6 months KIBOR 1.25%	20-Feb-13	20-Feb-21	AA-

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FOR THE YEAR ENDED JUNE 30, 2015**

**5.1.3 Government Securities**

Particulars	As at 1 July 2014	Purchased during the year	Sold during the year	Matured during the year	As at 30 June 2015	Carrying value as at 30 June 2015	Market value as at 30 June 2015	Appreciation / (diminution)	Market value as a percentage of total net assets
	----- (Face value) ----- (Rupees in '000) -----								
<b>Treasury Bills</b>									
Treasury bills - 12 Months	-	9,192,350	(3,500,000)	(5,692,350)	-	-	-	-	-
Treasury bills - 6 Months	-	235,000	(50,000)	(160,000)	25,000	24,963	24,962	(1)	0.95%
Treasury bills - 3 Months	-	1,883,900	(1,057,500)	(388,900)	437,500	432,168	432,069	(99)	16.37%
<b>Total - 30 June 2015</b>						<b>457,131</b>	<b>457,031</b>	<b>(100)</b>	<b>17.32%</b>
<b>Pakistan Investment Bonds</b>									
PIB - 3 years	30,000	(30,000)	-	-	-	-	-	-	-
PIB - 5 years	65,000	-	-	-	65,000	65,826	65,169	(657)	2.47%
PIB - 10 years	-	162,500	(162,500)	-	-	-	-	-	-
<b>Total - 30 June 2015</b>						<b>65,826</b>	<b>65,169</b>	<b>(657)</b>	<b>2.47%</b>
Total - 30 June 2014						95,864	95,422	(442)	12%
<b>Total of investment in Government Securities - 30 June 2015</b>						<b>522,957</b>	<b>522,200</b>	<b>(757)</b>	<b>19.79%</b>
Total of investment in Government Securities - 30 June 2014						95,864	95,422	(442)	12%

**5.1.3.1** These treasury bills cost Rs. 456,428 million (2014: Rs Nil). These will mature latest by 17 September 2015 and carry interest rate of 9.5%

**5.1.3.2** These Pakistan Investment Bonds cost Rs. 66,113 million (2014: Rs 95,864 million). These will mature latest by 22 July 2015 (2014: 18 July 2016) and carry interest at the rate of 11.5% (2014: 11.25% to 12%) per annum.

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

**5.2 'Investments classified as available for sale'**

**5.2.1 Quoted equity securities**

Name of investee company	As at 1 July 2014	Purchased during the year	Bonus / rights issue during the year	Sold during the year	As at 30 June 2015	Carrying value as at 30 June 2015	Market value at 30 June 2015	Appreciation / (diminution)	Market value as a percentage of total investments	Paid up value of shares held as a percentage of total paid up capital of the investee company
<b>Oil and gas</b>										
National Refinery Limited	-	2,200	-	-	2,200	513	511	(2)	0.02%	0.00%
Oil and Gas Development Company Limited	-	1,015,500	-	(815,000)	200,500	38,000	35,938	(2,062)	1.36%	0.00%
Pakistan Oilfields Limited	-	222,700	-	(67,000)	155,700	61,109	62,875	1,766	2.38%	0.07%
Pakistan Petroleum limited	50,000	325,000	-	(75,000)	300,000	53,882	49,278	(4,604)	1.87%	0.02%
Pakistan State Oil Company Limited	-	188,700	-	(100,500)	88,200	32,084	34,027	1,943	1.29%	0.03%
					<b>185,588</b>	<b>182,629</b>	<b>(2,959)</b>		<b>6.92%</b>	<b>7.72%</b>
<b>Chemicals</b>										
Engro Corporation Limited	-	585,000	-	(585,000)	-	-	-	-	-	-
Engro Fertilizers limited	-	26,500	-	(26,500)	-	-	-	-	-	-
Fatima Fertilizers Company Limited	-	2,125,500	-	(1,636,500)	489,000	18,803	19,105	302	0.72%	0.81%
Fauji Fertilizer Bin Qasim Limited	-	450,000	-	(450,000)	-	-	-	-	-	-
Fauji Fertilizer Company Limited	-	943,600	-	(401,000)	542,600	77,445	81,075	3,630	3.07%	3.43%
					<b>96,248</b>	<b>100,180</b>	<b>3,932</b>		<b>3.79%</b>	<b>4.24%</b>
<b>Industrial Metals And Mining</b>										
International Steels Limited	-	1,000,000	-	-	1,000,000	28,060	28,100	40	1.06%	1.19%
					<b>28,060</b>	<b>28,100</b>	<b>40</b>		<b>1.06%</b>	<b>1.19%</b>
<b>Construction &amp; Materials</b>										
D. G. Khan Cement Company Limited	-	650,000	-	(350,000)	300,000	40,673	42,831	2,158	1.62%	1.81%
Fauji Cement Company Limited	-	14,500	-	(14,500)	-	-	-	-	-	-
Larfarage Pakistan Cement Limited	-	1,395,630	-	(1,395,322)	308	5	6	1	-	-
Lucky Cement Limited	-	20,000	-	(20,000)	-	-	-	-	-	-
Maple Leaf Cement	-	500,000	-	(500,000)	-	-	-	-	-	-
Pioneer Cement Limited	-	250,000	-	(250,000)	-	-	-	-	-	-
					<b>40,678</b>	<b>42,837</b>	<b>2,159</b>		<b>1.62%</b>	<b>1.81%</b>

Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.



