

**Annual Report
2015**



Sabr Ka Phal Meetha

PAKISTAN

**STRATEGIC ALLOCATION
FUND**

MCB-Arif Habib Savings and Investments Limited

AM2 Plus by PACRA

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Vision

To become synonymous with Savings.

Mission

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

Core Values

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

FUND'S INFORMATION

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	
Auditors	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants Progressive Plaza, Beaumont Road, P.O. Box 15541, Karachi, Sindh-75530, Pakistan.	
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
Transfer Agent	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Rating	AM2 + Management Quality Rating assigned by PACRA	

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

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

EQUITIES MARKET OVERVIEW

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

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

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

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

At the same time, financial account registered a surplus of \$ 4.52 billion as compared to a surplus of \$ 5.55 billion recorded during the last year. This is mainly due to lower Direct Investments and Portfolio investments in the country. The country's FX reserves got an impetus from multilateral and bilateral disbursements, successful continuation of IMF program, privatization proceeds, Sukuk auction and lower oil bill. The reserves stood at around \$ 18.7 billion at the end of June, increased by around \$4 billion in FY15.

Keeping in view of subsiding inflationary pressure along with improving outlook on the balance of payment, the State Bank announced successive cuts in the discount rate in the monetary policy held in November, January, March and May, bringing the discount rate to 7 percent from 10 percent at the start of the year. With the country battling with power crisis and poor infrastructure, commitment of \$47 billion in the form of investments in the power and infrastructure sectors by Chinese president in April-2015 is expected to provide an impetus to resource mobilization and economic activity for Pakistan. Pace of progress along with extent of domestic partnerships on key development projects shall however be critical for achieving the desired impact on economy over the next 3 years.

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

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

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

FUND PERFORMANCE

During the period, PISF outperformed KSE-100 index by delivering 19.20% return as compared to KSE-100 index return of 16.01%. Overall equity exposure of the fund was decreased substantially by around 35.7% which stood at 34.9% at the end of the period. As the mandate of the fund has been changed, the fund has gradually eliminated exposure in the Non-Shariah stocks. The idle cash would be invested strategically going forward.

The Net Assets of the Fund as at June 30, 2015 stood at Rs. 666 million as compared to Rs. 358 million as at June 30, 2014 registering a growth of 86%.

The Net Asset Value (NAV) per unit as at June 30, 2015 was Rs. 10.27 as compared to opening NAV of Rs. 9.65 per unit as at June 30, 2014 registering an increase of Re. 0.62 per unit.

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

Income Distribution

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

Date of distribution	Per unit distribution
	Rs.
June 22, 2015	1.25

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.

Effective from 1st July 2015, the fund has been converted into Shariah-Compliant Islamic Equity Scheme and has been renamed as MCB Pakistan Islamic Stock Fund. The investment guidelines have been updated so the fund shall only invest in Shariah-compliant Scripts. In this regard, the company has formed Shariah Supervisory Board comprising of Justice(Rtd) Muhammad Taqi Usmani, Dr. Muhammad Zubair Usmani and Dr. Ejaz Ahmed Samdani.

Corporate Governance

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

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

- a. Financial statements present fairly the statement of affairs, the results of operations, cash flows and Change in unit holders' fund.
- b. Proper books of accounts of the Fund have been maintained during the year.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable prudent judgment.
- d. Relevant International Accounting Standards, as applicable in Pakistan, provisions of the Non Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- h. Key financial data as required by the Code of Corporate Governance has been summarized in the financial statements.
- i. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- j. The statement as to the value of investments of provident fund is not applicable on the Fund but applies to the Management Company; hence no disclosure has been made in the Directors' Report of the Management Company.
- k. The detailed pattern of unit holding, as required by NBFC Regulations and the Code of Corporate Governance are enclosed.
- l. The details of attendance of Board of Directors meeting is disclosed in note 22 to the attached financial statements. Below is the details of committee meetings held during the year ended June 30, 2015:

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

1. Meeting of the Audit Committee.

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

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

2. Meeting of the Human Resource and Remuneration Committee.

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

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

m. During the year no Director has attended the Directors' Training Program organized by the Pakistan Institute of Corporate Governance (as already all the directors have completed the course or they are exempted from attending training course due to sufficient working experience).

n. The trades in Units of the Fund carried out by Directors, Chief Executive Officer, Chief Operating Officer and Company Secretary, Chief Financial Officer and Chief Internal Auditor of the Management Company and their spouses and minor children are as under:

S. No.	Name	Designation	Investment	Redemption	Dividend Distribution
			(Number of Units)		
1.	Mr. Nasim Beg	Executive Vice Chairman	-	-	-
2.	Yasir Qadri	Chief Executive Officer	-	-	138.085
3.	Mr. Saqib Saleem	Chief Financial Officer & Company Secretary	-	-	-
4.	Asif Mehdi Rizvi	Head of Internal Audit	-	-	-

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

External Auditors

The fund's external auditors, Ernst & Young Ford Rhodes Sidat Hyder, 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 Ernst & Young Ford Rhodes Sidat Hyder as auditors of the fund for the year ending June 30, 2016.

Acknowledgment

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

For and on behalf of the board



Yasir Qadri
Chief Executive Officer
Karachi: August 07, 2015

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

Fund Type and Category

MCB Pakistan Islamic Stock Fund [Formerly: Pakistan Strategic Allocation Fund] is an Open-End Shariah Compliant Equity Scheme

Fund Benchmark

The benchmark for PISF is KSE100 Index

Investment Objective

The objective of the fund is to provide investors capital growth over medium to long term primarily from investment in more liquid Pakistani equities.

Investment Strategy

MCB Pakistan Islamic Stock Fund is an Open-ended Shariah Compliant Equity Scheme which primarily invests in Shariah Compliant Equity Securities. The Fund shall be subject to such exposure limits as are specified in the Rules, the Regulations and directives issued by SECP from time to time.

Conversion to Islamic Equity Scheme

For the full year the fund was operated as a conventional equity fund and was converted to Islamic Equity Fund for the year starting from July 1, 2015.

Manager's Review

During the year under review, MCB Pakistan Islamic Stock Fund [Formerly: Pakistan Strategic Allocation Fund] returned 19.20% as compared to the benchmark KSE-100 Index return of 16.01%, resulting in an out performance of 3.19% 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.

