



Bachat ka Doosra Naam

**Annual Report
2015**



Sabr Ka Phal Meetha

MCB

**PAKISTAN STOCK MARKET
FUND**

(Formerly : Pakistan Stock Market Fund)

MCB-Arif Habib Savings and Investments Limited

AM2 Plus by PACRA

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Vision

To become synonymous with Savings.

Mission

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

Core Values

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

FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Board of Directors	Mian Muhammad Mansha	Chairman
	Mr. Nasim Beg	Executive Vice Chairman
	Mr. Yasir Qadri	Chief Executive Officer
	Dr. Syed Salman Ali Shah	Director
	Mr. Haroun Rashid	Director
	Mr. Ahmed Jahangir	Director
	Mr. Samad A. Habib	Director
	Mr. Mirza Mahmood Ahmad	Director
Audit Committee	Mr. Haroun Rashid	Chairman
	Mr. Ahmed Jahangir	Member
	Mr. Samad A. Habib	Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah	Chairman
	Mr. Nasim Beg	Member
	Mr. Haroun Rashid	Member
	Mr. Ahmed Jahangir	Member
	Mr. Yasir Qadri	Member
Company Secretary & Chief Financial Officer	Mr. Muhammad Saqib Saleem	
Trustee	Central Depository Company of Pakistan Limited CDC House, 990B Block 'B' S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
Bankers	MCB Bank Limited United Bank Limited Standard Chartered Bank Pakistan Limited Habib Metropolitan Bank Limited Summit Bank Limited Bank Al Habib Limited Dutsche Bank Limited	
Auditors	Deloitte Yousuf Adil Chartered Accountants Cavish Court, A-35, Block 7 & 8 KCHSU, Shahrah-e-Faisal, Karachi-75350	
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
Transfer Agent	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Rating	AM2 + Management Quality Rating assigned by PACRA	

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

On behalf of the Board of Directors, I am pleased to present MCB Pakistan Stock Market Fund's (Formerly: Pakistan Stock Market 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

During the period under review, the fund outperformed its benchmark KSE-100 index by delivering a return of 39.35% vis-à-vis KSE-100 index return of 16.01%. Substantial changes were made in sector and company allocations during the period on the back of changing fundamentals. Overall equity exposure of the fund was increased to 92.3% at the end of the period as compared to 87.0% at the end June 2014. Major sector level changes include increase in allocation in Cement, Paper & Board, Fertilizer, Oil & Gas sectors and reduction in exposure was done in Commercial Banks and Power Generation & Distribution sectors.

The Net Assets of the Fund as at June 30, 2015 stood at Rs. 6075 million as compared to Rs. 3730 million as at June 30, 2014 registering an increase of 62.87%.

The Net Asset Value (NAV) per unit as at June 30, 2015 was Rs. 83.23 as compared to opening NAV of Rs. 62.56 per unit as at June 30, 2014 registering an increase of Rs. 20.67 per unit.

Income Distribution

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

Date of distribution	Per unit distribution
	Rs.
June 22, 2015	4.00

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.
- Key financial data as required by the Code of Corporate Governance has been summarized in the financial statements.
- Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.

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

- 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 21 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. The 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.

S. No.	Name	Designation	Investment	Redemption	Dividend Distribution
			(Number of Units)		
1.	Mr. Nasim Beg	Executive Vice Chairman	-	13,948	83
2.	Yasir Qadri	Chief Executive Officer	28,832	-	16,471
3.	Mr. Saqib Saleem	Chief Financial Officer & Company Secretary	-	-	-
4.	Asif Mehdi Rizvi	Head of Internal Audit	2,888	1,316	-

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

External Auditors

The fund's external auditors, Deloitte Yousuf Adil., Chartered Accountants, have expressed their willingness to continue as the fund auditors for the ensuing year ending June 30, 2016. The audit committee of the Board has recommended reappointment of Deloitte Yousuf Adil., Chartered Accountant as auditors of the fund for the year ending June 30, 2016.

Acknowledgment

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

For and on behalf of the board



Yasir Qadri
Chief Executive Officer
Karachi: August 07, 2015

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2014

Fund Type and Category

MCB Pakistan Stock Market Fund's (Formerly: Pakistan Stock Market Fund) PSMF is an Open-End Equity Scheme.

Fund Benchmark

The benchmark for MCBPSMF is KSE 100 Index.

Investment Objective

The objective of the fund is to provide investors long term capital appreciation from its investment in Pakistani equities

Investment Strategy

MCB Pakistan Stock Market Fund's (Formerly: Pakistan Stock Market Fund) (MCBPSM) is an open end equity fund that invests in quality stocks listed in Pakistan. The fund is actively managed and fundamental research drives the investment process. Fundamental outlook of sectors/companies and DCF (discounted cash flow) valuations are the primary factors in sectors' allocation and stock selection. Major portion of the fund's portfolio is high quality liquid stocks. The funds which are not invested in equities are required to be kept in bank deposits and short-term money market instruments/ placements.

Manager's Review

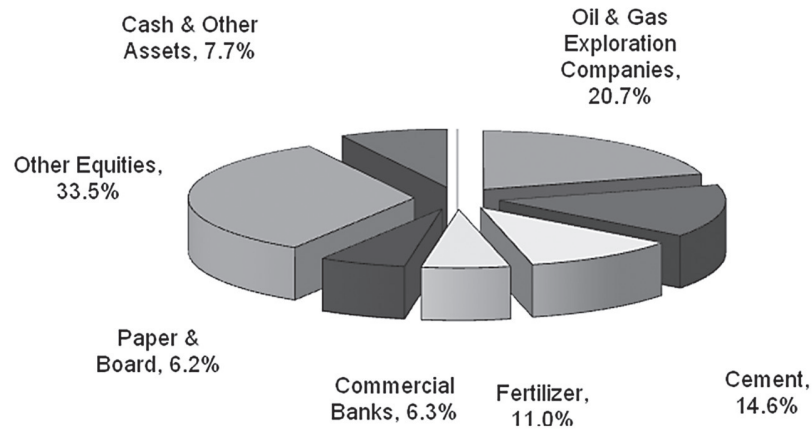
During the year under review, NAV per unit of MCB Pakistan Stock Market Fund's (Formerly: Pakistan Stock Market Fund) increased by 33.04% as compared to the benchmark KSE-100 Index return of 16.01%, resulting in an out performance of 17.03% by the fund. Monetary easing and low interest rate outlook on 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. The fund changed overall equity allocation several times during the year in sync with various developing market scenarios.

The fund started the year with an equity allocation of 87.0% which was subsequently increased to 92.3% by end of the year. On sector basis fund generally increased its exposure in Cement and Fertilizer while exposure in Commercial Banks was reduced during the year. The fund initially decreased exposure in Oil & Gas sector but build the exposure back by the end of the year based on attractive valuations post dip in stock prices. Fund also took active positions in growth and value companies of miscellaneous sectors in the period under review.

Since inception return of the fund comes out to be 2404.24% as compared to the benchmark's return of 1736.85%, an out-performance of 667.39%. The Fund's Net Assets increased from PKR 3730 million at the beginning of the year to PKR 6075 million as on June 30, 2015.

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2014

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



Mohsin Pervaiz
Fund Manager

Karachi: August 07, 2015

TRUSTEE REPORT TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2014

CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED

Head Office

CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shahra-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 STOCK MARKET FUND (FORMERLY PAKISTAN STOCK MARKET 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 Stock Market 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 Stock Market Fund (Formerly Pakistan Stock Market Fund) (the Fund) to comply with the Code of Corporate Governance contained in Regulation no. 35 of listing regulation of Karachi Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

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

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

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

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

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

On behalf of the Board



Yasir Qadri
Chief Executive Officer

Karachi: August 07, 2015

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

Deloitte.

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

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

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

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

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

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

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



Chartered Accountants

Karachi
Date: August 07, 2015

Member of
Deloitte Touche Tohmatsu Limited

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

Deloitte.

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

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INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

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

Management Company's responsibility for the financial statements

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

Auditors' responsibility

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

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

Member of
Deloitte Touche Tohmatsu Limited

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

Deloitte.

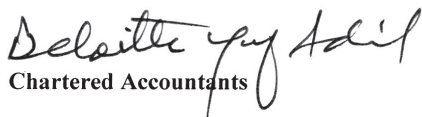
Deloitte Yousuf Adil
Chartered Accountants

Opinion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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


Chartered Accountants

Engagement Partner
Mushtaq Ali Hirani

Date: August 07, 2015
Karachi

Member of
Deloitte Touche Tohmatsu Limited

STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2015

	Note	2015 (Rupees in '000)	2014
ASSETS			
Balances with banks	5	390,276	385,178
Investments	6	5,949,763	3,307,850
Receivable against sale of investments		60,429	100,118
Dividend and profit receivable	7	11,089	9,054
Advances and security deposits	8	7,677	50,652
Total assets		6,419,234	3,852,852
LIABILITIES			
Payable to the Management Company		12,361	7,377
Payable to the Central Depository Company of Pakistan Limited - Trustee		591	399
Payable to the Securities and Exchange Commission of Pakistan		4,481	2,853
Payable against purchase of investments		140,053	3,397
Accrued expenses and other liabilities	9	185,903	108,572
Payable against redemption of units		839	386
Total liabilities		344,228	122,984
NET ASSETS		6,075,006	3,729,868
Unit holders' fund (as per statement attached)		6,075,006	3,729,868
Contingencies and commitments	10		
		(Number of units)	
NUMBER OF UNITS IN ISSUE		72,988,975	59,624,421
		Rupees	
NET ASSETS VALUE PER UNIT	4.7	83.23	62.56

The annexed notes from 1 to 25 form an integral part of these financial statements.