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FOR THE YEAR ENDED JUNE 30, 2015**

Name of investee company	As at 1 July 2014	Purchased during the year	Bonus / rights issue during the year	Sold during the year	As at 30 June 2015	Carrying value as at 30 June 2015	Market value at 30 June 2015	Appreciation / (diminution)	Market value as a percentage of net assets	Paid up value of shares held as a percentage of total paid up capital of the investee company
<b>Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.</b>										
<b>Electricity</b>										
Hub Power Company Limited	-	1,842,500	-	(1,767,000)	75,500	6,891	7,065	174	0.27%	0.30%
Kot Addu Power Company Limited	-	1,050,000	-	(1,050,000)	-	-	-	-	-	-
K-Electric Company Limited	-	1,352,392	-	(1,352,392)	-	-	-	-	-	-
Laipir Power Limited	-	800,000	-	-	800,000	27,811	24,400	(3,411)	0.92%	1.03%
Pakgen Power Limited	-	1,785,500	-	(10,000)	1,775,500	55,510	53,283	(2,227)	2.02%	2.25%
						<b>90,212</b>	<b>84,748</b>	<b>(5,464)</b>	<b>3.21%</b>	<b>3.58%</b>
<b>Banks</b>										
Habib Bank Limited	-	382,494	-	(382,400)	94	19	20	1	0.00%	0.00%
Habib Metropolitan Bank Limited	-	184,500	-	(184,500)	-	-	-	-	-	-
United Bank Limited	-	196,000	-	(196,000)	-	-	-	-	-	-
						<b>19</b>	<b>20</b>	<b>1</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Non Life Insurance</b>										
Adanjee Insurance Company Limited	-	200,000	-	(200,000)	-	-	-	-	-	-
IGI Insurance Limited	-	50,000	-	-	50,000	10,515	10,245	(270)	0.39%	0.43%
						<b>10,515</b>	<b>10,245</b>	<b>(270)</b>	<b>0.39%</b>	<b>0.43%</b>
<b>Total - 30 June 2015</b>						<b>716,859</b>	<b>733,205</b>	<b>16,346</b>	<b>27.76%</b>	<b>30.99%</b>
Total - 30 June 2014						11,197	11,218	21	1.44%	2.20%

**5.2.1.1** Cost of investment of equity securities is Rs.751.861 million (2014: Rs. 11.197 million).

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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**5.2.2 Government Securities**

Particulars	As at 1 July 2014	Purchased during the year	Sold during the year	Matured during the year	As at 30 June 2015	Carrying value as at 30 June 2015	Market value as at 30 June 2015	Appreciation / (diminution)	Market value	
									as a percentage of net assets	as a percentage of total investments
----- (Rupees in '000) -----										
<b>Pakistan Investment Bonds</b>										
PIB - 3 years	232,500	-	(232,500)	-	-	-	-	-	-	-
PIB - 5 years	-	400,000	-	-	400,000	445,815	437,750	(8,065)	16.58%	18.50%
PIB - 10 years	25,000	550,000	(225,000)	-	350,000	392,564	381,325	(11,239)	14.45%	16.12%
<b>Total of investment in Government Securities - 30 June 2015</b>						<b>838,379</b>	<b>819,075</b>	<b>(19,304)</b>	<b>31.03%</b>	<b>34.62%</b>
Total of investment in Government Securities - 30 June 2014						253,322	253,219	(103)	32.50%	49.60%

**5.2.2.1** These Pakistan Investment Bonds cost Rs. 838.274 million (2014: 253.322 million). These will mature latest by 26 March 2025 (2014: 19 July 2022) and carry interest at the rate of 9.75% to 12% (2014: 11.25% to 12%) per annum.

**6. DIVIDEND AND PROFIT RECEIVABLE**

Dividend receivable	3,436	42
Interest receivable on term finance certificates	347	633
Profit receivable on government securities	40,705	17,885
Profit receivable on saving deposits	7,629	957
	<b>52,117</b>	<b>19,517</b>

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

<b>7. ADVANCES AND DEPOSITS</b>	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>(Rupees in '000)</b>	
Security deposits with		
- National Clearing Company of Pakistan Limited	<b>3,934</b>	4,184
- Central Depository Company of Pakistan Limited	<b>100</b>	100
Advances against Investment	-	3,907
Others	<b>90</b>	-
	<b>4,124</b>	<b>8,191</b>

**8. PAYABLE TO MANAGEMENT COMPANY**

Management fee payable	<i>8.1</i>	<b>4,300</b>	1,258
Sindh sales tax payable on Management Fee	<i>8.2</i>	<b>645</b>	201
Sales load payable		<b>9,691</b>	1,044
Legal and professional charges payable		<b>100</b>	-
		<b>14,736</b>	<b>2,503</b>

**8.1** Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. During the year, the Management Company has charged remuneration at a rate of 2% (2014: 2%) of the average annual net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears. During 2011, the Government of Sindh has levied General Sales Tax at the rate of 15% on the remuneration of the Management Company. The remuneration is paid to the Management Company on a monthly basis in arrears.