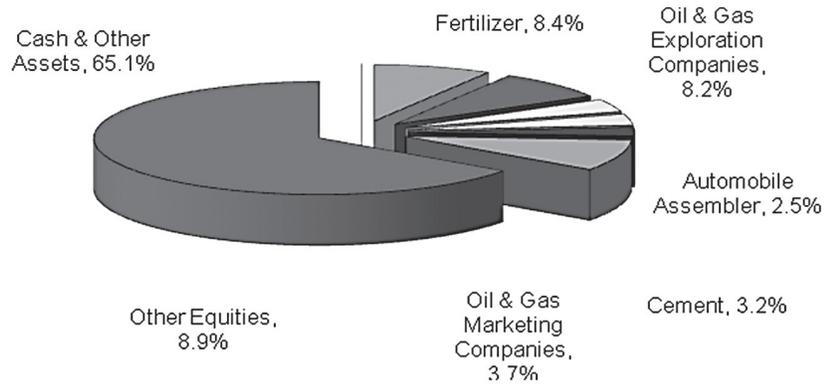
The fund started the year with an equity allocation of 70.6%. Fund changed overall equity allocation several times during the year following its allocation strategy. As the fund was being converted to Shariah compliant stock fund, the equity exposure was reduced to 34.9% by selling non-shariah compliant stocks.

On sector basis exposure was decreased almost across all the sectors as the overall equity exposure was reduced significantly. Fund also took active positions in growth and value companies of miscellaneous sectors in the period under review.

Since inception return of the fund was 386.31% as compared to the benchmark's return of 546.55%. The fund's Net Assets increased by 86% from PKR 358 Million at the beginning of the year to PKR 666 Million as of June 30, 2015.

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

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



Mr. Mohsin Pervaiz
Fund Manager

Karachi: August 07, 2015

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

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

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



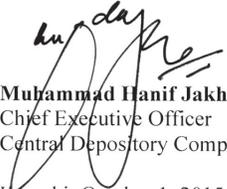
TRUSTEE REPORT TO THE UNIT HOLDERS

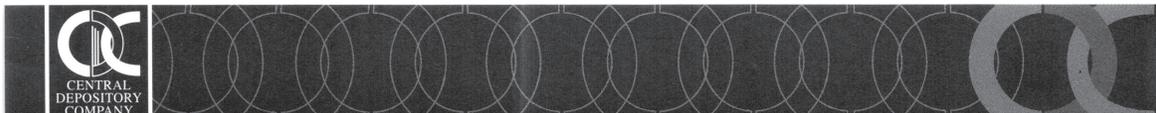
PAKISTAN STRATEGIC ALLOCATION FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of Pakistan Strategic Allocation Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2015 in accordance with the provisions of the following:

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


Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited
Karachi: October 1, 2015



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

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

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

Category	Names
Independent Directors	<ol style="list-style-type: none"> 1. Dr. Salman Shah 2. Mr. Haroun Rashid 3. Mr. Mirza Mehmood
Executive Directors	<ol style="list-style-type: none"> 1. Mr. Nasim Beg – Executive Vice Chairman 2. Mr. Yasir Qadri – Chief Executive Officer
Non – Executive Directors	<ol style="list-style-type: none"> 1. Mian Mohammad Mansha 2. Mr. Ahmed Jehangir 3. Mr. Samad Habib

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

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

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

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

On behalf of the Board



Yasir Qadri
Chief Executive

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



Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
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eyfrsh.khi@pk.ey.com
ey.com/pk

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

We have reviewed the enclosed Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of MCB-Arif Habib Savings and Investments Limited, the Management Company of **Pakistan Strategic Allocation Fund** (the Fund), for the year ended **30 June 2015** to comply with the requirements of Listing Regulation No. 35 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited where the Fund is listed.

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

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

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval the Fund's related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price 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 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 does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Fund for the year ended 30 June 2015.

Chartered Accountants

Karachi

Date: 07 August 2015

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



Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
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INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **Pakistan Strategic Allocation Fund** (the Fund), which comprise the statement of assets and liabilities as at 30 June 2015, and the related statements of income, comprehensive income, distribution, cash flows and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of 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 auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 entity'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 entity'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.

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



:- 2 :-

Opinion

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

Other matter

The financial statements for the year ended 30 June 2014 were audited by another firm of Chartered Accountants whose audit report, dated 31 July 2014, expressed an unqualified opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared 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

Audit Engagement Partner: Shabbir Yunus

Date: 07 August 2015

Karachi

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

	Note	2015 ----- (Rupees in '000) -----	2014
ASSETS			
Balances with banks	5	433,252	99,647
Investments	6	250,274	277,307
Receivable against sale of investments		29,706	12,401
Dividend and profit receivable	7	1,209	618
Security deposits and advance tax	8	3,084	2,971
Total assets		<u>717,526</u>	<u>392,944</u>
LIABILITIES			
Payable to Management Company		900	679
Payable to Central Depository Company of Pakistan Limited - Trustee		64	59
Payable to Securities and Exchange Commission of Pakistan - annual fee		352	330
Unclaimed dividend		12,400	12,400
Payable against purchase of equity securities		11,198	-
Accrued expenses and other liabilities	9	26,719	21,535
Total liabilities		<u>51,632</u>	<u>35,003</u>
NET ASSETS		<u>665,893</u>	<u>357,941</u>
Unit holders' fund (as per statement attached)		<u>665,893</u>	<u>357,941</u>
Contingencies and commitments	10		
		----- (Number of units) ----	
NUMBER OF UNITS IN ISSUE		<u>64,830,781</u>	<u>37,107,015</u>
		----- (Rupees) -----	
NET ASSETS VALUE PER UNIT	11	<u>10.27</u>	<u>9.65</u>

The annexed notes from 1 to 27 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			
Net gain on sale of investments		56,487	72,442
Dividend income		17,476	15,703
Income from government securities		689	5,827
Profit on bank deposits		5,914	3,999
Other income		250	-
		80,816	97,971
Unrealised (diminution) / appreciation on revaluation of investments classified as 'held-for-trading' - net	6.4	(9,165)	9,861
Total income		71,651	107,832
EXPENSES			
Remuneration of Management Company	12	7,409	6,947
Sales tax and Federal Excise Duty on remuneration of Management Company	9.3 & 13	2,474	2,401
Remuneration of Central Depository Company of Pakistan Limited - Trustee	14	741	713
Securities and Exchange Commission of Pakistan - annual fee	15	352	330
Securities transaction cost		1,788	1,932
Custody, settlement and bank charges		410	379
Fees and subscription		293	60
Printing and related cost		229	181
Auditors' remuneration	16	480	473
Others		9	-
Total expenses		14,185	13,416
Net income from operating activities		57,466	94,416
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		7,727	(5,185)
Provision for Workers' Welfare Fund	9.1	(1,304)	(1,785)
Net income for the year before taxation		63,889	87,446
Taxation	17	-	-
Net income for the year after taxation		63,889	87,446
Other comprehensive income for the year			
Unrealised appreciation in value of investments classified as 'available-for-sale'	6.3	9,408	2
Total comprehensive income for the year		73,297	87,448
Earning per unit	4.14	-	-

The annexed notes from 1 to 27 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 ----- (Rupees in '000) -----
Undistributed income / (accumulated) loss brought forward	(13,245)	36,215
Element of income / (loss) and capital gain / (losses) included in the prices of units issued less those in units redeemed - amount representing unrealised income	1,055	(7,092)
Net income for the year after taxation	63,889	87,446
	64,944	80,354
Final bonus distribution for the year ended June 30, 2013 distributed at Rs.2.0247 per unit (Declared on July 4, 2013)	-	(54,580)
Final bonus distribution for the year ended June 30, 2014 distributed at Rs.2.5700 per unit (Declared on June 27, 2014)	-	(75,234)
Final cash distribution for the year ended June 30, 2015 distributed at Rs.1.25 per unit (Declared on June 22, 2015)	(41,414)	-
Undistributed income carried forward	10,285	(13,245)

The annexed notes from 1 to 27 form an integral part of these financial statements.