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



Chief Executive Officer



Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 (Rupees in '000)	2014
INCOME			
Capital gain on sale of investments - net		1,077,455	213,198
Dividend income		253,323	70,043
Income from government securities		13,299	11,600
Profit on bank deposits		16,141	8,802
Unrealised appreciation on re-measurement of investments classified as 'at fair value through profit or loss' - net	6.4	210,257	193,983
Total income		1,570,475	497,626
EXPENSES			
Remuneration of Management Company	11	94,335	32,487
Sales tax and Federal Excise Duty on remuneration of Management Company	9.2	31,508	11,232
Remuneration of Central Depository Company of Pakistan Limited - Trustee	12	5,697	2,624
Securities and Exchange Commission of Pakistan - annual fee	13	4,481	1,543
Security transaction cost		33,449	11,369
Fees and subscriptions		125	215
Auditors' remuneration	14	1,062	838
Total expenses		170,657	60,308
Net income from operating activities		1,399,818	437,318
Element of income and capital gains included in prices of units issued less those in units redeemed - net		202,965	57,181
Provision for Workers' Welfare Fund	9.1	(32,056)	(9,890)
Net income for the year before taxation		1,570,727	484,609
Taxation	15	-	-
Net income for the year after taxation		1,570,727	484,609
Other comprehensive income for the year			
<i>Items that may be reclassified to profit and loss account</i>			
Unrealised appreciation / (diminution) in value of investments classified as available for sale' - net	6.3	192,675	(522)
Total comprehensive income for the year		1,763,402	484,087
Earnings per unit	4.6	-	-

The annexed notes from 1 to 25 form an integral part of these financial statements.

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



Chief Executive Officer



Director

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2015

	2015 (Rupees in '000)	2014
Undistributed income brought forward		
- Realised gains	548,569	328,724
- Unrealised gains	199,627	89,902
	748,196	418,626
Net element of income and capital gain included in the prices of units issued less those in units redeemed - amount representing unrealised income	186,546	882,777
Total comprehensive income for the year	1,763,402	484,087
	1,949,948	1,366,864
Distributions		
Final bonus distribution for the year ended June 30, 2013 at Rs. 18.62 per unit (Date of distribution: July 4, 2013)	-	(282,879)
Final bonus distribution for the year ended June 30, 2014 at Rs. 16.71 per unit (Date of distribution: July 27, 2014)	-	(754,415)
Final cash distribution for the year ended June 30, 2015 at Rs. 4.00 per unit (Date of distribution: June 22, 2015)	(273,041)	-
	(273,041)	(1,037,294)
Undistributed income carried forward	2,425,103	748,196
Represented by:		
- Realised gains	2,016,876	548,569
- Unrealised gains	408,227	199,627
	2,425,103	748,196

The annexed notes from 1 to 25 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 HOLDER'S FUND FOR THE YEAR ENDED JUNE 30, 2015

	2015 (Rupees in '000)	2014
Net assets at beginning of the year	3,729,868	1,178,662
Issue of Nil unit (2014: 26,291,388 units) to unit holders of merged entities on account of merger (refer note 1.1)	-	2,035,479
Issue of 53,281,667 (2014: 12,430,209) units (including 2,951,157 units (2014: Nil units) reinvested by the unitholders against their dividend entitlement amounting to Rs. 248.89 million - net of tax)	4,103,474	720,363
Issue of Nil bonus (2014: 16,961,859) units	-	1,037,294
Redemption of 39,917,113 (2014: 11,250,510) units	(3,045,732)	(631,542)
	1,057,742	3,161,594
	4,787,610	4,340,256
Element of income and capital gains included in prices of units issued less those in units redeemed :		
- amount representing income and capital gains transferred to the Income Statement - net	(202,965)	(57,181)
- amount representing income and capital gains that forms part of the unit holders' fund transferred to the Distribution Statement - net	(186,546)	(882,777)
	(389,511)	(939,958)
Net income for the year transferred from the Distribution Statement		
Capital gain on sale of investments - net	1,077,455	213,198
Unrealised appreciation on re-measurement of investments 'at fair value through profit or loss' - net	210,257	193,983
Other income for the year	283,015	77,428
Net element of income and capital gains included in prices of units issued less those in units redeemed - amount representing unrealized income	186,546	882,777
	1,757,273	1,367,386
Distributions made during the year (Refer Distribution Statement)	(273,041)	(1,037,294)
Unrealised appreciation / (diminution) in value of investment classified as 'available for sale'	192,675	(522)
Net assets at end of the year	6,075,006	3,729,868
	Number of units	
NUMBER OF UNITS IN ISSUE	72,988,975	59,624,421
	----- (Rupees) -----	
NET ASSETS VALUE PER UNIT	83.23	62.56

The annexed notes from 1 to 25 form an integral part of these financial statements.

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



Chief Executive Officer



Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 (Rupees in '000)	2014
A. CASH FLOW FROM OPERATING ACTIVITIES			
Net income for the year		1,570,727	484,609
Adjustments for			
Element of income and capital gains included in prices of units issued			
less those in units redeemed - net		(202,965)	(57,181)
Provision for Workers' Welfare Fund		32,056	(9,890)
Preference shares received as dividend income		(27,788)	-
Unrealised appreciation on re-measurement of investments classified			
as 'at fair value through profit or loss' - net		(210,257)	(193,983)
		<u>1,161,773</u>	<u>223,555</u>
(Increase) / decrease in assets			
Investments made - net		(2,074,537)	(2,082,861)
Receivable against sale of investments		39,689	(37,284)
Receivable against sale of units		-	732
Dividend and profit receivable		(2,035)	(7,878)
Advances and security deposits		42,975	(46,916)
		<u>(1,993,908)</u>	<u>(2,174,207)</u>
Increase in liabilities			
Payable to the Management Company		4,984	5,074
Payable to the Central Depository Company of Pakistan Limited - Trustee		192	205
Payable to the Securities and Exchange Commission of Pakistan - annual fee		1,628	1,839
Accrued expenses and other liabilities		45,275	90,419
Payable against redemption of units		453	158
		<u>52,532</u>	<u>97,695</u>
Net cash used in operating activities	A	(779,603)	(1,852,957)
B. CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(273,041)	-
Cash received from units sold		4,103,474	2,755,842
Cash paid on units redeemed		(3,045,732)	(631,542)
Net cash generated from financing activities	B	784,701	2,124,300
Net increase in cash and cash equivalents during the year	(A+B)	5,098	271,343
Cash and cash equivalents at beginning of the year		385,178	113,835
Cash and cash equivalents at end of the year		<u>390,276</u>	<u>385,178</u>

The annexed notes from 1 to 25 form an integral part of these financial statements.

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



Chief Executive Officer



Director

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

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** MCB Pakistan Stock Market Fund (formerly Pakistan Stock Market Fund) ("the Fund") was established under a Trust Deed executed between Arif Habib Investments Limited (now MCB-Arif Habib Savings and Investments Limited) as "Management Company" and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on October 23, 2001 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on February 28, 2002 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) [repealed by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules)]. The name of the Fund has been changed from Pakistan Stock Market Fund to MCB Pakistan Stock Market Fund with effect from 13 March 2015.

The Board of Directors of the Management Company, in their meeting held on September 17, 2013 decided to merge the MCB Dynamic Stock Fund and Pakistan Premier Fund with and into Pakistan Stock Market Fund (now MCB Pakistan Stock Market Fund). The SECP vide its letter SCD/AMCW/MCB-AHSIL/967/2014 dated April 24, 2014 approved the merger with effect from May 3, 2014. The Management Company has fulfilled all the conditions as outlined by SECP in its letter. The whole of the undertakings of the MCB Dynamic Stock Fund and Pakistan Premier Fund have been transferred to and vests in Pakistan Stock Market Fund (now MCB Pakistan Stock Market Fund) effective from May 3, 2014 and all units representing these two Funds stood cancelled as at the effective date of merger and the existing unit holders were provided with units of Pakistan Stock Market Fund (now MCB Pakistan Stock Market Fund) at the swap ratio of 157.24 and 17.79 units of Pakistan Stock Market Fund (now MCB Pakistan Stock Market Fund) for each 100 units of MCB Dynamic Stock Fund and Pakistan Premier Fund respectively.