**8.2** Management fee charged during the year is inclusive of 15% (till 30 June 2014: 16%) General Sales Tax levied by the Government of Sindh.

**9. PAYABLE TO CENTRAL DEPOSITORY OF PAKISTAN LIMITED - TRUSTEE**

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

As per the Trust Deed and Offering Document, the tariff structure applicable to the Fund in respect of the trustee fee for the year ended 30 June 2015 is as follows:

<b>Net Assets</b>	<b>Tariff per annum</b>
Up to Rs. 1,000 million	Rs. 0.7 million or 0.20% p.a. of NAV, whichever is higher
On an amount exceeding Rs. 1,000 million	Rs. 2.0 million plus 0.10% p.a. of NAV exceeding Rs. 1,000 million

**10. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

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 0.095 percent of the average annual net assets of the Fund.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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11. ACCRUED AND OTHER LIABILITIES	30 June 2015	30 June 2014
	(Rupees in '000)	
Provision for Federal Excise Duty and related taxes on management fee	11.1 7,573	2,436
Provision for Federal Excise Duty on sales load	11.1 9,807	1,317
Provision for Workers' Welfare Fund	11.2 13,732	5,676
Withholding tax payable (deducted on dividend distribution)	11.3 23,527	-
Withholding tax payable (deducted on capital gains)	11.3 3,175	-
Auditors' remuneration payable	446	442
Brokerage payable	2,584	546
Others	140	201
	<b>60,984</b>	<b>10,618</b>

**11.1** The Finance Act 2013 introduced an amendment to Federal Excise Act 2005 where by Federal Excise Duty (FED) has been imposed at the rate of 16% of the services rendered by assets management companies. In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the levy of Federal Excise Duty on Asset Management Services after the Eighteenth Amendment. The SHC in its short order of September 2013 directed the FBR not to take any coercive action against the petitioners pursuant to impugned notices till next date of hearing. In view of uncertainty regarding the applicability of FED on asset management services, the management, as a matter of abundant caution, has decided to retain and continue with the provision of FED in these financial statements aggregating to Rs. 7.53 million as at 30 June 2015. In case the suit is decided against the fund the same would be paid to management company, who will be responsible for submitting the same to authorities. Had the said provision of FED not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 0.51 per unit.

**11.2** The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) 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 High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending for adjudication.

On 15 July 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on 14 December 2010, the Ministry filed its response against the Constitutional Petition requesting the court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

During the year ended 30 June 2012, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 has declared the said amendments as unlawful and unconstitutional and struck them down. In March 2013 a larger bench of the Sindh High Court (SHC) in various constitutional petitions filed by companies other than mutual funds declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity.

However, as per advice of legal counsel the stay granted to CIS remains intact and the constitution petitions filed by the CIS to challenge the WWF contribution have not been affected by the SHC judgment.

Furthermore, in the Finance Act, 2015, the mutual funds have been excluded from the levy of WWF. As this change has been made in the definition of the term 'Industrial Establishment' as defined in the Workers' Welfare Fund Ordinance, 1971, the change may appear to apply prospectively. Accordingly, the management is of the view that this change is applicable from 01 July 2015. Hence, the matter regarding previous years would either need to be clarified by FBR or would be resolved through courts. The management company, as a matter of abundant precaution, has decided to retain the provision for WWF in these financial statements.

**11.3** Subsequently paid by the Fund to the taxation authorities.

**12. CONTINGENCIES AND COMMITMENTS**

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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13. AUDITOR'S REMUNERATION	30 June 2015	30 June 2014
	(Rupees in '000)	
Annual audit fee	338	338
Half yearly review	208	208
Other certifications and services	120	120
Out of pocket expenses	64	58
	<u>730</u>	<u>724</u>

**14. TAXATION**

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance 2001. Since the management has distributed the income earned by the Fund during the year to the unit holders in the manner as explained above, accordingly no provision for taxation has been made in these financial statements.

**15. EARNINGS PER UNIT**

Earning per unit has not been disclosed as in the opinion of the management, determination of cumulative weighted average number of outstanding units for calculating loss per unit is not practicable.

**16. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES**

Related parties / connected persons of the Fund include the Management Company, other collective investment schemes managed by the Management Company, MCB Bank Limited being the holding company of the Management Company, the Trustee, directors and key management personnel, other associated undertakings and unit holders holding more than 10% net assets of the Fund.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provision of the NBFC Regulations 2008 and constitutive documents of the Fund.