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



Chief Executive Officer



Director

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

	2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
Net assets at beginning of the year	357,941	305,785
Amount received on issue of 41,427,105 (2014: 6,569,458) units	420,981	61,430
Bonus issued Nil (2014: 13,701,218) units	-	129,814
Amount paid on redemption of 13,703,339 (2014: 10,120,737) units	(137,185)	(101,907)
	283,796	89,337
	641,737	395,122
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed:		
- amount representing (income) / loss and capital (gains) / losses - transferred to income statement	(7,727)	5,185
- amount representing unrealised capital (gains) / losses and capital (gains) / losses that forms part of the unit holders' fund transferred to distribution statement	(1,055)	7,092
	(8,782)	12,277
Net income for the year transferred from the distribution statement		
Capital gain on sale of investments - net	56,487	72,442
Unrealised (diminution) / appreciation on revaluation of investments classified as 'held-for-trading' - net	(9,165)	9,861
Other income for the year	16,567	5,143
Element of income / (loss) and capital gain / (losses) included in the prices of units issued less those in units redeemed - amount representing unrealised income	1,055	(7,092)
	64,944	80,354
Distributions made during the year (refer to distribution statement)	(41,414)	(129,814)
Unrealised appreciation in value of investment - classified as 'available-for-sale'	9,408	2
Net assets at end of the year	665,893	357,941
	----- (Number of units) -----	
NUMBER OF UNITS IN ISSUE	64,830,781	37,107,015
	----- (Rupees) -----	
NET ASSETS VALUE PER UNIT	10.27	9.65

The annexed notes from 1 to 27 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**

	2015 ----- (Rupees in '000) -----	2014
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the year before taxation	63,889	87,446
Adjustments for non - cash and other items		
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(7,727)	5,185
Unrealised diminution / (appreciation) on revaluation of investments classified as 'held-for-trading' - net	9,165	(9,861)
Dividend income	(17,476)	(15,703)
	<u>47,851</u>	<u>67,067</u>
Decrease / (increase) in assets		
Investments - net	27,276	45,242
Receivable against sale of investments	(17,305)	(12,001)
Profit and other receivable	(316)	(140)
	<u>9,655</u>	<u>33,101</u>
Increase in liabilities		
Payable to Management Company	221	70
Payable to Central Depository Company of Pakistan Limited - Trustee	5	1
Annual fee payable to Securities and Exchange Commission of Pakistan	22	19
Payable against purchase of equity securities	11,198	-
Accrued expenses and other liabilities	5,184	2,591
	<u>16,630</u>	<u>2,681</u>
	<u>74,136</u>	<u>102,849</u>
Dividend received	17,087	15,446
Net cash generated from operating activities	<u>91,223</u>	<u>118,295</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Cash received from units sold	420,981	61,430
Cash paid on units redeemed	(137,185)	(101,907)
Dividend paid	(41,414)	(5)
Net cash generated from / (used in) financing activities	<u>242,382</u>	<u>(40,482)</u>
Net increase in cash and cash equivalent	<u>333,605</u>	<u>77,813</u>
Cash and cash equivalent at beginning of the year	99,647	21,834
Cash and cash equivalent at end of the year	<u>433,252</u>	<u>99,647</u>

The annexed notes from 1 to 27 form an integral part of these financial statements.

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



Chief Executive Officer



Director

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

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Pakistan Strategic Allocation Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (AHIL) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee on May 26, 2004.
- 1.2 Pursuant to the merger of MCB Asset Management Company Limited with and into Arif Habib Investments Limited (AHIL), the name of AHIL has been changed to MCB-Arif Habib Savings and Investments Limited.
- 1.3 Formation of the Fund as a closed-end fund was authorized by SECP on May 13, 2004, however with effect from November 11, 2010 the Fund was converted into open-end fund. The Management Company of the Fund obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake asset management services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.
- 1.4 The Fund is categorised as "equity scheme" and is listed on the Karachi Stock Exchange. The Fund primarily invests in listed equity securities. It also invests in cash instruments and treasury bills not exceeding 90 days maturity.
- 1.5 Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.6 The Pakistan Credit Rating Agency Limited (PACRA) has assigned asset manager rating of 'AM2+' dated April 07, 2015 to the Management Company and 4-Star Short-term and 3-Star Long-Term to the Fund dated November 21, 2014.
- 1.7 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2. STATEMENT OF COMPLIANCE

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

2.2 New Standards, Interpretations and Amendments

The Fund has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

IAS 19 – Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions

IAS 32 – Financial Instruments : Presentation – (Amendment)
– Offsetting Financial Assets and Financial Liabilities

IAS 36 – Impairment of Assets – (Amendment)
– Recoverable Amount Disclosures for Non-Financial Assets

IAS 39 – Financial Instruments: Recognition and Measurement – (Amendment)
– Novation of Derivatives and Continuation of Hedge Accounting

IFRIC 21 – Levies

Improvements to Accounting Standards Issued by the IASB

IFRS 2 Share-based Payment – Definitions of vesting conditions

IFRS 3 Business Combinations – Accounting for contingent consideration in a business combination
– Scope exceptions for joint ventures

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

IFRS 8 Operating Segments – Aggregation of operating segments
– Reconciliation of the total of the reportable segments’
assets to the entity’s assets

IFRS 13 Fair Value Measurement - Scope of paragraph 52 (portfolio exception)

IAS16 Property, Plant and Equipment and IAS 38 Intangible Assets – Revaluation method –
proportionate restatement of accumulated depreciation / amortisation

IAS 24 Related Party Disclosures - Key management personnel

IAS 40 Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any effect on the financial statements.

2.3 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 10 – Consolidated Financial Statements	January 01, 2015
IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities (Amendment)	January 01, 2015
IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)	January 01, 2016
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	January 01, 2016
	Effective date (annual periods beginning on or after)
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	January 01, 2016
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 2015
IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)	January 01, 2016

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

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	January 01, 2016
IAS 16 Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	January 01, 2016
IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	January 01, 2016

The Fund expects that the adoption of the above amendments and interpretation of the standards will not affect the Fund's financial statements in the period of initial application.

In addition to the above standards and interpretations, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after July 01, 2014. The Fund expects that such improvements to the standards will not have any impact on the Fund's financial statements in the period of initial application.