- 1.2** The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.
- 1.3** The Fund has been categorised as "equity scheme" and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering to the Fund. The units are listed on the Karachi Stock Exchange.
- 1.4** The Fund primarily invests in listed equity securities. It also invests in cash instruments and treasury bills not exceeding 90 days in maturities.
- 1.5** The Pakistan Credit Rating Agency (PACRA) has assigned Management quality rating of AM2+ to the Management Company and 3-Star as performance rating to the Fund.
- 1.6** Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2. STATEMENT OF COMPLIANCE

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

2.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2015

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

Standards / amendments / interpretations

Effective date (accounting period beginning on or after)

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

January 01, 2014

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

Standards / amendments / interpretations	Effective date (accounting period beginning on or after)
IAS 39 Financial Instruments: Recognition and measurement - Novation of derivatives and continuation of hedge accounting	January 01, 2014
IFRIC 21 - Levies	January 01, 2014

2.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

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

Standards / amendments / interpretations	Effective for annual periods beginning on or after
IAS 27 (Revised 2011) – Separate Financial Statements	January 01, 2015
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2015
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 2015

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

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

3. BASIS OF PREPARATION

3.1 Accounting convention

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

3.2 Critical accounting estimates and judgments

"The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances.

The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised by the management in application of accounting policies principally relate to classification, valuation and impairment of investments (refer note 4.1).

3.3 Functional and presentation currency

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

4.1 Financial instruments

The Fund classifies its financial instruments in the following categories:

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

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

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.

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 Other Comprehensive Income (OCI) until derecognised or impaired, when the accumulated adjustments recognised in OCI 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.

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

Fair value measurement principles

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 3 of 2010, Circular 33 of 2012 and Circular 35 of 2012. These circulars also specify the 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 as amended by Circular 13 of 2009 and Circular 33 of 2012 issued by the SECP. The provisioning policy has been duly formulated and approved by Board of Directors of the Management Company.

Basis of valuation of Government Securities

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Market Association of Pakistan, except the Government of Pakistan Ijarah Sukuks, which are valued on the basis of rates announced by Reuters.

Net gains and losses arising on changes in the fair value of financial assets carried at fair value through profit or loss are taken to the income statement. Net gains and losses arising from changes in fair value of available for sale financial assets are taken to the Other Comprehensive Income until these are derecognized or impaired. At this time, the cumulative gain or loss previously recognized directly in the Other Comprehensive Income is transferred to the Income Statement.

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. In case of an investment in an equity security, a significant or prolonged decline in fair value below its cost is objective evidence of impairment. Impairment losses are recognised in Income Statement. Any subsequent decrease in impairment loss on debt securities classified as available-for-sale is recognised in Income Statement. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognised in Other Comprehensive Income.

Derecognition

The Fund derecognises a financial asset when the contractual right to the cash flows from the financial assets expires or it transfers the right to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred.

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.

4.2 Accrued expenses and other liabilities

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

4.3 Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is

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

probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

4.4 Other assets

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

4.5 Taxation

Current

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

Deferred

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

4.6 Earnings per unit

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

4.7 Net asset value per unit

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

4.8 Unit holders' fund

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

4.9 Issue and redemption of units

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

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

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

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

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

4.11 Revenue recognition

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

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

- Markup on government securities is recognised on an accrual basis.
- Unrealised gains / (losses) arising on valuation of investments classified as 'at fair which they value through profit or loss' and derivatives are included in the Income Statement in the period in which they arise.
- Dividend income is recognised when the right to receive the dividend is established.
- Profit on bank deposits is recognised on time proportion basis.
- Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed realised during the year is included in the Income Statement on the date of issue and redemption of units.

4.12 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.

4.13 Dividend distributions and appropriations

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

4.14 Cash and cash equivalents

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

4.15 Foreign currency translation

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

	Note	2015 (Rupees in '000)	2014
5. BALANCES WITH BANKS			
In current accounts		18,363	11,214
In deposit accounts	5.1	371,913	373,964
		<u>390,276</u>	<u>385,178</u>

5.1 These accounts carry profit at the rate ranging from 5.5% to 7.5% (2014: 6.5% to 9%) per annum.

6. INVESTMENTS

'At fair value through profit or loss' - held for trading

Listed equity securities	6.1	792,898	3,234,939
Government securities	6.2	-	-
		<u>792,898</u>	<u>3,234,939</u>

Available for sale

Listed equity securities	6.3	5,129,077	72,911
Preference shares - unlisted	6.5 & 16	27,788	-
		<u>5,156,865</u>	<u>72,911</u>
		<u>5,949,763</u>	<u>3,307,850</u>

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

6.1 Listed equity securities - 'at fair value through profit or loss' - held for trading

Name of the investee company	Number of shares				Balance as at June 30, 2015					Market value as a percentage of net assets	Market value as a percentage of total investments	Market value as a percentage of total Paid up capital of the investee company %	
	As at July 01, 2014	Purchases during the year	Bonus / right issue during the year	Sales during the year	As at June 30, 2015	Carrying value	Market value	Appreciation/ (diminution)					
Shares of listed companies - fully paid ordinary shares of Rs. 10 each unless stated otherwise													
Automobile Assembler													
Indus Motor Company Limited	-	248,700	-	248,700	-	-	-	-	0%	0%	0.00%		
Millat Tractor Limited	97	319,000	-	302,000	17,097	9,378	11,725	2,347	0%	0%	0.00%		
Pak Suzuki Motor Company Limited	558,500	527,700	-	776,700	309,500	122,422	134,914	12,492	2%	2%	0.02%		
						131,800	146,639	14,839	2%	2%			
Cable and Electrical Goods													
Pak Elektron Limited	-	7,318,000	201,250	6,543,250	976,000	48,365	80,754	32,389	1%	1%	0.00%		
						48,365	80,754	32,389	1%	1%			
Chemical													
Archroma Pakistan Limited	100	-	-	100	-	-	-	-	0%	0%	0.00%		
Berger Paints Pakistan Limited	-	182,500	-	182,500	-	-	-	-	0%	0%	0.00%		
Baifo Industries Limited	-	266,900	-	266,900	-	-	-	-	0%	0%	0.00%		
Lotte Chemical Pakistan Limited	1,000	4,898,500	-	4,899,500	-	-	-	-	0%	0%	0.00%		
						-	-	-	0%	0%			
Commercial Banks													
Allied Bank Limited	-	960,000	-	960,000	-	-	-	-	0%	0%	0.00%		
Askari Bank Limited	-	4,330,000	-	4,330,000	-	-	-	-	0%	0%	0.00%		
Bank Al-Falah Limited	8,254,000	2,661,500	-	10,915,500	-	-	-	-	0%	0%	0.00%		
Bank Al-Habib Limited	3,410,818	1,795,000	-	5,205,818	-	-	-	-	0%	0%	0.00%		
Faysal Bank Limited	723,000	4,860,000	-	5,583,000	-	-	-	-	0%	0%	0.00%		
Habib Bank Limited	519,762	303,800	-	823,562	-	-	-	-	0%	0%	0.00%		
Habib Metropolitan Bank Limited	4,285,500	1,028,000	-	2,263,500	3,050,000	100,630	91,500	(9,130)	2%	2%	0.00%		
J.S. Bank Limited	-	449,500	-	449,500	-	-	-	-	0%	0%	0.00%		
MCB Bank Limited	-	793,800	-	793,800	-	-	-	-	0%	0%	0.00%		
National Bank of Pakistan Limited	2,611,000	250,000	-	2,861,000	-	-	-	-	0%	0%	0.00%		
Soneri Bank Limited	-	5,800,000	-	5,339,500	460,500	6,286	5,724	(562)	0%	0%	0.00%		
United Bank Limited	1,445,859	1,551,400	-	2,997,259	-	-	-	-	0%	0%	0.00%		
						106,916	97,224	(9,692)	2%	2%			
Construction and Material (Cement)													
Attock Cement Pakistan Limited	295,000	408,500	-	703,500	-	-	-	-	0%	0%	0.00%		
Cheerat Cement Company Limited	472,311	-	-	472,311	-	-	-	-	0%	0%	0.00%		
Dera Ghazi Khan Cement Company Limited	33,000	2,234,500	-	2,267,500	-	-	-	-	0%	0%	0.00%		
Fauji Cement Company Limited	1,933,500	3,198,000	-	5,131,500	-	-	-	-	0%	0%	0.00%		
Fecto Cement Limited	35,241	-	-	35,241	-	-	-	-	0%	0%	0.00%		
Kohar Cement Company Limited	418,063	282,600	-	700,663	-	-	-	-	0%	0%	0.00%		
Lucky Cement Limited	149,100	567,800	-	716,900	-	-	-	-	0%	0%	0.00%		
Maple Leaf Cement Factory Limited	5,148,000	3,954,500	-	5,780,000	3,322,500	99,862	261,016	161,154	4%	4%	0.00%		
Pioneer Cement Limited	1,553,000	83,000	-	1,436,000	-	-	-	-	0%	0%	0.00%		
						99,862	261,016	161,154	4%	4%			
Engineering													
Al-Ghazi Tractor Limited	-	39,300	-	39,300	-	-	-	-	0%	0%	0.00%		
Crescent Steel and Allied Product Limited	-	1,498,500	-	-	1,498,500	80,533	77,877	(2,656)	1%	1%	0.01%		
International Industries Limited	1,226,500	193,500	-	848,500	571,500	29,143	38,371	9,228	1%	1%	0.00%		
						109,676	116,248	6,572	2%	2%			
Power Generation and Distribution													
Hub Power Company Limited	3,841,924	4,345,500	-	8,187,000	424	29	40	11	0%	0%	0.00%		
Kot Addu Power Company Limited	1,892,500	876,000	-	2,768,500	-	-	-	-	0%	0%	0.00%		
Lahor Power Limited	-	3,800,000	-	3,800,000	-	-	-	-	0%	0%	0.00%		
Nisat Power Limited	1,315,000	-	-	1,315,000	-	-	-	-	0%	0%	0.00%		
						29	40	11	0%	0%			