The transactions with connected persons / related parties are in the normal course of business and are carried out on agreed terms.

**16.1** Details of transactions with the connected persons / related parties during the year are as follows:

	30 June 2015	30 June 2014
	(Rupees in '000)	
<b>MCB-Arif Habib Savings and Investments Limited</b>		
Remuneration of the Management Company (including indirect taxes)	37,249	17,240
Sindh sales tax registration charges	8	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of the Trustee	2,316	1,323
CDC settlement charges	247	304
<b>MCB Bank Limited</b>		
Dividend received	37	212
Profit on bank deposits	7,216	4,119
Bank Charges	42	17
<b>D.G Khan Cement Company Limited</b>		
Dividend received	175	335

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	30 June 2015	30 June 2014
	(Rupees in '000)	
<b>Nishat Mills Limited</b>		
Dividend received	388	58
<b>Nishat Power Limited</b>		
Dividend received	-	468
<b>Nishat Chunian Power Limited</b>		
Dividend received	-	212
<b>Fatima Fertilizer Company Limited</b>		
Dividend received	345	134
<b>Pakgen Power Limited</b>		
Dividend received	1,739	-
<b>Lalpir Power</b>		
Dividend received	800	-
<b>Arif Habib Limited</b>		
Brokerage *	996	443
<b>Next Capital Private Limited</b>		
Brokerage *	397	25
<b>16.2 Balance outstanding as at the year end are as follows:</b>		
<b>MCB-Arif Habib Savings and Investments Limited</b>		
Remuneration payable to Management Company	4,300	1,258
Sales tax payable on remuneration of Management Company	645	201
Sales load payable	9,691	1,044
Legal and professional charges payable	100	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable to the Trustee	297	126
Security Deposits	100	100
<b>MCB Bank Limited</b>		
Bank deposits	29,584	94,005
Profit receivable	409	564
<b>Arif Habib Limited</b>		
Brokerage payable*	53	71
<b>Next Capital Private Limited</b>		
Brokerage payable*	66	-

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

**16.3 Transactions during the year with connected persons / related parties in the units of the Fund:**

	2015		2014	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Units sold to:</b>				
Securirty General Insurance Company Limited	10,678,125	866,779	-	-
MCB-Arif Habib Savings and Investments Limited	1,228,992	105,000	1,299,132	95,000
Adamjee Life Assurance Company Limited	-	-	261,587	20,000
Key management personnel	59,311	4,350	28,052	2,050
<b>Dividend issued to:</b>				
Securirty General Insurance Company Limited	-	-	-	-
MCB-Arif Habib Savings and Investments Limited	-	-	448,402	32,089
D. G. Khan Cement Company Limited (Employees Provident Fund)	3,190	249	6,968	498,342
Adamjee Life Assurance Company Limited	-	-	24,867	1,784
Key management personnel	8,898	693	3,396	244
<b>Units redeemed by:</b>				
Securirty General Insurance Company Limited	6,586,061	566,779	-	-
MCB-Arif Habib Savings and Investments Limited	3,593,405	311,015	550,040	42,000,000
Adamjee Life Assurance Company Limited	247,820	21,444,839	38,634	3,000
Mandate under Discretionary Portfolio services	569,025	44,919	-	-
Key management personnel	-	-	1,493	117
	2015	2014	2015	2014
	(Units)		(Rupees in '000)	
<b>Units held by:</b>				
Securirty General Insurance Company Limited	4,092,064	316,638	-	-
MCB-Arif Habib Savings and Investments Limited	-	2,364,413	-	169,934
Mandate under Discretionary Portfolio services	-	569,025	-	44,919
D. G. Khan Cement Company Limited Employees Provident Fund)	32,443	29,253	2,510	2,102
Adamjee Life Assurance Company Limited	-	247,820	-	17,811
Key management personnel	99,550	31,341	7,703	2,253

**17. FINANCIAL RISK MANAGEMENT**

The Board of Directors of Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board is also responsible for developing and monitoring the Fund's risk management policies.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Fund's activities expose it to a variety of financial risks such as:

- Market risk
- Credit risk and
- Liquidity risk

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

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### 17.1 Market risk

Market risk is the risk that the fair values or future cash flows of the financial instruments will fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines and regulations laid down by the Securities and Exchange Commission of Pakistan.

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

#### *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 are carried out in Pak Rupee.

#### *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*

As at 30 June 2015, the Fund holds Market Treasury Bills which are classified as fair value through profit or loss, exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the Financial Market Association on 30 June 2015, the net income for the year and net assets would be lower by Rs. 0.689 million (2014: Nil) In case of 100 basis points decrease in rates announced by the Financial Market Association on 30 June 2015, the net income for the year and net assets would be higher by Rs. 0.864 million (2014: Nil)

As at 30 June 2015, the Fund holds Pakistan Investment Bonds which are classified as at fair value through profit or loss, exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the Financial Market Association on 30 June 2015, the net income for the year and net assets would be lower by Rs. 34.894 million (2014: Rs. 6.248 million). In case of 100 basis points decrease in rates announced by the Financial Market Association on June 30, 2015, the net income for the year and net assets would be higher by Rs. 29.554 million (2014: Rs. 6.665 million).