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

Standards

IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers	January 01, 2018

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 and valuation of investment (refer notes 4.1 and 4.4) and impairment of financial assets (refer note 4.5).

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. The financial statements are presented in Pakistani Rupees, which is the Fund's functional and presentation currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

4.1 Financial assets

The fund classifies its financial assets in following categories:

- financial assets at fair value through profit and loss - held-for-trading;
- held to maturity;
- loans and receivables; and
- available-for-sale.

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

(a) Financial assets at fair value through profit or loss

These include held-for-trading investments and such other investments that, upon initial recognition, are designated under this category. Investments are classified as held-for-trading if they are acquired for the purpose of selling in the near term. After initial measurement, such investments are carried at fair value and gains or losses on revaluation are recognised in the income statement.

(b) Held to maturity

These are financial assets with fixed or determinable payments and fixed maturity that the Fund has the positive intent and ability to hold to maturity.

(c) Loans and receivables

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

(d) Available-for-sale

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

4.2 Regular way contracts

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

4.3 Initial recognition and measurement

Financial assets are initially recognized at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement.

4.4 Subsequent measurement

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

a) Equity Securities

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

Net gains and losses arising from the difference between the carrying amount and the value determined in accordance with the criteria mentioned above in respect of financial assets at fair value through profit or loss are taken to the income statement.

Net gains and losses arising from the difference in value determined in accordance with the above mentioned criteria compared to the carrying amount in respect of available-for-sale financial assets are recognized in other comprehensive income until the available-for-sale financial assets are derecognized. At this time, the cumulative gain or loss previously recognized directly in other comprehensive income is reclassified from other comprehensive income to income statement as a reclassification adjustment.

b) Government Securities

The investment of the Fund in government securities is valued on the basis of rates obtained from Mutual Funds Association of Pakistan (MUFAP).

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

4.5 Impairment

The carrying amounts of the Fund's assets are assessed at each balance sheet date to determine whether there is any indication of impairment in any asset or group of assets. If such indication exists, the recoverable amount of the assets is estimated and impairment losses are recognized immediately as an expense in the income statement. In case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in other comprehensive income is reclassified from other comprehensive income and recognized in the income statement. Impairment losses recognized on equity financial assets recognized in the income statement are not reversed through the income statement. For loans and receivables, a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

4.6 Derecognition

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

4.7 Reclassification

The Fund may choose to reclassify a non-derivative trading financial asset in equity securities out of the 'held-for-trading' category to the 'available-for-sale' category if the financial asset is no longer held for the purpose of selling it in the near term. Such reclassifications are made only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. Reclassifications are made at fair value as of the reclassification date which then becomes the new cost and no reversals of fair value gains or losses recorded before the reclassification date are subsequently made.

4.8 Financial liabilities

All financial liabilities are recognized at the time when the Fund becomes a party to the contractual provisions of the instrument. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Financial liabilities include payable to Management Company, payable to the trustee, payable against purchase of investments, unclaimed dividend and other liabilities.

4.9 Offsetting of financial assets and liabilities

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

4.10 Issue and redemption of units

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

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

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

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

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

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

4.12 Proposed dividend and transfer between reserves

Dividends declared and transfers between reserves made 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 dividends are declared / transfers are made.

4.13 Provisions

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

4.14 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.

4.15 Taxation

The Fund's income is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed in cash amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders in cash. The management intends to distribute at least 90% of the income earned by the Fund during the year to the unit holders in cash. 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.

4.16 Revenue recognition

Realized capital gains / losses arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.

Unrealised capital gains / losses arising on marking to market of investments classified as 'financial assets at fair value through profit or loss' - held-for-trading are included in the income statement in the period in which they arise.

Dividend income is recognized when the right to receive the payment is established.

Profit on bank deposits is recognized on an accrual basis.

Profit on investment is recognized on an accrual basis.

4.17 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.

4.18 Cash and cash equivalents

Cash and cash equivalents comprise of balances with banks.

4.19 Other assets

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

4.20 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.

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

	Note	2015 ----- (Rupees in '000) -----	2014
5. BALANCES WITH BANKS			
In current accounts		16,206	12,425
In deposit accounts	5.1	417,046	87,222
		<u>433,252</u>	<u>99,647</u>
5.1 The profit rate on these accounts has been 6% to 9% per annum (2014: 6% to 9% per annum) and include balance of Rs.418.849 million (2014: Rs.85.934 million) with MCB Bank Limited and Rs.5.109 million (2014: Rs.5.109 million) with Summit Bank Limited (related parties).			
6. INVESTMENTS			
At fair value through profit or loss - held-for-trading			
Listed equity securities	6.1	66,630	277,100
Government securities	6.2	-	-
		66,630	277,100
Available-for-sale			
Listed equity securities	6.3	183,644	207
		<u>250,274</u>	<u>277,307</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 percentage of total Paid up capital 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 / (Diminution)	Market value as % of net assets	Market value as % of total investments	
Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise											
Oil and gas exploration companies											
Oil & Gas Development Company Limited	109,876	-	-	109,876	-	-	-	-	-	-	-
Pakistan Oilfields Limited	23,403	25,500	-	7,500	41,403	21,669	(4,950)	2.51%	6.68%	0.71%	
Pakistan Petroleum Limited *	82,557	76,300	-	700	158,157	32,646	(6,667)	3.90%	10.38%	0.13%	
Attock Petroleum Limited	1,880	16,817	-	4,900	13,797	7,628	198	1.18%	3.13%	0.94%	
Pakistan State Oil Company Limited	61,993	23,250	-	85,200	43	16	1	-	0.01%	0.00%	
						61,959	(11,418)	7.59%	20.20%		
Refinery											
National Refinery Limited	7,000	2,800	-	9,700	100	21	23	2	-	0.01%	
						21	23	2	-	0.01%	
Fertilizer											
Engro Corporation Limited	76,300	94,800	-	171,100	-	-	-	-	-	-	
Engro Fertilizers Limited	13,750	137,000	-	150,200	550	36	49	13	0.01%	0.02%	
Fatima Fertilizer Company Limited - related party	388,200	133,900	-	522,042	58	2	2	-	-	0.00%	
Fauji Fertilizer Bin Qasim Limited	79,400	350,000	-	429,400	-	-	-	-	-	-	
Fauji Fertilizer Company Limited	21,300	173,800	-	195,100	-	-	-	-	-	-	
						38	51	13	0.01%	0.02%	
Construction and materials (cement)											
Cherat Cement Company Limited	93,830	-	-	93,829	1	0.07	0.09	0.02	-	-	
D.G.Khan Cement Limited	69,100	70,500	-	139,600	-	-	-	-	-	-	
Kohat Cement Company Limited	23,188	-	-	23,000	188	21	38	17	0.01%	0.02%	
Lucky Cement Limited	3,019	45,600	-	43,200	5,419	2,582	2,816	234	0.42%	1.13%	
Maple Leaf Cement Factory Limited	647,500	-	-	647,400	100	4	8	4	-	-	
Attock Cement Limited	-	75,000	-	46,900	28,100	4,905	5,356	451	0.80%	2.14%	
						7,512	8,218	706	1.23%	3.28%	
General industrials											
Packages Limited	9,200	1,450	-	9,600	1,050	589	624	35	0.09%	0.25%	
						589	624	35	0.09%	0.25%	
Food producers											
Engro Foods Limited	72,800	128,000	-	200,700	100	9	15	6	-	0.01%	
Nestle Pakistan Limited	-	820	-	820	-	-	-	-	-	-	
						9	15	6	-	0.01%	