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

Name of the investee company	Number of shares				Balance as at June 30, 2015				Market value as a percentage of net assets	Market value as a percentage of total investments	Market value as a percentage of total Paid up capital of the investee company
	As at July 01, 2014	Purchases during the year	Bonus / right issue during the year	Sales during the year	As at June 30, 2015	Carrying value	Market value	Appreciation/ (diminution)			
Shares of listed companies - fully paid ordinary shares of Rs. 10 each unless stated otherwise											
Fertilizer											
Dawood Hercules Corporation	-	1,007,500	-	1,007,500	-	-	-	-	0%	0%	0.00%
Engro Fertilizer Limited	59,350	3,451,000	-	3,510,350	-	-	-	-	0%	0%	0.00%
Engro Corporation	571,100	1,874,000	-	2,393,400	51,700	11,145	15,345	4,200	0%	0%	0.00%
Fatima Fertilizer Limited	-	5,229,000	-	5,229,000	-	-	-	-	0%	0%	0.00%
Fauji Fertilizer Bin Qasim Limited	500	4,450,000	-	4,450,500	-	-	-	-	0%	0%	0.00%
Fauji Fertilizer Company Limited	800	2,142,100	-	2,142,900	-	-	-	-	0%	0%	0.00%
						11,145	15,345	4,200	0%	0%	
Food and Personal Care Products											
Nestle Pakistan Limited	-	11,050	-	11,050	-	-	-	-	0%	0%	0.00%
Financial Services											
J.S. and Company Limited	500	-	-	500	-	-	-	-	0%	0%	0.00%
General Industries											
Thall Limited (Par value of Rs. 5)	23,300	150,000	-	69,200	104,100	26,179	29,713	3,534	0%	0%	0.03%
Tri-Pak Films Limited	82,500	1,000	-	83,500	-	-	-	-	0%	0%	0.00%
						26,179	29,713	3,534	0%	0%	
Glass and Ceramics											
Tariq Glass Industries Limited	-	575,000	-	575,000	-	-	-	-	0%	0%	0.00%
Industrial Transportation											
Pakistan National Shipping Corporation	-	213,000	-	213,000	-	-	-	-	0%	0%	0.00%
Leather & Tanneries											
Bata Pakistan Limited	-	2,340	-	2,340	2,340	7,496	8,736	1,240	0%	0%	0.01%
Life Insurance											
IGI Insurance Limited	514,300	104,867	-	441,100	178,067	40,691	36,484	(4,207)	1%	1%	0.00%
Multi-Utilities											
Sui Southern Gas Company	-	505,000	-	505,000	-	-	-	-	0%	0%	0.00%
Non-Life Insurance											
Adamjee Insurance Company Limited	914	740,000	-	740,914	-	-	-	-	0%	0%	0.00%
Pakistan Re-insurance Company Limited	1,715,625	-	-	1,715,500	125	3	4	1	0%	0%	0.00%
						3	4	1	0%	0%	
Oil and Gas Companies											
Attock Petroleum Limited	119,252	210,600	-	329,300	552	313	313	-	0%	0%	0.00%
Hasco Petroleum Limited	-	1,580,000	-	1,580,000	-	-	-	-	0%	0%	0.00%
						313	313	-	0%	0%	

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

Name of the investee company	Number of shares				Balance as at June 30, 2015				Market value as a percentage of total Paid up capital of the investee company	
	As at July 01, 2014	Purchases during the year	Bonus / right issue during the year	Sales during the year	As at June 30, 2015	Carrying value	Market value	Appreciation/ (diminution)		
Shares of listed companies - fully paid ordinary shares of Rs. 10 each unless stated otherwise										
Amount in "000"										
Oil and Gas Exploration Companies										
Mari Petroleum Company	-	113,300	-	113,300	-	-	-	-	0%	0.00%
Oil and Gas Development Company Limited	313,263	182,700	-	495,963	-	-	-	-	0%	0.00%
Pakistan Oilfields Limited	59,334	99,650	-	158,984	-	-	-	-	0%	0.00%
Pakistan Petroleum Limited	493,619	1,160,700	-	1,654,287	32	7	5	(2)	0%	0.00%
						7	5	(2)	0%	0.00%
Oil and Gas Marketing Companies										
Pakistan State Oil Limited	865,204	-	-	865,204	-	-	-	-	0%	0.00%
						-	-	-	0%	0.00%
Pharmaceuticals										
Abbott Laboratories (Pakistan) Limited	19,200	-	-	19,200	-	-	-	-	0%	0.00%
Scarl Company Limited	-	100,000	-	100,000	-	-	-	-	0%	0.00%
						-	-	-	0%	0.00%
Personal Goods (Textile)										
Nishat Chunian Limited	1,950	2,000	-	3,950	-	-	-	-	0%	0.00%
Nishat Mills Limited	-	1,602,600	-	1,602,600	-	-	-	-	0%	0.00%
						-	-	-	0%	0.00%
Paper and Board										
Cheerat Packaging Limited	-	2,000	-	2,000	2,000	159	377	218	0%	0.00%
Packages Limited	330,300	17,050	-	347,350	-	-	-	-	0%	0.00%
						159	377	218	0%	0.00%
Refinery										
National Refinery Limited	242,800	-	-	242,800	-	-	-	-	0%	0.00%
						-	-	-	0%	0.00%
Transport										
Pakistan International Bulk Terminal Limited	-	3,217,000	-	3,217,000	-	-	-	-	0%	0.00%
						-	-	-	0%	0.00%
						-	-	-	0%	0.00%
Total at June 30, 2015						582,641	792,898	210,257	13%	13%
Total at June 30, 2014						3,040,956	3,234,039	193,983	86%	98%

* These represent transactions with related parties

Government securities - 'at fair value through profit or loss' - held for trading

Issue date	Tenor	Face value				Balance as at June 30, 2015			
		As at July 01, 2014	Purchases during the year	Sales / matured during the year	As at June 30, 2015	Cost	Market value	Appreciation / (diminution)	Market value as percentage of net assets
									%
Rupees in '000									
Treasury Bills									
April 17, 2014	12 months	-	97,000,000	97,000,000	-	-	-	-	-
February 20, 2014	6 months	-	100,000,000	100,000,000	-	-	-	-	-
November 13, 2014	6 months	-	250,000,000	250,000,000	-	-	-	-	-
November 13, 2014	6 months	-	200,000,000	200,000,000	-	-	-	-	-
November 13, 2014	6 months	-	100,000,000	100,000,000	-	-	-	-	-
November 13, 2014	6 months	-	100,000,000	100,000,000	-	-	-	-	-
May 2, 2014	3 months	-	30,000,000	30,000,000	-	-	-	-	-
June 12, 2014	3 months	-	200,000,000	200,000,000	-	-	-	-	-
June 12, 2014	3 months	-	110,000,000	110,000,000	-	-	-	-	-
July 10, 2014	3 months	-	100,000,000	100,000,000	-	-	-	-	-
August 7, 2014	3 months	-	200,000,000	200,000,000	-	-	-	-	-
August 21, 2014	3 months	-	150,000,000	150,000,000	-	-	-	-	-
September 4, 2014	3 months	-	150,000,000	150,000,000	-	-	-	-	-
Total at June 30, 2015									
Total at June 30, 2014									