##### *b) Sensitivity analysis for variable rate instruments*

Presently, the Fund holds KIBOR based interest bearing Term Finance Certificates exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on 30 June 2015, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs. 0.035 million (2014: Rs. 0.05 million).

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

#### *Other price risk*

Other price risk is the risk of changes in the fair value of equity securities as the result of changes in the levels of Karachi Stock Exchange (KSE) and other respective market indices and the value of individual shares. The equity price risk exposure arises from the Fund's investments in equity securities. This arises from investments held by the Fund for which prices in the future are uncertain. The Fund's policy is to manage price risk through diversification within specified limits set by internal risk management guidelines.

The fund is exposed to equity price risk because of investments held by the Fund and classified on the Statement of Assets and Liabilities as financial assets at fair value through profit or loss and available for sale. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the trust deed. The Fund's constitutive document / NBFC Regulations also limit individual equity securities to no more than 10% of net assets, or issued capital of the investee company and sector exposure limit to 25% of net assets.

A summary analysis of local investments by industry sector, the percentage in relation to Fund's own net assets and the issued capital of the investee company is presented in note 5.1.1 & 5.2.1 .

The table below summarises the sensitivity of the Fund's net assets attributable to unit holders to equity price movements as at 30 June. The analysis is based on the assumption that KSE-100 index increased by 5% and decreased by 5%, with all other

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

variables held constant and that the fair value of the Fund's portfolio of equity securities moved according to their 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 index of past three years.

At 30 June, the fair value of equity securities exposed to price risk is disclosed in note 5.1.1 & 5.2.1.

The impact below arises from the reasonable possible change in the fair value of listed equity securities.

	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>(Rupees in '000)</b>	
Effect on income statement, net assets attributable to unit holders and equity investments due to increase / decrease in the KSE-100 index	<b>32,457</b>	<b>6,428</b>

The sensitivity analysis presented is based upon the portfolio composition as at 30 June 2015 and the historical correlation of the securities comprising the portfolio to the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE and other respective market indices, is expected to change over time. Accordingly, the sensitivity analysis prepared as at 30 June 2015 is not necessarily indicative of the effect on the Fund's net assets attributed to unit holders of future movements in the level of the KSE and other respective market indices.

### 17.2 Credit risk

Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties in case of reverse re-purchase transactions or other arrangements to fulfil their obligations resulting in financial loss to the Fund. These credit exposures exist within financing relationships, derivatives and other transactions. There is also a risk of default by participants and of failure of the financial markets / stock exchanges, the depositories, the settlements or the central clearing system etc.

The credit risk of the Fund mainly arises from its investment in debt securities. The Fund is also exposed to counterparty credit risk on cash and cash equivalents, deposits and other receivable balances.

#### *Credit risk management*

It is the Fund's policy to enter into financial contracts with reputable, diverse and creditworthy counterparties and wherever possible or deemed necessary obtain collaterals in accordance with internal risk management policies and investment guidelines designed for credit risk management. The Investment Committee closely monitors the creditworthiness of the Fund's counterparties by reviewing their credit ratings, financial statements and press releases on a regular basis.

#### *Exposure to credit risk*

In summary, compared to the maximum amount included in Statement of Assets and Liabilities, the

	<b>30 June 2015</b>		<b>30 June 2014</b>	
	<b>Statement of assets and liabilities</b>	<b>Maximum exposure</b>	Statement of assets and liabilities	Maximum exposure
	<b>(Rupees in '000)</b>		<b>(Rupees in '000)</b>	
Balances with banks	252,325	252,325	96,667	96,667
Investments	2,366,195	10,007	510,520	24,699
Fair value of derivative asset	1,257	1,257	-	-
Receivable against sale of investments	-	-	142,712	-
Dividend and profit receivables	52,117	52,117	19,517	19,517
Receivable from National Clearing Company of Pakistan Limited	41,067	41,067	15,397	15,397
Security deposits	4,124	4,124	8,191	8,191
	<b>2,717,085</b>	<b>360,897</b>	<b>793,004</b>	<b>164,471</b>

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

Difference in the balance as per Statement of Assets and Liabilities and maximum exposure in investment is due to the fact that investment in equity and government securities of Rs. 2,356.188 million (2014: 485.821 million) and receivable against sale of investments of Rs. NIL (2014: 142.712 million).

As on 30 June 2015, none of the financial assets were considered to be past due or impaired except for Rs. 1.634 million as disclosed in note 5.3.