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Name of the Investee Company	Number of shares				Balance as at June 30, 2015				Market Value as percentage of total Paid up capital 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 / (Diminution)		Market value as % of total investments
----- (Rupees in '000) -----										
Personal goods (textile)										
Nishat Mills Limited - related party	8,800	68,000	-	76,800	-	-	-	-	-	-
Fixed line telecommunication										
Pakistan Telecommunication Company Limited 'A'	117	30,500	-	29,800	817	18	17	(1)	-	0.01%
						18	17	(1)	-	0.01%
Power generation and distribution										
Hub Power Company Limited	548,871	-	-	548,839	32	2	3	1	-	-
Kot Addu Power Company Limited	302,000	-	-	302,000	-	-	-	-	-	-
Nishat Power Limited - related party	91,100	-	-	91,100	-	-	-	-	-	-
Pakgen Power Limited	-	5,000	-	-	5,000	147	150	3	0.02%	0.06%
Engro Powergen Kadir pur Limited	-	12,982	-	12,982	-	-	-	-	-	-
						149	153	4	0.02%	0.06%
Commercial banks										
Allied Bank Limited	-	30,300	-	30,300	-	-	-	-	-	-
Bank Al-Falah Limited	414,585	151,000	-	565,585	-	-	-	-	-	-
Bank Al-Habib Limited	45,150	197,000	-	242,150	-	-	-	-	-	-
MCB Bank Limited - related party	36,130	24,200	-	60,330	-	-	-	-	-	-
Faysal Bank Limited	-	946,500	31,200	976,140	1,560	24	25	1	-	0.01%
National Bank Of Pakistan Limited	33,705	226,900	-	260,605	-	-	-	-	-	-
United Bank Limited	138,118	24,350	-	162,468	-	-	-	-	-	-
Habib Metropolitan Bank	-	425,000	-	425,000	-	24	25	1	-	0.01%
Non life insurance										
Pakistan Reinsurance Company Limited	248,100	135,000	-	383,100	-	-	-	-	-	-
Automobile and parts										
Indus Motor Company Limited	-	13,700	-	13,650	50	40	62	22	0.01%	0.03%
Pak Suzuki Motor Company Limited	400	52,100	-	52,400	100	36	44	8	0.01%	0.02%
						76	106	30	0.02%	0.05%
Automobile assemblers										
Millat Tractors Limited	-	10,000	-	-	10,000	5,400	6,857	1,457	1.03%	2.74%
						5,400	6,857	1,457	1.03%	2.74%
Total - 2015						75,795	66,630	(9,165)	9.99%	26.64%
Total - 2014						267,239	277,100	9,861		

* The above include shares with a market value aggregating to Rs.10,677 thousand (2014: Rs.17,622 thousand) which have been pledged with National Clearing Company of Pakistan Limited as security against settlement of the Fund in terms of Circular no. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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6.2 Government securities - 'at fair value through profit or loss' - held-for-trading

Months	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	Market value	Appreciation / (Diminution)	Market value as % of net assets	Market value as % of total investments
Treasury Bills (3 months)	-	250,000	250,000	-	-	-	-	-
Total - 2015								
Total - 2014								

----- (Rupees in '000) -----

6.3 Listed equity securities 'available-for-sale'

Name of the Investee Company	Number of shares					Balance as at June 30, 2015					Market value as percentage of total paid-up capital 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 / (diminution)	Market value as % of net assets	Market value as % of total investments		
Fully paid ordinary shares of Rs.10 each												
Automobile and parts												
Indus Motors Company Limited	-	8,500	-	-	8,500	11,054	10,617	(437)	1.59%	4.24%	4.24%	0.00%
Cable and electrical goods												
Pak Elektron Limited	-	170,000	-	23,000	147,000	9,583	12,163	2,580	1.83%	4.86%	4.86%	0.00%
Construction and materials (cement)												
Fauji Cement Company Limited	-	500	-	100	400	12	14	2	0.00%	0.01%	0.01%	0.00%
Lucky Cement Limited	-	29,000	-	400	28,600	13,547	14,861	1,314	2.23%	5.94%	5.94%	0.00%
Glass and ceramics												
Tariq Glass Industries Limited	-	184,000	-	-	184,000	11,071	10,762	(309)	1.62%	4.30%	4.30%	0.00%
Oil and gas exploration companies												
Oil & Gas Development Company Limited	109,876	10,900	-	120,776	-	-	-	-	0.00%	0.00%	0.00%	0.00%
Pakistan Oilfields Limited	-	24,100	-	100	24,000	9,323	9,692	369	1.46%	3.87%	3.87%	0.00%
Pakistan Petroleum Limited	-	40,300	-	-	40,300	6,460	6,620	160	0.99%	2.65%	2.65%	0.00%
Pakistan State Oil Company Limited	-	51,600	-	3,100	48,500	17,728	18,711	983	2.81%	7.48%	7.48%	0.00%
						33,511	35,023	1,512	5.26%	14.00%	14.00%	

----- (Rupees in '000) -----

**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 percentage of total paid-up capital 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 / (diminution)	Market value as % of net assets		Market value as % of total investments
Refinery											
National Refinery Limited	-	48,200	-	-	48,200	11,198	11,185	(13)	1.68%	4.47%	0.00%
Fixed line telecommunication											
Pakistan Telecommunication Company Limited 'A'	-	110,000	-	-	110,000	2,245	2,255	10	0.34%	0.90%	0.00%
Power generation and distribution											
Hub Power Company Limited	-	345,000	-	333,500	11,500	1,112	1,076	(36)	0.16%	0.43%	0.00%
Pakgen Power Limited	-	379,500	-	-	379,500	11,774	11,389	(385)	1.71%	4.55%	0.00%
Kot Addu Power Company Limited	3,500	240,000	-	243,500	-	-	-	-	0.00%	0.00%	0.00%
						12,886	12,465	(421)	1.87%	4.98%	
General industrials											
Packages Limited	-	23,150	-	-	23,150	13,175	13,753	578	2.07%	5.50%	0.00%
Personal goods (textile)											
Nishat Mills Limited - related party	500	82,400	-	82,900	-	-	-	-	0.00%	0.00%	0.00%
Fertilizer											
Engro Corporation Limited	-	104,500	-	23,600	80,900	20,950	24,011	3,061	3.61%	9.59%	0.00%
Engro Fertilizer Limited	-	223,000	-	-	223,000	19,577	19,778	201	2.97%	7.90%	0.00%
Fatima Fertilizer Company Limited - related party	-	85,500	-	37,500	48,000	1,729	1,875	146	0.28%	0.75%	0.00%
Fauji Fertilizer Bin Qasim Limited	-	396,000	-	396,000	-	-	-	-	0.00%	0.00%	0.00%
Fauji Fertilizer Company Limited	-	245,000	-	145,400	99,600	13,699	14,882	1,183	2.24%	5.95%	0.00%
						55,955	60,546	4,591	9.10%	24.19%	
Total - 2015						174,237	183,644	9,407	27.59%	73.39%	
Total - 2014						207	209	2			