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

6.3 Listed equity securities - 'Available for sale'

Name of the investee company	Number of shares					Balance as at June 30, 2015					%		
	As at July 01, 2014	Purchases during the year	Bonus/Right issue	Sales during the year	As at June 30, 2015	Cost	Market value	Appreciation/ (diminution)	Market value as percentage of net assets	Market value as percentage of total investments	Market value as percentage of total Paid up capital of the investee company	%	
	----- (Rupees in 000) -----												
Shares of listed companies - fully paid ordinary shares / certificates of Rs. 10 each unless stated otherwise													
Automobile Assembler													
Indus Motor Company Limited	-	196,400	-	82,000	114,400	122,940	142,886	19,946	2%	2%	0.02%		
Pak Suzuki Motor Company Limited	-	315,900	-	92,200	223,700	92,778	97,513	4,735	2%	2%	0.01%		
						215,718	240,399	24,681	4%	4%			
Commercial Banks													
Habib Bank Limited	-	1,875,688	-	1,261,000	614,688	128,445	132,250	3,805	2%	2%	0.00		
Habib Metropolitan Bank Limited	-	1,100,000	-	-	1,100,000	40,774	33,000	(7,774)	1%	1%	0.00		
U.S. Bank Limited	-	9,047,500	-	-	9,047,500	66,265	66,771	506	1%	1%	0.00		
United Bank Limited	-	4,190,000	-	3,740,000	450,000	76,750	76,914	164	1%	1%	0.00		
Bank Al-Falah Limited	-	1,207,000	-	1,207,000	-	-	-	-	0%	0%	0.00%		
Bank Al-Habib Limited	-	2,444,000	-	2,444,000	-	-	-	-	0%	0%	0.00%		
Faysal Bank Limited	-	150,000	-	150,000	-	-	-	-	0%	0%	0.00%		
MCB Bank Limited	-	468,400	-	468,400	-	-	-	-	0%	0%	0.00%		
National Bank of Pakistan Limited	-	1,600,000	-	1,600,000	-	-	-	-	0%	0%	0.00%		
						312,234	308,935	(3,299)	5%	5%			
Chemicals													
ICI Pakistan Limited	-	327,850	-	-	327,850	131,331	140,605	9,274	2%	2%	0.02%		
Linde Pakistan Limited	-	41,900	-	-	41,900	8,524	5,862	(2,662)	0%	0%	0.00%		
						139,855	146,467	6,612	2%	2%			
Engineering													
Crescent Steel and Allied Product Limited	-	300,000	-	-	300,000	15,044	15,591	547	0%	0%	0.00%		
International Steel Limited	-	1,261,000	-	-	1,261,000	35,384	35,434	50	1%	1%	0.00%		
Mughal Iron and Steel Industries Limited	-	1,568,000	-	-	1,568,000	80,517	88,184	7,667	1%	1%	0.01%		
						130,945	139,209	8,264	2%	2%			
Cement													
Dera Ghazi Khan Cement Company Limited	-	4,366,500	-	2,849,500	1,517,000	200,229	216,582	16,353	4%	4%	0.00%		
Fauji Cement Company Limited	-	3,459,500	-	-	3,459,500	120,072	120,633	561	2%	2%	0.00%		
Lucky Cement Limited	-	50,000	-	-	50,000	22,595	25,981	3,386	0%	0%	0.00%		
Maple Leaf Cement Factory Limited	-	2,888,500	-	1,732,000	1,156,500	61,156	90,855	29,699	1%	2%	0.00%		
Pioneer Cement Limited	-	2,837,000	-	225,000	2,612,000	234,591	222,777	(11,814)	4%	4%	0.01%		
						638,643	676,828	38,185	11%	11%			
Cable and Electrical Goods													
Pak Elektron Limited	-	6,147,500	-	3,250,000	2,897,500	166,929	239,739	72,810	4%	4%	0.01%		
						166,929	239,739	72,810	4%	4%			
Fertilizers													
Engro Corporation Limited	-	2,254,900	-	928,200	1,326,700	384,316	393,765	9,449	6%	7%	0.00		
Engro Fertilizer Limited	-	1,412,500	-	1,412,500	-	-	-	-	0%	0%	0.00		
Fatima Fertilizer Limited	-	4,425,000	-	4,347,000	78,000	2,943	3,047	104	0%	0%	0.00		
Fauji Fertilizer Company Limited	-	4,067,800	-	2,080,000	1,987,800	271,245	297,017	25,772	5%	5%	0.00		
Fauji Fertilizer Bin Qasim Limited	-	4,854,000	-	4,854,000	-	-	-	-	0%	0%	0.00		
						658,504	693,829	35,325	11%	12%			
Food and Personal Care Products													
Quice Food Industries Limited	-	4,897,500	-	-	4,897,500	40,381	46,037	5,656	1%	1%	0.00%		
Engro Foods Limited	-	600,000	-	600,000	-	-	-	-	0%	0%	0.00%		
Nestle Pakistan Limited	-	240	-	240	-	-	-	-	0%	0%	0.00%		
						40,381	46,037	5,656	1%	1%			
Glass and Ceramics													
Ghani Glass Limited	-	465,000	-	13,500	451,500	30,891	39,195	8,304	1%	1%	0.00		
Tariq Glass Industries Limited	-	115,000	-	-	115,000	7,115	6,726	(389)	0%	0%	0.00		
						38,006	45,921	7,915	1%	1%			

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

Name of the investee company	As at July 01, 2014	Purchases during the year	Bonus/Right issue	Sales during the year	As at June 30, 2015	Cost	Market value	Appreciation/ (depreciation)	Market value as percentage of net assets	Market value as percentage of total investments	Market value as percentage of total Paid up capital of the investee company
----- (Rupees in 000) -----											
Shares of listed companies - fully paid ordinary shares / certificates of Rs. 10 each unless stated otherwise											
Insurance											
IGI Insurance Limited	-	520,000	-	288,900	231,100	48,602	47,350	(1,252)	1%	1%	0.00%
* Adanjee Insurance Company Limited	-	1,006,500	-	1,006,500	-	-	-	-	0%	0%	0.00%
						48,602	47,350	(1,252)	1%	1%	
Leather and Tanneries											
Bata Pakistan Limited	-	280	-	-	280	1,014	1,045	31	0%	0%	0.00%
						1,014	1,045	31	0%	0%	
Oil and Gas Exploration Companies											
Mari Petroleum Company Limited	-	316,850	-	-	316,850	185,288	148,476	(36,812)	2%	2%	0.01%
Oil and Gas Development Company Limited	-	3,614,000	-	751,700	2,862,300	526,370	513,038	(13,332)	8%	9%	0.00%
Pakistan Oilfields Limited	-	1,293,000	-	295,900	997,100	341,221	402,649	61,428	7%	7%	0.02%
** Pakistan Petroleum Limited	325,000	2,273,300	-	969,300	1,629,000	277,182	267,580	(9,602)	4%	4%	0.01%
						1,330,061	1,331,743	1,682	22%	22%	
Oil and Gas Marketing Companies											
Pakistan State Oil Limited	-	980,500	-	341,000	639,500	257,412	246,713	(10,699)	4%	4%	0.01%
Sui Southern Gas Company Limited	-	1,314,500	-	-	1,314,500	47,837	56,129	8,292	1%	1%	0.00%
						305,249	302,842	(2,407)	5%	5%	
Power Generation and Distribution											
Hub Power Company Limited	-	2,451,500	-	2,352,500	99,000	9,018	9,263	245	0%	0%	0.00
* Lalpur Power Limited	-	6,050,000	-	-	6,050,000	211,485	184,525	(26,960)	3%	3%	0.00
* Pakgen Power Limited	-	6,571,000	-	903,500	5,667,500	174,163	170,082	(4,081)	3%	3%	0.00
Kot Addu Power Company Limited	-	3,085,500	-	3,085,500	-	-	-	-	0%	0%	0.00
K-Electric Limited	-	11,312,128	-	11,312,128	-	-	-	-	0%	0%	0.00
						394,666	363,870	(30,796)	6%	6%	
Paper and Board											
Cheerat Packaging Limited	-	507,300	-	-	507,300	94,640	95,707	1,067	2%	2%	0.03%
Packages Limited	-	710,000	-	200,000	510,000	285,775	302,981	17,206	5%	5%	0.03%
						380,415	398,688	18,273	7%	7%	
Refinery											
National Refinery Limited	-	366,600	-	-	366,600	84,403	85,073	670	1%	1%	0.01%
						84,403	85,073	670	1%	1%	
Sugar and Allied Industries											
Habib Sugar Mills Limited	-	163,000	-	-	163,000	6,768	6,820	52	0%	0%	0.00
						6,768	6,820	52	0%	0%	
Technology and Communication											
System Limited	-	1,088,000	95,000	4,750	1,178,250	44,531	54,282	9,751	1%	1%	0.00%
						44,531	54,282	9,751	1%	1%	
Total at June 30, 2015						4,936,924	5,129,077	192,153	84%	86%	
Total at June 30, 2014						73,433	72,911	(522)	7%	8%	

* These represent transactions with related parties

**

The above include shares with a market value aggregating to Rs. 164.26 million which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular no. 11 dated October 23, 2007 issued by the SECP.

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

	Notes	2015 (Rupees in '000)	2014
6.4 Net unrealised appreciation in value of investments at fair value through profit or loss'			
Market value of investments	6.1	792,898	3,234,939
Carrying value of investments	6.1	(582,641)	(3,040,956)
		<u>210,257</u>	<u>193,983</u>
6.5 These represent 2,779,083 preference shares of Mari Petroleum Limited received by the Fund as dividend income (also refer note 16).			
7. DIVIDEND AND PROFIT RECEIVABLE			
Dividend receivable		10,184	8,247
Profit accrued on bank deposits		905	807
		<u>11,089</u>	<u>9,054</u>
8. ADVANCES AND SECURITY DEPOSITS			
Advance tax		3,896	3,692
Security deposits - National Clearing Company of Pakistan Limited	8.1	3,025	2,500
- Central Depository Company of Pakistan Limited	8.2	500	500
Advance against purchase of shares		-	43,709
Others		256	251
		<u>7,677</u>	<u>50,652</u>
8.1 This represents deposit in respect of trading of listed securities.			
8.2 This represents deposit on account of initial deposit for opening of investor account for electronic transfer of book-entry securities.			
9. ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision for Workers' Welfare Fund	9.1	107,634	75,578
Federal excise duty and related tax payable	9.2	30,502	12,059
Unclaimed dividend		10,002	10,002
Brokerage		6,889	4,702
Auditors' remuneration		554	1,092
Conversion cost		1,681	2,817
Printing and related expenditure		368	519
Zakat		575	513
Withholding tax on dividend and others		26,287	460
Sales load		1,182	395
Others		229	435
		<u>185,903</u>	<u>108,572</u>

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

9.1 Provision for workers welfare fund

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

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

The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding Collective Investment Schemes (CIS) from the definition of Industrial Establishment, and consequently CIS are no more liable to pay contribution to WWF with effect from July 01, 2015. Owing to the fact that the decision of SHC on the applicability of WWF (till June 30, 2015) to the CISs is currently pending for adjudication, the Management Company has decided to make and retain provision of WWF in its books of account and financial statements till June 30, 2015 which aggregates to Rs. 107.63 million including charge for the year of Rs.32.06 million. Had the said provision of WWF not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 1.48 per unit.