Details of credit rating of balance with banks and deposits as at 30 June are as follows:

	<b>30 June 2015 (Percentage holding)</b>	<b>30 June 2014</b>
AAA	11.72%	99.49%
AA+	7.22%	0.01%
AA	81.06%	0.49%
AA-	0.00%	0.01%
	<b>100.00%</b>	<b>100.00%</b>

The analysis below summarises the credit quality of the Fund's investment in term finance certificates as at 30 June:

	<b>30 June 2015 (Percentage holding)</b>	<b>30 June 2014</b>
AA	56.98%	58.99%
AA-	43.02%	41.01%
	<b>100.00%</b>	<b>100.00%</b>

### *Concentration of credit risk*

Concentration is the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentration of risks arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Details of the Fund's concentration of credit risk of financial instruments by industrial distribution are as follows:

	<b>30 June 2015</b>		<b>30 June 2014</b>	
	<b>(Rupees in '000)</b>	<b>Percentage</b>	<b>(Rupees in '000)</b>	<b>Percentage</b>
Commercial banks	262,332	72.69%	121,366	81.41%
Others	98,565	27.31%	27,708	18.59%
	<b>360,897</b>	<b>100.00%</b>	<b>149,074</b>	<b>100.00%</b>

### *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 an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

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

### 17.3 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its obligations arising from its financial liabilities that are settled by delivering cash or other financial assets or that such obligations will have to be settled in a manner disadvantageous to the Funds. Liquidity risk also arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's applicable redemption price calculated in accordance with the Fund's constitutive documents and guidelines laid down by the SECP.

The Fund's policy to managing liquidity is to have sufficient liquidity to meet its liabilities, including estimated redemptions of units as and when due, without incurring undue losses or risking damage to the Fund's reputation.

The Fund has the ability to borrow, with prior approval of trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of net assets at the time of borrowing with a condition of repayment within 90 days of such borrowings. No such borrowings have arisen during the year.

In order to manage the Fund's overall liquidity, the Fund may also 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 liquidity position of the Fund is monitored by Fund Manager and Risk and Compliance Department on daily basis.

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.

The maturity profile of the Fund's liabilities based on contractual maturities is given below:

	30 June 2015			Total
	Up to three months	More than three months and up to one year	More than one year	
	----- (Rupees in '000) -----			-
Payable to Management Company	14,736	-	-	14,736
Payable to Central Depository of Pakistan Limited - Trustee	297	-	-	297
Payable to Securities and Exchange Commission of Pakistan	1,326	-	-	1,326
Payable against redemption of units	41	-	-	41
Accrued and other liabilities	39,679	-	-	39,679
	<u>56,079</u>	<u>-</u>	<u>-</u>	<u>56,079</u>
	30 June 2014			Total
	Up to three months	More than three months and up to one year	More than one year	
	----- (Rupees in '000) -----			
Payable to Management Company	2,503	-	-	2,503
Payable to Central Depository of Pakistan Limited - Trustee	126	-	-	126
Payable to Securities and Exchange Commission of Pakistan	630	-	-	630
Fair value of derivative liability	10	-	-	10
Accrued and other liabilities	1,189	-	-	1,189
	<u>4,458</u>	<u>-</u>	<u>-</u>	<u>4,458</u>

Units of the Fund are redeemable on demand at the holder's option, however, the Fund does not anticipate significant redemption of units.

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

**17.4 Financial instruments by category**

As at 30 June 2015, all the financial assets carried on the Statement of Assets and Liabilities are categorised either as 'loans and receivables' or financial assets 'at fair value through profit or loss'. All the financial liabilities carried on the Statement of Assets and Liabilities are categorised as other financial liabilities i.e. liabilities other than 'at fair value through profit or loss'.

As at 30 June 2015				
	Loans and receivables	Assets at fair value through profit or loss	Assets classified as available for sale	Total
(Rupees in '000)				
<b>Assets</b>				
Balances with banks	252,325	-		252,325
Investments	-	813,915	1,552,280	2,366,195
Fair value of derivative asset	-	1,257		1,257
Dividend and profit receivables	52,117	-		52,117
Receivable against sale of investments	-	-		-
Receivable from National Clearing Company of Pakistan Limited	41,067	-		41,067
Security deposits	4,124	-		4,124
	349,633	815,172	1,552,280	2,717,085

	Liabilities at fair value through profit or loss	Other financial liabilities	Total
(Rupees in '000)			
<b>Liabilities</b>			
Payable to the Management Company	-	14,736	14,736
Payable to Central Depository of Pakistan Limited - Trustee	-	297	297
Payable against redemption of units	-	41	41
Accrued and other liabilities	-	39,679	39,679
	-	54,753	54,753

As at 30 June 2014				
	Loans and receivables	Assets at fair value through profit or loss	Assets classified as available for sale	Total
(Rupees in '000)				
<b>Assets</b>				
Balances with banks	96,667	-	-	96,667
Investments	-	246,083	264,437	510,520
Dividend and profit receivables	19,517	-	-	19,517
Receivable against sale of investments	142,712	-	-	142,712
Receivable from National Clearing Company of Pakistan Limited	15,397	-	-	15,397
Security deposits	8,191	-	-	8,191
	282,484	246,083	264,437	793,004