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

	Note	2015 ----- (Rupees in '000) -----	2014
6.4 Unrealised (diminution) / appreciation in value of investments classified as 'held-for-trading' - net			
Market value of investments	6.1	66,630	277,100
Less: Carrying cost of investments	6.1	(75,795)	(267,239)
		(9,165)	9,861
7. DIVIDEND AND PROFIT RECEIVABLE			
Dividend receivable		784	395
Profit on balances with banks		425	223
		1,209	618
8. SECURITY DEPOSITS AND ADVANCE TAX			
Security Deposit with National Clearing Company of Pakistan		2,500	2,500
Security Deposit with Central Depository Company of Pakistan		300	300
Advance tax		284	171
		3,084	2,971
9. ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision for Workers' Welfare Fund	9.1	15,754	14,451
Federal excise duty payable on management fee	9.3	2,710	1,347
Federal excise duty payable on sales load		95	38
Auditors' remuneration		341	338
Brokerage		486	182
Conversion cost payable	9.2	2,083	3,603
Withholding tax payable		4,919	58
Others		331	1,518
		26,719	21,535

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' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, all mutual funds / Collective Investment Schemes (CISs) whose income exceeds Rs.0.5 million in a tax year have been brought within the scope of the WWF Ordinance thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain 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, a Larger Bench of the 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.

Further, in May 2014, the Honourable Peshawar High Court (PHC) held that the impugned levy of contribution introduced in the Ordinance through Finance Acts, 1996 and 2009 lacks the essential mandate to be introduced and passed through a Money Bill under the constitution and, hence, the amendments made through the Finance Acts were declared as 'Ultra Vires'.

As per the legal counsel handling the case, the constitutional petition filed by the CIS to challenge the WWF contribution has not been affected by SHC judgment.

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

As the matter relating to levy of WWF on CISs is currently pending in the SHC, the Management Company has decided to retain the provision for WWF in its books of account which aggregates to Rs.15.75 million as at June 30, 2015 (2014: Rs.14.451 million). Had the said provision of WWF not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs.0.24 per unit (2.37%) (2014: Rs.0.39 per unit (4.04%)).

The Finance Act, 2015 has excluded Mutual Funds and Collective Investment Schemes from the definition of 'industrial establishment' subject to WWF under WWF Ordinance, 1971. Accordingly, no provision for WWF is made from July 01, 2015 onwards. However, provision made till June 30, 2015 has not been reversed as the above lawsuit is pending in the SHC.

9.2 Conversion cost

Conversion cost represents expenditure incurred in connection with the conversion of the Fund into an open-end fund and includes fee paid to Securities and Exchange Commission of Pakistan (SECP), CDC charges for transfer of closed end certificates into open-end units, professional charges for revision of constitutive documents and other expenses. These costs have been charged as expense in the year of conversion in accordance with the condition notified by SECP vide its letter no. SCD/NBFC/MF-RS/PSAF/717/2010 dated September 23, 2010. Conversion cost has been initially paid by the management company which will be repaid by the Fund within five years ending on September 23, 2015.

9.3 Federal excise duty payable on management fee

The Finance Act 2013 introduced an amendment to Federal Excise Act 2005 whereby Federal Excise Duty (FED) has been imposed at the rate of 16% of the services rendered by asset management companies. 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 services after the eighteenth amendment. The SHC in its short order dated September 04, 2013 directed the FBR not to take any coercive action against the petitioners pursuant to impugned notices till next date of hearing. In view of uncertainty regarding the applicability of FED on asset management services, the management, as a matter of abundant caution, has decided to retain and continue with the provision of FED and related taxes in these financial statements aggregating to Rs.2.71 million as at June 30, 2015 (2014: Rs.1.347 million). In case, the suit is decided against the Fund the same would be paid to management company, who will be responsible for submitting the same to authorities. Had the said provision of FED and related taxes not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Re.0.04 per unit as at June 30, 2015 (2014: Re.0.04 per unit).

10. Contingencies and commitments

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

11. 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.

	Note	2015 ----- (Rupees in '000) -----	2014
12. REMUNERATION OF MANAGEMENT COMPANY			
Management fee	12.1	7,409	6,947
12.1 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. In compliance with the requirement of the said regulation, the Management Company has charged remuneration at two percent per annum with effect from August 23, 2009 (three percent till August 22, 2009) as the Fund has completed its five years on August 22, 2009.			
13. SALES TAX ON REMUNERATION TO THE MANAGEMENT COMPANY			
The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 15% (2014: 16%) on Management Company's remuneration.			
14. REMUNERATION OF CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
Remuneration to trustee	14.1	741	713

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- 14.1** 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.

	Note	2015 ----- (Rupees in '000) -----	2014
15. ANNUAL FEE - SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee	15.1	<u>352</u>	<u>330</u>

- 15.1** 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.

16. AUDITORS' REMUNERATION

Audit and review fee	325	325
Other certifications and charges	155	148
	<u>480</u>	<u>473</u>

17. TAXATION

The income of the Fund is exempt from income tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realized or unrealized, is distributed amongst the unit holders. The management intends to distribute at least 90% of the income earned during the current year to the unit holders therefore, no provision for taxation has been recorded in these financial statements.

18. 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.