	2015	2014
	(Rupees in '000)	
9.1.1 Movement in provision for Workers' Welfare Fund		
Balance at July 1	75,578	24,332
Charged for the year	32,056	9,890
Transfer of liability on merger (note 1.1)		
- MCB Dynamic Stock Fund	-	21,056
- Pakistan Premier Fund	-	20,300
	-	41,356
Balance at June 30	107,634	75,578

9.2 Federal excise duty and related tax payable

The Finance Act 2013 introduced an amendment to Federal Excise Act 2005 whereby, with effect from June 13, 2013, Federal Excise Duty (FED) has been imposed at the rate of 16% of the services rendered by assets management companies. The Management Company is of the view that since the remuneration and sales load are already subject to provincial sales tax at the rate of 15%, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honourable Sindh High Court (SHC), challenging the levy of Federal Excise Duty on Asset Management Company services after the eighteenth amendment in the Constitution of Pakistan. In this respect, the SHC has issued a stay order against the recovery of FED and the hearing of the petition is still pending. The management, as a matter of abundant caution, has decided to retain and continue with the provision of FED and related additional taxes in the books of account aggregating to Rs. 30.50 million as at June 30, 2015 which includes charge for the year amounting to Rs. 17.36 million. In case, the suit is decided against the Fund the same would be paid to the Management Company, which will be responsible for submitting the same to the taxation authorities. Had the said provision of FED and related additional taxes were not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 0.42 per unit as at June 30, 2015.

10. CONTINGENCIES AND COMMITMENTS

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

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

	Notes	2015 (Rupees in '000)	2014
11. REMUNERATION OF MANAGEMENT COMPANY			
Management fee	11.1	94,335	32,487

11.1 Under the provisions of the NBFC 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 and, in any case, it shall not exceed the limit prescribed by the NBFC Regulations, 2008. The Management Company has charged a remuneration at the rate of 2% (2014: 2%) per annum of the average daily net asset. In 2011, the Provincial Government (Sindh) has levied General Sales Tax at the rate of 15% on the remuneration of the Management Company. Further in 2013, Federal Government has levied Federal Excise Duty (FED) at the rate of 16% through the Finance Act 2013.

	Notes	2015 (Rupees in '000)	2014
12. REMUNERATION OF CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
Remuneration to trustee	12.1	5,697	2,624

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

Based on the Trust Deed, the tariff structure applicable to the Fund from July 01, 2014 to June 30, 2015 is as follows:

Amount of Funds Under Management (Average NAV)	Tariff per annum
Up to Rs.1,000 million	Rs. 0.7 million or 0.20% p.a of NAV, which ever is higher.
Amount exceeding Rs. 1,000 million	Rs. 2.0 million plus 0.10% p.a of NAV, exceeding Rs. 1,000 million.

The remuneration is paid to the trustee monthly in arrears.

	Notes	2015 (Rupees in '000)	2014
13 SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - ANNUAL FEE			
Annual fee	13.1	4,481	1,543

13.1 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.

14. AUDITORS' REMUNERATION

Annual audit fee	400	350
Half yearly review	275	150
Other certifications and services	125	302
Out of pocket expenses	262	36
	1,062	838

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

15. TAXATION

The Fund's income is exempted from Income Tax as per clause (99) of part I of 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 unrealized is distributed amongst the unit holder. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the fund is required to distribute 90% of the net accounting income other than realized capital gain to unit holders. Since the management has distributed the income earned by the Fund during the year to the unit holder in the manner as explained above, accordingly no provision for taxation has been made in these financial statements.

16. DETAILS OF NON-COMPLIANT INVESTMENT WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

In accordance with Clause (i) and (ii) of the investment criteria laid down for 'Equity Scheme' in Circular no. 7 of 2009, the Fund is required to invest atleast 70% of its net assets in listed equity securities and the remaining net assets shall be invested in cash and/or near cash instruments. During the year, the Fund has received 2,779,083 unlisted preference shares of Mari Petroleum Limited amounting to Rs 27.78 million as dividend income. The management is of the view that the Fund has not purchased / invested in these unlisted preference shares, rather these have been received in the form of dividend. However, the management is confident that it will dispose off the said shares soon in order to comply with the requirements of aforementioned SECP circular.

17. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons of the Fund include the Management Company, other collective investment schemes being 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 undertaking and unit holders holding more than 10% units of the Fund.

Remuneration to the Management Company and Trustee are determined in accordance with the provisions of the NBFC Regulations and the Trust Deed of the Fund. All other transactions with connected persons are in the normal course of business and are carried out on agreed terms.

Details of transactions with connected persons and balances with them at year end are as follows:

	2015	2014
	(Rupees in '000)	
17.1 Details of the transaction with connected persons		
MCB - Arif Habib Savings and Investments limited - Management Company		
Remuneration including indirect taxes	125,843	43,719
Reimbursement of Sindh sales tax registration	8	-
Issue of 989,482 units (2014: 20,804 units)	73,317	1,290
Issue of Nil bonus units (2014: 77,214 units)	-	6,000
Redemption of 99,262 units (2014: Nil Units)	7,000	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	5,697	2,624
CDS charges	6	5
Arif Habib Limited		
Brokerage *	2,977	388
Next Capital Limited	2,116	-
Brokerage *		
MCB Bank Limited		
Markup income	10,990	6,583
Dividend income	3,158	1,598

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

	2015	2014
	(Rupees in '000)	
Adamjee Insurance Company Limited		
Issue of 2,573,986 units (2014: 966,074 units)	217,900	59,916
Issue of Nil bonus units (2013: 3,585,631 units)	-	277,600
Dividend income	-	3
MCB Employees Provident Fund		
Issue of 189,690 units (2014: 3,150,712 units)	15,998	243,928
Issue of Nil bonus units (2014: 848,894 units)	-	52,648
MCB Employees Pension Fund		
Issue of 145,364 units (2014: 2,414,476 units)	12,260	186,929
Issue of Nil bonus units (2014: 650,530 units)	-	40,346
D.G Khan Cement Company Limited Employees Provident Fund Trust		
Issue of 63,925 units (2014: 14,373 units)	5,654	891
Issue of Nil bonus units (2014: 53,344 units)	-	4,130
D.G Khan Cement Company Limited		
Dividend income	5,486	1,868
Fatima Fertilizer Company Limited		
Dividend income	9,977	3,776
Nishat Chunian Power Limited		
Dividend income	2	72
Nishat Mills Limited.		
Dividend income	2,900	2
	2015	2014
	(Rupees in '000)	
Lalpir Power Limited		
Dividend Income	6,050	-
Pakgen Power Limited		
Dividend Income	5,646	-
Mandate Under Discretionary Portfolio Services		
Nil bonus units (2014: 54,348 bonus units) distributed during the year	-	3,371
Issue of 4,394,228 units (2014: 274,508 units)	341,464	21,278
Redemption of 1,759,884 units (2014: 83,293 units)	143,142	6,457
Directors and executives of the Management Company		
Issue of 244,024 units (2014: 295,013 units)	17,702	21,270
Redemption of 227,502 units (2014: 217,995 units)	16,659	15,595
Issue of Nil bonus units (2014: 41,422 units)	-	2,571

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

17.2 Amount outstanding at the year end

MCB - Arif Habib Savings and Investments limited - Management Company		
Remuneration payable	10,056	5,831
Sales tax payment on management fee	2,205	1,546
Legal and Professional Charges Payable	100	-
Sales load payable	1,028	341
Sind sales tax payable on sales load	154	54
Central Depository Company of Pakistan Limited-Trustee		
Security deposit	500	500
Remuneration payable	591	399
Summit Bank Limited		
Balance with Bank	3,514	3,514
MCB Bank Limited		
Balance with Bank	323,734	370,728
Accrued markup	672	402
Adamjee Insurance Company Limited		
4,088,393 units held as at June 30, 2015 (2014: 4,551,705 units)	340,277	284,755
MCB Employees Provident Fund		
4,189,296 units held as at June 30, 2015 (2014: 3,999,606 units)	348,675	250,215
MCB Employees Pension Fund		
3,210,371 units held as at June 30, 2015 (2014: 3,065,006 units)	267,199	191,747
MCB Arif Habib Savings and Investments Limited		
988,237 units held as at June 30, 2015 (2014: 98,018 units)	82,251	6,132
D.G Khan Cement Company Limited Employees Provident Fund Trust		
131,642 units held as at June 30, 2015 (2014: 67,717 units)	10,957	4,236
Mandate Under Discretionary Portfolio Services		
5,805,847 units held as at June 30, 2015 (2014: 245,563 units)	483,221	15,362
Directors and executives of the Management Company		
165,455 units held as at June 30, 2015 (2014: 148,932 units held)	32,705	9,317
Arif Habib Limited		
Brokerage payable	509	220
Next Capital Limited		
Brokerage payable	382	-
D.G Khan Cement Company Limited		
1,517,000 shares held as at 30 June 2015 (2014: 33,000 shares)	216,582	2,903