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

	Liabilities at fair value through profit or loss	Other financial liabilities	Total
----- (Rupees in '000) -----			
<b>Liabilities</b>			
Payable to the Management Company	-	2,503	2,503
Payable to Central Depository of Pakistan Limited - Trustee	-	126	126
Fair value of derivative liability	10	-	10
Accrued and other liabilities	-	2,506	2,506
	10	5,135	5,145

**17.5 Unit holders' fund risk management**

The Fund's capital is represented by redeemable units. The Fund is required by the NBFC Regulations, 2008, to maintain minimum fund size to Rs. 100 million to be maintained all the time during the life of the scheme. The units issued by the Fund provides an investor with the right to require redemption for cash at a value proportionate to the unit holder's share in the Fund's net assets at the redemption date. The Fund's objective in managing the unit holders' fund is to ensure a stable base to maximise returns to all investors and to manage liquidity risk arising from redemption. In accordance with the risk management policies, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of investments.

**18. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Investments on the Statement of Assets and Liabilities are carried at fair value . The Management Company is of the view that the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are essentially short term in nature.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Valuation techniques using significant unobservable inputs.

	30 June 2015		
	Level 1	Level 2	Level 3
----- (Rupees in '000) -----			
<b>'At fair value through profit or loss'</b>			
<i>Held for trading</i>			
- Quoted equity securities	281,708	-	-
- Fixed income securities	-	10,007	-
- Variable income securities	-	522,200	-
<b>'Available for sale'</b>			
- Quoted equity securities	733,205		-
- Variable income securities		819,075	-

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

	30 June 2014		
	Level 1	Level 2	Level 3
	(Rupees in '000)		
<i>'At fair value through profit or loss'</i>			
<i>Held for trading</i>			
- Quoted equity securities	125,962	-	-
- Fixed income securities	-	35,219	-
- Variable income securities	-	131,038	-
 <i>'Available for sale'</i>			
- Quoted equity securities	11,218	-	-
- Variable income securities	-	253,219	-

**19. SUPPLEMENTARY NON FINANCIAL INFORMATION**

The information regarding pattern of unit holding, list of top ten brokers, meetings of the Board of Directors of the management company and members of the Investment Committee are as follows:

**19.1 Pattern of unit holding**

Details of pattern of unit holding as at 30 June 2015	As at 30 June 2015		
	Number of unit holders	Investment Amount	Percentage Investment
	(Rupees in '000)		
Individuals	1,115	1,868,345	70.78%
Companies	9	48,458	1.84%
Insurance companies	2	396,543	15.02%
Retirement funds	21	147,580	5.59%
Others	15	178,775	6.77%
	<b>1,162</b>	<b>2,639,701</b>	<b>100.00%</b>

Details of pattern of unit holding as at 30 June 2014	As at 30 June 2014		
	Number of unit holders	Investment Amount	Percentage Investment
	(Rupees in '000)		
Individuals	1,154	378,154	48.53%
Associated companies / Directors	3	189,847	24.37%
Insurance companies	2	59,678	7.66%
Retirement funds	19	105,638	13.56%
Others	5	45,800	5.88%
	<b>1,183</b>	<b>779,117</b>	<b>100.00%</b>

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

**19.2 Top ten brokers / dealers by percentage of commission paid**

Details of commission paid by the fund to top ten brokers by percentage during the year are as follows:

	<b>30 June 2015 Percentage</b>
1 Invest and Finance Securities Limited	14.27%
2 Arif Habib Limited	10.02%
3 Foundation Securities Limited	8.72%
4 Js Global Capital Limited	7.16%
5 Fortune Securities Limited	5.56%
6 Optimas Capital Management Private Limited	4.97%
7 BMA Capital Management Limited	4.68%
8 Next Capital Limited	4.37%
9 Adam Securities Private Limited	4.19%
10 Top Line Securities Private Limited	3.92%
	<b>30 June 2014 Percentage</b>
1 Arif Habib Limited	10.43%
2 Invest and Finance Securities Ltd	9.53%
3 JS Global Capital Limited	8.93%
4 KASB Securities Ltd.	7.08%
5 Optimus Capital Management Private Limited	6.96%
6 Topline Securities (Pvt) Limited	4.78%
7 D.J.M. Securities (Private) Limited	4.47%
8 Elixir Securities Pakistan (Private) Limited	4.37%
9 Fortune Securities Limited	4.21%
10 Next Capital Limited	3.33%

**19.3 Attendance at meetings of the Board of Directors**

The 112th, 113th, 114th, 115th, 116th, and 117th Board meetings were held on 28 July 2014, 9 September 2014, 20 October 2014, 2 February 2015, 24 April 2015 and 22 June 2015 respectively.