Detail of transactions with connected persons during the year and balances with them at year end are as follows:

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

18.1 Transactions during the year	2015	2014
	----- (Rupees in '000) -----	
MCB-Arif Habib Savings and Investments limited - Management Company		
Remuneration including sales taxes	8,609	8,059
Payment of Conversion cost	1,520	1,520
Legal and professional charges	100	-
Sindh Sales Tax Registration charges	9	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	741	713
Arif Habib Limited - Brokerage house		
Brokerage *	147	124
Next Capital		
Brokerage *	164	7
MCB Bank Limited		
Mark-up income	4,751	2,983
Bank charges	21	10
Dividend income	587	230
D.G Khan Cement Company Limited		
Dividend income	489	248
Nishat Mills Limited		
Issue of 94,497 Bonus units (2014: 316,676 units)	984	3,003
Dividend income	167	423
Nishat Power Limited		
Dividend income	0.44	249
Fatima Fertilizers Limited		
Dividend income	0.16	1,058
Dewan Salman Fibre Limited		
Issue of 231,568 Bonus units (2014: 1,395,908 units)	2,411	13,236
Redemption of 1,760,519 units (2014: Nil units)	17,640	-
Directors and executives of the Management Company		
Issue of Nil units (2014: 120,455 units)	-	1,427
Redemption of Nil units (2014: 109,662 units)	-	1,306
Issue of Bonus 1,438 Units (2013: 2,893 units)	15	28

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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18.2 Balances outstanding at year end	2015	2014
	----- (Rupees in '000) -----	
Management Company		
Remuneration payable	643	585
Sales tax payment on management fee	96	94
Conversion cost payable	2,083	3,603
Sales load payable	53	-
Sales tax payable on sales load	8	-
Legal and professional charges	100	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	64	59
Security deposits	300	300
Arif Habib Limited - Brokerage house		
Brokerage payable	37	46
Next Capital - Brokerage house		
Brokerage payable	48	-
Summit Bank Limited		
Balances with bank	5,109	5,109
MCB Bank Limited		
Balances with bank	418,849	85,935
Accrued mark-up	343	165
Nil shares held as at June 30, 2015 (2014: 36,130)	-	10,888
Nishat Mills Limited		
993,889 units held as at June 30, 2015 (2014: 899,392)	10,207	8,676
Nil shares held as at June 30, 2015 (2014: 8,800)	-	985
Nishat Power Limited		
Nil shares held as at June 30, 2015 (2014: 91,100)	-	3,214
Fatima Fertilizer Company		
58 shares held as at June 30, 2015 (2014: 388,200) - 'held-for-trading'	2	11,258
48,000 shares held as at June 30, 2015 (2014: Nil) - 'available-for-sale'	1,875	-
Dewan Salman Fibre Limited		
2,435,569 units held as at June 30, 2015 (2014: 3,964,520)	25,016	38,242
Directors and executives of the Management Company		
15,124 units held as at June 30, 2015 (2014: 13,686 units)	155	132

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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* The amount disclosed represents the amount of brokerage paid to connected persons and not the purchase or sale value of securities transacted through them. The purchase or sale value has not been treated as transactions with connected persons as the ultimate counter parties are not connected persons.

19. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

19.1 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
Mr. Muhammad Asim	Chief Investment Officer	MBA & CFA	12
Mr.Saad Ahmed	Senior- Manager Fixed Income	MBA	8
Mr.Mohsin Pervaiz	Vice President - Investments	MBA & CFA Level-1	14
Ms.Manal Iqbal	Head of Research	MBA & CFA	6

19.2 Mr. Mohsin Pervaiz is the Fund Manager. He is also the Fund Manager of MCB Pakistan Stock Market Fund and MCB Islamic Income Fund.

20. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID **2015**

	2015 %
Arif Habib Limited	8.53
Al-Habib Capital Market (Private) Limited	7.75
Next Capital Limited	7.66
Habib Metro Financial Services	7.01
Top Line Securities (Private) Limited	6.74
JS Global Capital Limited	6.02
DJM Securities (Private) Limited	5.85
Pearl Securities Limited	4.76
Shajar Capital Pakistan (Private) Limited	4.60
KASB Securities Limited	4.06

	2014 %
Optimus Capital Management (Private) Limited	12.36
Topline Securities (Private) Limited	7.77
Foundation Securities (Private) Limited	7.60
Standard Capital Securities (Private) Limited	6.82
Arif Habib Limited	6.28
Invest Capital Markets Limited	5.42
Elixir Securities Pakistan (Private) Limited	5.01
JS Global Capital Limited	4.87
KASB Securities Limited	4.18
Shajar Capital Pakistan (Private) Limited	3.81

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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21. 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	1,188	21,767,380	223,577	33.57
Insurance companies	3	2,226,310	22,867	3.43
Bank / DFIs	3	1,176,977	12,089	1.82
Retirement funds	17	6,721,630	69,040	10.37
Associated companies	3	25,407,951	260,972	39.19
Others	3	1,932,203	19,846	2.98
Foreign companies	9	369,801	3,798	0.57
NBFC	2	298,169	3,063	0.46
Corporate	15	4,930,360	50,641	7.61
	1,243	64,830,781	665,893	100.00

As at June 30, 2014				
	Number of unit holders	Number of Units held	Investment amount (Rupees in '000)	Percentage investment %
Individuals	1,280	22,947,695	221,358	61.84
Insurance companies	2	1,879,729	18,132	5.07
Bank / DFIs	2	838,665	8,090	2.26
Retirement funds	13	2,775,413	26,772	7.48
Associated companies	2	899,392	8,676	2.42
Others	1	1,195,307	11,530	3.22
Foreign companies	9	305,438	2,946	0.82
NBFC	2	19,788	191	0.05
Corporate	16	6,245,588	60,246	16.84
	1,327	37,107,015	357,941	100.00

22. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

During the year, six board meetings were held on July 28, 2014, September 09, 2014, October 20, 2014, February 02, 2015, April 24, 2015 and June 28, 2015. Information in respect of attendance by Directors in the meetings is given below:

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

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

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

23. FINANCIAL RISK MANAGEMENT

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

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

The Fund financial assets primarily comprise of balance with banks, investment in equity securities of listed companies classified at 'fair value through profit or loss' - held-for-trading 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.

23.1 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.

23.1.1 Currency risk

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

23.1.2 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.

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

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 bank in deposit account exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on June 30, 2015, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs.4.17 million (2014: Rs.0.87 million).

b) Sensitivity analysis of fixed rate instruments

As at June 30, 2015 the Fund does not hold 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.

	----- June 30, 2015 -----					Total
	Exposed to yield / interest rate risk				Not 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		
----- Rs in '000 -----						
On-balance sheet financial instruments						
Financial assets						
Balances with banks	6 - 9	417,046	-	-	16,206	433,252
Investments		-	-	-	250,274	250,274
Receivable against sale of investments		-	-	-	29,706	29,706
Dividend and profit receivable		-	-	-	1,209	1,209
Security deposits		-	-	-	2,800	2,800
		<u>417,046</u>	<u>-</u>	<u>-</u>	<u>300,195</u>	<u>717,242</u>
Financial liabilities						
Payable to Management Company		-	-	-	900	900
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	64	64
Unclaimed dividend		-	-	-	12,400	12,400
Payable against purchase of equity securities		-	-	-	11,198	11,198
Accrued expenses and other liabilities		-	-	-	3,234	3,234
		<u>-</u>	<u>-</u>	<u>-</u>	<u>27,796</u>	<u>27,796</u>
On-balance sheet gap		<u>417,046</u>	<u>-</u>	<u>-</u>	<u>272,399</u>	<u>689,445</u>