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

	2015	2014
	(Rupees in '000)	
Fatima Fertilizer Company Limited		
78,000 shares held as at 30 June 2015 (2014: Nil shares)	3,047	-
Lalpir Power Limited		
6,050,000 shares held as at 30 June 2015 (2014: Nil shares)	184,525	-
Nishat Chunian Limited		
Nil shares held as at 30 June 2015 (2014: 1,950 shares)	-	83
Pakgen Power Limited		
5,667,500 shares held as at 30 June 2015	170,082	-

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

18. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

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

18.2 Mr. Mohsin Pervez is the Fund Manager. Details of the other funds managed by fund manager are as follows:

- MCB Islamic Income Fund
- MCB Pakistan Islamic Stock Fund

	2015 (Percentage) %
19. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID	
Arif Habib Limited.	11.35
Invest & Finance Securities Limited	10.49
JS Global Capital Limited	10.47
Topline Securities (Private) Limited	9.79
KASB Securities Limited	8.16
Taurus Securities Limited	8.10
Elixir Securities Pakistan (Private) Limited	6.96
Fortune Securities Limited	6.78
Foundation Securities (Private) Limited	6.71
Optimus Capital Management (Private) Limited	5.01

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

	2014 (Percentage) %
Invest & Finance Securities Limited	8.30
Foundation Securities (Private) Limited	7.32
KASB Securities Limited	6.88
Arif Habib Limited.	6.76
JS Global Capital Limited	6.49
Optimus Capital Management (Private) Limited	5.34
Taurus Securities Limited	5.28
Fortune Securities Limited	4.75
Elixir Securities Pakistan (Private) Limited	4.70
Topline Securities (Private) Limited	4.68

20. PATTERN OF UNIT HOLDINGS

As at June 30, 2015				
	Number of unit holders	Number of Units held	Investment amount (Rupees in '000)	Percentage investment %
Individuals	5464	37,624,570	3,131,562	51.55
Insurance companies	10	3,583,719	298,279	4.91
Banks / DFIs	5	1,329,720	110,675	1.82
NBFCs	9	38,166	3,177	0.05
Retirement funds	78	9,984,673	831,043	13.68
Other companies	74	5,937,839	494,217	8.14
Associated companies	4	12,476,296	1,038,425	17.09
Directors	5	55,337	4,606	0.08
Others	17	1,958,655	163,022	2.68
	5666	72,988,975	6,075,006	100.00

As at June 30, 2014				
	Number of unit holders	Number of Units held	Investment amount (Rupees in '000)	Percentage investment %
Individuals	5498	31,752,496	1,986,311	53.26
Insurance companies	14	1,651,789	103,329	2.77
Banks / DFIs	6	62,976	3,940	0.11
NBFCs	12	44,182	2,764	0.07
Retirement funds	70	6,832,077	427,388	11.46
Listed company	1	56,309	3,522	0.09
Associated companies	6	14,200,626	888,335	23.82
Directors	5	79,679	4,984	0.13
Others	85	4,944,287	309,295	8.29
	5697	59,624,421	3,729,868	100.00

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

21. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

During the year, six board meetings were held on July 20, 2014 (112th meeting), September 9, 2014 (113th meeting), October 20 2014 (114th meeting), February 2, 2015 (115th meeting), April 24, 2015 (116th meeting) and June 22, 2015 (117th meeting) Information in respect of attendance by Directors and other personals' in the meetings is given below:

Name of persons attending the meetings	Designation	Number of meetings held	Number of meetings		Meetings not attended
			Attended	Leave granted	
Mr. Mian Mohammad Mansha	Chairman	6	1	5	112th, 113th, 114th, 115th, 117th
Mr. Yasir Qadri	Chief Executive Officer	6	6	-	-
Mr. Nasim Beg	Director	6	6	-	-
Dr. Syed Salman Ali Shah	Director	6	4	2	115th, 116th
Mr. Haroun Rashid	Director / Chairman Audit Committee	6	3	3	114th, 115th, 116th
Mr. Ahmed Jahangir	Director	6	6	-	-
Mr. Samad A. Habib	Director	6	4	2	114th, 115th
Mr. Mirza Mehmood Ahmed	Director	6	3	3	112th, 113th, 114th
Mr. Saqib Saleem	Chief Financial Officer & Company Secretary	6	6	-	-
Mr. Muhammad Asim	Chief Investment Officer	1	1	-	-
Mr. Umair Ahmed	Ex - Chief Financial Officer	4	4	-	-
Mr. Abdul Basit	Financial Controller	1	1	-	-
Mr. Jameel Haider	Financial Controller	1	1	-	-

22. FINANCIAL RISK MANAGEMENT

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

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

The Fund financial assets primarily comprise of balance with banks, investment in equity securities of listed companies classified at 'fair value through profit or loss' and at 'available for sale' and investment in government securities. The Fund also has dividend and profit receivable, deposits and other receivables. The Fund's principal financial liabilities include remuneration payable to Management Company, Trustee and SECP and accrued and other liabilities.

22.1 Market risk

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

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

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

22.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of

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

changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as all transactions are carried out in Pak Rupees.

22.1.2 Interest rate risk

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

a) Sensitivity analysis of variable rate instruments

As at June 30, 2015, the Fund does not hold any variable interest based investment except balances with banks in deposit accounts exposing the Fund to cash flow interest rate risk.

b) Sensitivity analysis of fixed rate instruments

As at June 30, 2015 the Fund does not holds any fixed rate instruments. Therefore the fund is not exposed to fair value interest rate risk.

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

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

2015						
Exposed to Yield / Interest rate risk						
Yield/ effective interest rate (%)	Up to three months	More than three months and up to one year	More than one year	Not exposed to Yield / Interest rate risk	Total	
----- Rs in '000 -----						
On-balance sheet financial instruments						
Financial Assets						
Balances with banks	5 - 8	371,913	-	-	18,363	390,276
Investments		-	-	-	5,949,763	5,949,763
Receivable against sale of investments		-	-	-	60,429	60,429
Dividend and profit receivable		-	-	-	11,089	11,089
Security deposits		-	-	-	3,781	3,781
		371,913	-	-	6,043,425	6,415,338
Financial Liabilities						
Payable to the Management Company		-	-	-	12,361	12,361
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	591	591
Payable against purchase of investments		-	-	-	140,053	140,053
Accrued expenses and other liabilities		-	-	-	20,905	20,905
Payable against redemption of units		-	-	-	839	839
		-	-	-	174,749	174,749
On-balance sheet gap						
		371,913	-	-	5,868,676	6,240,589

There is no off-balance sheet financial instrument that exist as at year ended June 30, 2015.

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

2014						
Yield/ effective interest rate (%)	Exposed to Yield / Interest rate risk			Not exposed to Yield/ Interest rate risk	Total	
	Up to three months	More than three months and up to one	More than one year			
----- Rs in '000 -----						
On-balance sheet financial instruments						
Financial Assets						
Balances with banks	6.5 - 9	373,964	-	-	11,214	385,178
Investments		-	-	-	3,307,850	3,307,850
Receivable against sale of investments		-	-	-	100,118	100,118
Dividend and profit receivable		-	-	-	9,054	9,054
Security deposits		-	-	-	46,960	46,960
		373,964	-	-	3,475,196	3,849,160
Financial Liabilities						
Payable to the Management Company		-	-	-	7,377	7,377
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	399	399
Payable against purchase of investments		-	-	-	3,397	3,397
Accrued expenses and other liabilities		-	-	-	20,996	20,996
Payable against redemption of units		-	-	-	386	386
		-	-	-	32,555	32,555
On-balance sheet gap		373,964	-	-	3,442,641	3,816,605

There is no off-balance sheet financial instrument that exist as at year ended June 30, 2014.

22.1.3 Price risk

The Fund is exposed to equity price risk because of equity securities held by the Fund and classified on the balance sheet as at fair value through profit or loss and available-for-sale. To manage its price risk arising from investment in equity securities, the Fund's investment policy, as restricted by the NBFC Regulations, the NBFC Rules, restricts investments in listed shares of one company to 10% of the Fund's net assets and investment in listed securities of a particular company have also been restricted to 10% of paid-up capital of investee company. Moreover, the sector limits have been restricted to 30% of the net assets of the Fund or index weight whichever is higher. The Investment Committee and Fund manager closely monitor the security performance and risk assessment with them and accordingly make their investment decision.

In case of 5% increase/ decrease in KSE 100 index on June 30, 2015, the net income for the year and net assets would be increase/ decrease by Rs. 324.46 million (2014: Rs. 171.7 million) as a result of gains / losses on equity securities classified as 'financial assets at fair value through profit or loss' and available for sale investments.