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

Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave	
Mr. Mian Mohammad Mansha	6	1	7	104th, 105th, 106th, 107th, 108th, 109th and 111th
Mr. Nasim Beg	6	6	-	106th
Mr. Yasir Qadri (Chief Executive Officer)	6	6	-	-
Dr. Syed Salman Ali Shah	6	4	2	107th
Mr. Haroun Rashid	6	3	3	104th and 106th
Mr. Ahmed Jahangir	6	6	-	-
Mr. Samad A. Habib	6	4	2	105th and 109th
Mr. Mirza Mehmood Ahmed	6	3	3	106th
Mr. M. Saqib Saleem (COO & Company Secretary)	6	6	-	-
Mr. Umair Ahmed (Chief Financial Officer)	6	4	-	Resigned in March 2015

**19.4 Particulars of investment committee and fund manager**

Details of members of investment committee of the Fund are as follows:

Name	Designation	Qualification	Experience in years
Mr. Yasir Qadri	Chief Executive Officer	MBA	20
Mr. Mohsin Pervez	Vice President - Investments	MBA & CFA level I	14
Mr. Muhammad Asim	Chief Investment Officer	MBA & CFA	12
Mr. Saad Ahmed	Senior Manager - Fixed Income	MBA	8
Mr. Manal Iqbal	Head of Research	MBA & CFA	6

**19.5 Other funds managed by the fund manager**

**Mr. Muhammad Asim**

Mr. Muhammad Asim is the Manager of the Fund as at year end. He has obtained a Masters degree in Business Administration and is a Certified Financial Analyst. Other fund being managed by him are as follows:

- Pakistan Capital Market Fund
- Pakistan Sarmaya Mehfooz Fund
- Pakistan Pension Fund

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

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**20. CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified for the purposes of comparison and better presentation as follows:

<b>Reclassification from component</b>	<b>Reclassification to component</b>	<b>(Rupees in '000)</b>
Payable to Management Company - Sales load payable	Accrued expenses and other liabilities - Provision for Federal Excise Duty on sales load	1,317

**21. DATE OF AUTHORISATION FOR ISSUE**

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

**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
<b>Associated Companies, undertakings and related Parties</b>		
D.G. KHAN CEMENT COMPANY LTD EMPLOYEES PROVIDENT FUND TRUST	1	32,443
<b>Directors</b>		
Yasir Qadri	1	99,374
<b>Public Sector Companies and Corporations</b>		
	8	589,066
<b>Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance, Insurance Companies, Modarbas and Mutual Funds.</b>		
	1	1,032,658
<b>Individuals</b>		
	1,114	24,046,146
<b>Others</b>		
	36	4,222,377
<b>Unitholders holding 5 percent or more Voting interest in the listed company</b>		
Securirty General Insurance Company Limited	1	4,092,064
	<b>1,162</b>	<b>34,114,128</b>

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

<b>No. of Unit Holder</b>	<b>Unit holdings</b>	<b>Total Units Held</b>
736	1-10000	1,579,739
324	10001-100000	10,028,628
100	100001-1000000	17,381,039
2	1000001 onwards	5,124,722
<b>1,162</b>		<b>34,114,128</b>

## PERFORMANCE TABLE

Performance Information	2015	2014	2013	2012	2011	2010	2009	2008
Total Net Assets Value – Rs. in million	2,639.701	779.1166	432.68	104.40	333.00	403.041	714.089	1,689.89
Net Assets value per unit – Rupees	77.3785	71.8713	84.28	70.69	69.84	78.23	67.02	87.65
Highest offer price per unit	90.2613	83.0489	88.46	78.62	83.63	87.47	90.16	105.99
Lowest offer price per unit	74.6553	74.4947	73.1	68.11	68.81	69.09	54.42	87.2
Highest Redemption price per unit	86.6490	79.6964	84.89	76.33	82.37	84.85	87.46	102.81
Lowest Redemption price per unit	71.6676	71.4875	70.91	66.12	67.78	67.02	52.79	84.58
Distribution per unit (annual) – Rs.	8.5000	8.0011	12.91	5.21	12.50	10.089	-	-
Net Assets Value before distribution	86.4401	79.6964	84.28	76.18	82.26	78.23	N/a	N/a
Net Assets Value after distribution	77.9401	71.6953	71.37	70.97	69.76	68.14	N/a	N/a
<b>Average Annual Return - %</b>								
One year	19.41	11.95	19.2	8.70	20.86	16.7	-23.5	-12.35
Two year (inception date Mar 11, 2008)	33.67	33.47	14.8	15.70	41.07	-10.8	-33	N/a
Three year	59.37	45.03	18.9	17.80	7.87	-21.8	N/a	N/a
Net Income / (loss) for the period – Rs. in million	394.751	83.818	69.78	8.12	58.66	57.73	-219.766	-238.15
Income Distribution – Rs. in million	215.630	78.223	66.3	6.91	50.56	51.981	-	-
Accumulated Capital Growth – Rs. in million	179.121	5.595	3.48	1.21	5.75	-	-	-

### Disclaimer

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



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