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**

----- June 30, 2014 -----						
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	6 - 9	87,222	-	-	12,425	99,647
Investments		-	-	-	277,307	277,307
Receivable against sale of investments		-	-	-	12,401	12,401
Dividend and profit receivable		-	-	-	618	618
Security deposits		-	-	-	2,800	2,800
		<u>87,222</u>	<u>-</u>	<u>-</u>	<u>305,551</u>	<u>392,773</u>
Financial liabilities						
Payable to Management Company		-	-	-	679	679
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	59	59
Unclaimed dividend		-	-	-	12,400	12,400
Accrued expenses and other liabilities		-	-	-	5,641	5,641
		<u>-</u>	<u>-</u>	<u>-</u>	<u>18,779</u>	<u>18,779</u>
On-balance sheet gap		<u>87,222</u>	<u>-</u>	<u>-</u>	<u>286,772</u>	<u>373,994</u>

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

23.1.3 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 - held-for-trading 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 total comprehensive income for the year and net assets would increase/ decrease by Rs.12.60 million (2014: Rs.14.38 million) as a result of gains / losses on equity securities classified as available-for-sale and at fair value through profit or loss - held-for-trading.

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.

23.2 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, profit and other receivable. 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 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

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

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

Credit risk from balances with banks and financial institutions is managed in accordance with the Fund's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are approved by the Board of Directors. The limits are set to 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	433,252	99,647
Receivable against sale of investments	29,706	12,401
Dividend and profit receivable	1,209	618
	464,167	112,666

All deposits with National Clearing Company of Pakistan Limited and Central Depository Company of Pakistan Limited - CDC are highly rated and risk of default is considered minimal.

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	Rating	2015	2014
	Long-term / short-term	----- (Rupees in '000) -----	
Deposit accounts			
Habib Metropolitan Bank	AA+ / A1+	1,678	1,372
MCB Bank Limited	AAA / A1+	415,368	8,041
		417,046	9,413
Current accounts			
Standard Chartered Bank Limited	AAA / A1+	7,305	7,312
Summit Bank Limited	A / A-1	5,109	5,109
United Bank Limited	AA+ / A-1+	310	-
MCB Bank Limited	AAA / A1+	3,481	-
		16,205	12,421
		433,251	21,834

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.

Receivables against sale of units

These represents amount held under distribution accounts maintained by the management company for receipt of subscription money from unit holders. The amount has been cleared subsequently by the management company.

Advances and 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.

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

Concentration of credit risk

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

Settlement risk

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

23.3 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, 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 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.

	June 30, 2015			
	Up to three months	Over three months and up to one year	Over one year	Total
	(Rupees in '000)			
Liabilities				
Payable to Management Company	900	-	-	900
Payable to Central Depository				
Company of Pakistan Limited - Trustee	64	-	-	64
Unclaimed dividend	12,400	-	-	12,400
Payable against purchase of equity securities	11,198	-	-	11,198
Accrued expenses and other liabilities	1,151	2,083	-	3,234
	25,714	2,083	-	27,796

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

	----- June 30, 2014 -----			
	Up to three months	Over three months and up to one year		Total
		Over one year		
	----- (Rupees in '000) -----			
Liabilities				
Payable to Management Company	679	-	-	679
Payable to Central Depository Company of Pakistan Limited - Trustee	59	-	-	59
Unclaimed dividend	12,400	-	-	12,400
Accrued expenses and other liabilities	2,038	3,603	-	5,641
	15,176	3,603	-	18,779

23.4 Financial instruments by category

	----- June 30, 2015 -----			
	Loans and receivables	At fair value through profit or loss		Total
		Available-for- sale investments		
	----- (Rupees in '000) -----			
Assets				
Balances with banks	433,252	-	-	433,252
Investments	-	66,630	183,644	250,274
Receivable against sale of investments	29,706	-	-	29,706
Dividend and profit receivable	1,209	-	-	1,209
Security deposits	2,800	-	-	2,800
	466,967	66,630	183,644	717,242

	----- June 30, 2015 -----			
		Liabilities at fair value through profit or loss		Total
		Other financial liabilities		
	----- (Rupees in '000) -----			
Liabilities				
Payable to Management Company	-	900	-	900
Payable to Central Depository Company of Pakistan Limited - Trustee	-	64	-	64
Unclaimed dividend	-	12,400	-	12,400
Payable against purchase of equity securities	-	11,198	-	11,198
Accrued expenses and other liabilities	-	3,234	-	3,234
	-	27,795	-	27,795

	----- June 30, 2014 -----			
	Loans and receivables	At fair value through profit or loss		Total
		Available-for- sale investments		
	----- (Rupees in '000) -----			
Assets				
Balances with banks	99,647	-	-	99,647
Investments	-	277,100	207	277,307
Receivable against sale of investments	12,401	-	-	12,401
Dividend and profit receivable	618	-	-	618
Security deposits	2,800	-	-	2,800
	115,466	277,100	207	392,773

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

	----- June 30, 2014 -----		
Liabilities	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	----- (Rupees in '000) -----		
Payable to Management Company	-	679	679
Payable to Central Depository Company of Pakistan Limited - Trustee	-	59	59
Unclaimed dividend	-	12,400	12,400
Accrued expenses and other liabilities	-	5,641	5,641
	-	18,779	18,779

23.5 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.

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

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

- Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2:** inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (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 securities				
- Held-for-trading	66,630	-	-	66,630
- Available-for-sale	183,644	-	-	183,644
	250,274	-	-	250,274
	----- June 30, 2014 -----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Investment in equity securities				
- Held-for-trading	277,100	-	-	277,100
- Available-for-sale	207	-	-	207
	277,307	-	-	277,307

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

24. UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

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

Under the NBFC Regulations 2008, the minimum size of an open end scheme shall be one hundred million rupees at all the times during the life of the scheme.

25. SUBSEQUENT EVENTS

The Fund has been converted into shariah compliant equity scheme from July 01, 2015. The new name of the Fund is "MCB Pakistan Islamic Stock Fund" (MCB-PISF).

26. GENERAL

Figures have been rounded off to the nearest thousand Rupees.

27. DATE OF AUTHORIZATION OF ISSUE

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

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



Chief Executive Officer



Director

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

Category	No.of Unit Holders	Units
Associated Companies, undertakings and related Parties		
Nishat Mills Limited	1	993,889
D.G. KHAN CEMENT COMPANY LTD EMPLOYEES PROVIDENT FUND TRUST	1	402,955
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance, Insurance Companies, Modarbas and Mutual Funds.		
	6	3,403,287
Individuals	1,188	21,767,380
Others	46	35,827,701
Unitholders holding 5 percent or more Voting interest in the listed company		
DEWAN SALMAN FIBRE LIMITED	1	2,435,569
	1,243	64,830,781

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

No. of Unit Holder	Unit holdings	Total Units Held
890	1-10000	3,237,739
285	10001-100000	9,981,348
60	100001-1000000	15,060,091
8	1000001 onwards	36,551,604
1,243		64,830,781



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



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