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

22.2 Credit risk

Credit risk represents the risk of loss if counterparties fail to perform as contracted. The Fund is exposed to counter party credit risks on balances with banks, security deposits, profit, dividend and other receivables. The credit risk on the fund is limited because the counterparties are financial institutions with reasonably high credit ratings.

The Fund has adopted a policy of only dealing with creditworthy, reputable and diverse counterparties and investee companies and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies, where available, and if not available, the Fund uses other publicly available financial information and its own trading records to rate its major customers. The Fund's exposure

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

and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

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

The Fund's maximum exposure to credit risk related to receivables at June 30, 2015 and June 30, 2014 is the carrying amounts of following financial assets.

	2015	2014
	(Rupees in '000)	
Balances with banks	390,276	385,178
Receivable against sale of investments	60,429	100,118
Dividend and profit receivable	11,089	9,054
Security deposits	3,781	46,960
	465,575	541,310

The analysis below summaries the credit rating quality of the Fund's financial assets as at June 30, 2015 and June 30, 2014:

Bank Balances by rating category	2015	2014
	%	
AAA / A1+	84.49	97.93
AA+ / A1+	14.47	0.92
AA+ / A-1+	0.14	0.24
A / A-1	0.90	0.91
	100.00	100.00

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

Investment in fixed income securities

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

Security deposits

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

Other receivables

Other receivable includes dividend receivable, profit receivable on bank deposits and government securities and receivable against sale of investments. These are considered secured by the management and as such the Fund is not materially exposed to credit risk on these financial assets.

Concentration of credit risk

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

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

Settlement risk

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

22.3 Liquidity risk

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

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

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

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

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

	2015			Total
	Up to three months	Over three months and up to one year	More than one year	
	(Rupees in '000)			
Payable to the Management Company	12,361	-	-	12,361
Payable to the Central Depository Company of Pakistan Limited - Trustee	591	-	-	591
Payable against purchase of investments	140,053	-	-	140,053
Accrued expenses and other liabilities	20,905	-	-	20,905
Payable against redemption of units	839	-	-	839
	174,749	-	-	174,749
	2014			
	Up to three months	More than three months and up to one year	More than one year	Total
	(Rupees in '000)			
Payable to the Management Company	7,377	-	-	7,377
Payable to the Central Depository Company of Pakistan Limited - Trustee	399	-	-	399
Payable against purchase of investments	3,397	-	-	3,397
Accrued expenses and other liabilities	20,996	-	-	20,996
Payable against redemption of units	386	-	-	386
	32,555	-	-	32,555

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

22.4 Financial instruments by category

	2015			
	Loans and receivables	Assets at fair value through profit or loss	Available for sale investments	Total
	----- (Rupees in '000) -----			
Financial Assets				
Balances with banks	390,276	-	-	390,276
Investments	-	792,898	5,156,865	5,949,763
Receivable against sale of investments	60,429	-	-	60,429
Dividend and profit receivable	11,089	-	-	11,089
Security deposits	3,781	-	-	3,781
	465,575	792,898	5,156,865	6,415,338

	2015		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	----- (Rupees in '000) -----		
Financial Liabilities			
Payable to the Management Company	-	12,361	12,361
Payable to the Central Depository Company of Pakistan Limited- Trustee	-	591	591
Payable against purchase of investments	-	140,053	140,053
Accrued expenses and other liabilities	-	20,905	20,905
Payable against redemption of units	-	839	839
	<u>-</u>	<u>174,749</u>	<u>174,749</u>

	2014			
	Loans and receivables	Assets at fair value through profit or loss	Available for sale investments	Total
	----- (Rupees in '000) -----			
Financial Assets				
Balances with banks	385,178	-	-	385,178
Investments	-	3,234,939	72,911	3,307,850
Receivable against sale of investments	100,118	-	-	100,118
Dividend and profit receivable	9,054	-	-	9,054

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

Security deposits	46,960	-	-	46,960
	541,310	3,234,939	72,911	3,849,160

	2014		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	----- (Rupees in '000) -----		
Financial Liabilities			
Payable to the Management Company	-	7,377	7,377
Payable to the Central Depository Company of Pakistan Limited- Trustee	-	399	399
Payable against purchase of investments	-	3,397	3,397
Accrued expenses and other liabilities	-	19,962	19,962
Payable against redemption of units	-	386	386
	-	31,521	31,521

22.5 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

22.6 Fair value hierarchy

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

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

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

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

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

	-----June 30, 2015-----			
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
Investment in equity				
- at fair value through profit	792,898	-	-	792,898
- available for sale	5,129,077		27,788	5,156,865
	5,921,975	-	-	5,949,763

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

	-----June 30, 2014 -----			
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
Investment in equity securities - at fair value through profit or loss	3,234,939	-	-	3,234,939
Investment in government securities	72,911	-	-	72,911
	<u>3,307,850</u>	<u>-</u>	<u>-</u>	<u>3,307,850</u>

23. UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

The Fund's 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 endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of investments.

24. GENERAL

Figures have been rounded off to the nearest thousand Rupees.

25. DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized 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
Associated Companies, undertakings and related Parties		
D.G. KHAN CEMENT COMPANY LTD EMPLOYEES PROVIDENT FUND TRUST	1	131,642
MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED	1	988,237
MCB EMPLOYEES PENSION FUND	1	3,210,371
MCB EMPLOYEES PROVIDENT FUND	1	4,189,296
ADAMJEE INSURANCE COMPANY LIMITED	1	4,088,393
Directors		
Nasim Beg	5	55,337
Public Sector Companies and Corporations	74	5,937,839
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance, Insurance Companies, Modarbas and Mutual Funds.	10	3,583,719
Individuals	5,433	37,314,680
Trust	8	700,343
Others	131	12,789,119
	5,666	72,988,975

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

No. of Unit Holder	Unit holdings	Total Units Held
4839	1-10000	8,157,758
719	10001-100000	20,035,832
102	100001-1000000	25,944,960
6	1000001 onwards	18,850,425
5,666		72,988,975

PERFORMANCE TABLE

PSM

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Net Assets	6,075,006	3,729,888	1,178,662	921,463	1,243,564	1,841,340	1,847,196	3,350,619	3,245,587	3,617,732	2,712,985	1,051,643	783,991	322,974
Net Income / (loss)	1,570,727	29,211	393,516	157,547	255,955	385,236	(560,559)	507,463	490,678	1,114,205	1,171,637	382,103	199,155	9,224

(Rupees in '000)

Net assets value per unit (Ex-Div)	83.23	62.56	58.96	51.92	53.80	49.64	47.56	64.55	84.08	84.29	90.10	81.99	69.02	48.97
Annual dividend distribution	4.00	16.71	31.58**	7.9**	12.6**	19.4**	-	34**	50**	60**	70**	60**	40**	3**
					4.16	8.37	17.61							

*First year of operations from the period 1 March 2002 to 30 June 2002

**Stock dividend

***Interim Dividend of 20% and Stock Dividend of 50%

Announcement Date of Distribution

	June 22, 2015	June 26, 2014	July 5, 2013	June 20, 2012	July 4, 2011	July 5, 2010	-	July 3, 2008	July 4, 2007	July 4, 2006	July 4, 2005	July 5, 2004	July 3, 2003	July 1, 2002
Interim	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Final	-	-	-	-	-	-	-	-	-	-	-	-	-	-

(Rupees)

Highest offer price per unit	91.70	82.47	83.22	62.90	64.27	67.93	66.00	100.55	111.96	135.42	148.71	118.59	92.85	54.08
Lowest offer price per unit	61.04	61.28	54.05	49.07	50.17	50.38	34.14	77.06	81.79	90.64	83.28	71.81	50.58	47.60
Highest Repurchase price per unit	89.25	80.25	81.25	61.67	62.98	66.57	63.36	96.53	109.16	132.03	144.99	115.63	90.53	51.65
Lowest Repurchase price per unit	59.41	59.63	52.98	48.11	49.17	49.37	33.46	75.13	79.75	88.37	81.20	70.01	48.30	45.46
Year end offer price per unit	85.51	64.29	73.73	52.96	61.33	60.55	48.53	84.95	111.88	117.22	118.05	114.86	91.30	52.68
Year end repurchase price per unit	83.23	62.56	77.58	51.92	60.10	59.34	47.56	81.55	109.08	114.29	115.10	111.99	89.02	50.31

(Percentage)

One Year	39.35	34.78	49.42	11.30	21.10	24.77	(26.32)	(3.01)	29.41	26.85	52.41	62.04	81.23	2.02
Two Year	87.81	101.39	66.31	34.76	51.10	(4.12)	(15.45)	12.02	28.12	39.04	46.66	71.38	-	-
Three Year	180.63	124.20	101.37	68.13	11.30	3.75	(2.57)	16.75	35.75	46.34	64.83	-	-	-
Capital growth	35.35	18.07	17.84	3.40	8.37	4.37	(26.32)	(23.23)	(0.25)	(6.45)	9.89	18.79	40.94	(2.06)








Since inception from 11 March 2002 the Fund deliver a cumulative annualised growth return of 26.44%








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



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